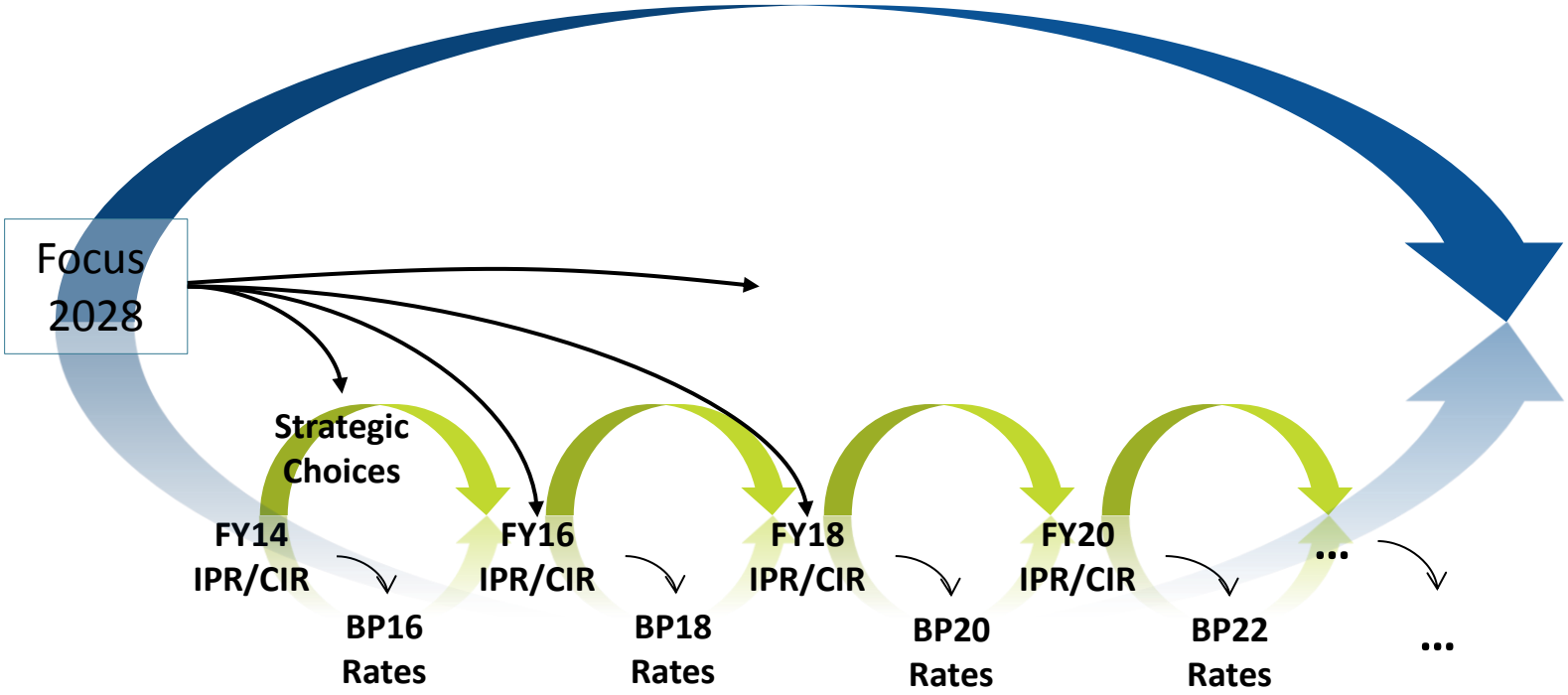
Wrap-up

February 12, 2016

You have all been wonderful!

THANK YOU

BPA Focus 2028

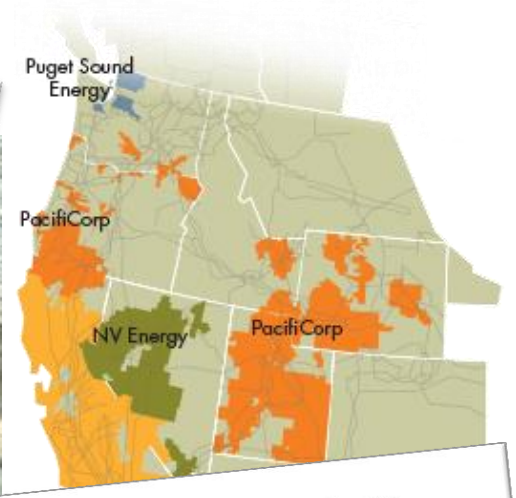


Kick-off Recap

- BPA's vision of being an engine of economic prosperity and environmental sustainability remains strong.
- BPA's goal is to be low cost provider to customers beyond 2028.
- There are a significant risks and uncertainties.
- Significant choices to be made investing in programs and physical assets. BPA wants to ensure investments are made wisely.
- We need to think of the long-term when making decisions.
- Reference Case is a strong tool. Offers a basis for comparing alternatives. The Reference Case is not a forecast of 2030 rates.

Future

CYBER & GRID SECURITY • NEW REGULATIONS • CLIMATE CHANGE • ENVIRONMENTAL STEWARDSHIP • SECONDARY REVENUES • MARKET EVOLUTION • ASSET MAINTENANCE • DISTRIBUTED GENERATION • COMPETITIVENESS



forecasted electricity production from variable generation resources, wind and solar. These curves capture the forecast variability. The daily net load curves capture one aspect of forecasted variability. There will also be variability intra-hour and day-to-day that must be managed. The ISO created curves for every day of the year from 2012 to 2020 to illustrate how the net load following need varies with changing grid conditions.

Ramping flexibility

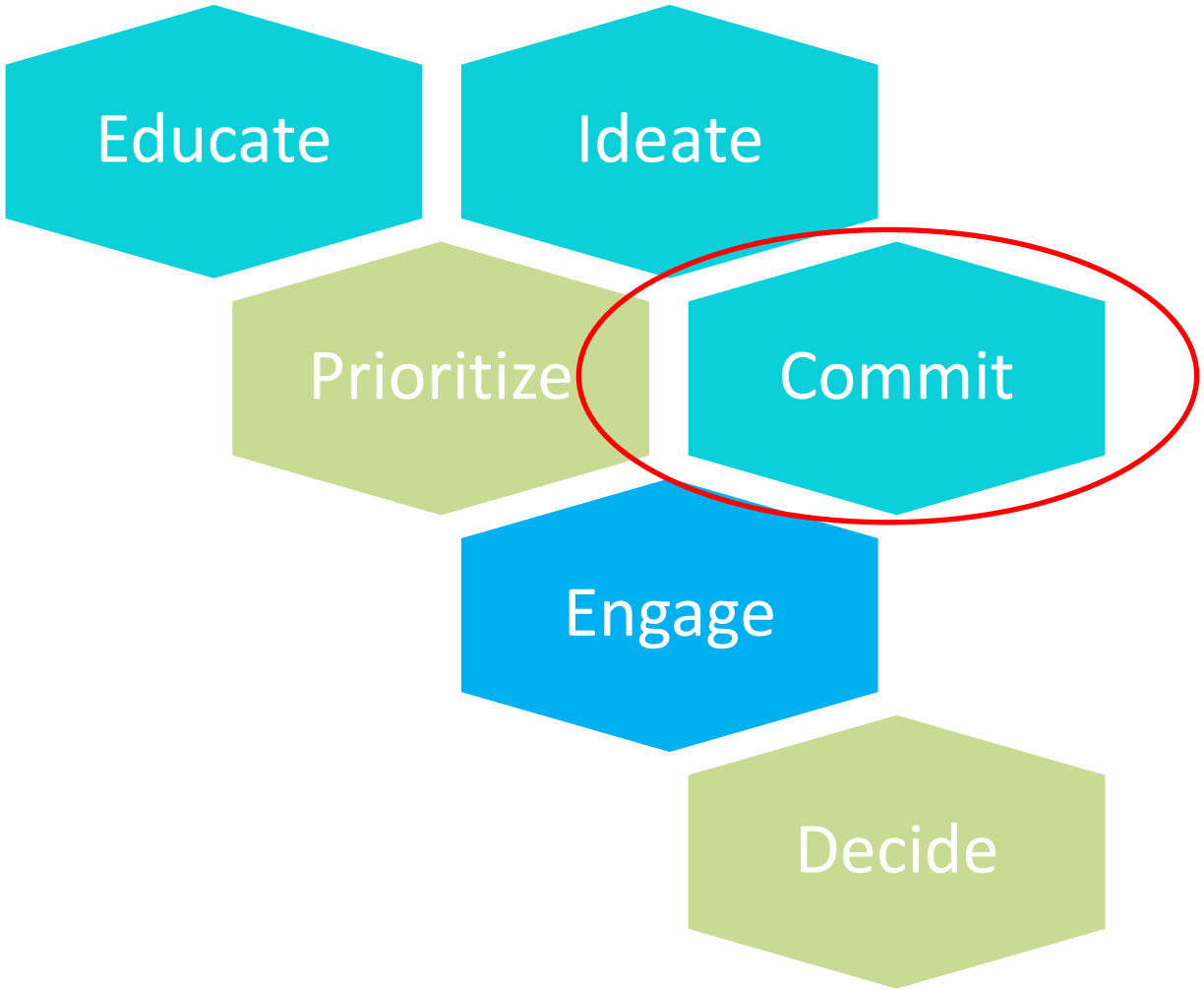
The ISO needs a resource mix that can react quickly to adjust electricity production to meet the sharp changes in electricity net demand. **Figure 1** shows a net load curve for the January 11 study day for years 2012 through 2020. This curve shows the megawatt (MW) amounts the ISO must follow on the y axis over the different hours of the day shown on

Figure 1 Net load - January 11

What We Heard

- Speed and agility are critical to competitiveness in fast changing landscape.
- Competitiveness is a nuanced concept. BPA should consider differences among customers as it considers competitiveness.
- Implications of low load-growth projections.
- BPA should demonstrate rigorous cost control, careful prioritization, and sequencing of investments.
- Diversity of stakeholders is challenging. Will not agree on everything, but there is common ground.
- BPA's view of success must go beyond financial health and encompass the environmental health of the Basin.
- BPA should set rate goals – and meet or beat them
- Big changes are coming including market evolution, technology advancements, climate change regulations, and physical changes to the climate.
  - Consumers want renewables, low cost, and high reliability.
  - BPA needs to manage resources to meet the evolving environment.
  - The PNW needs to adjust to the world around us.

Focus 2028



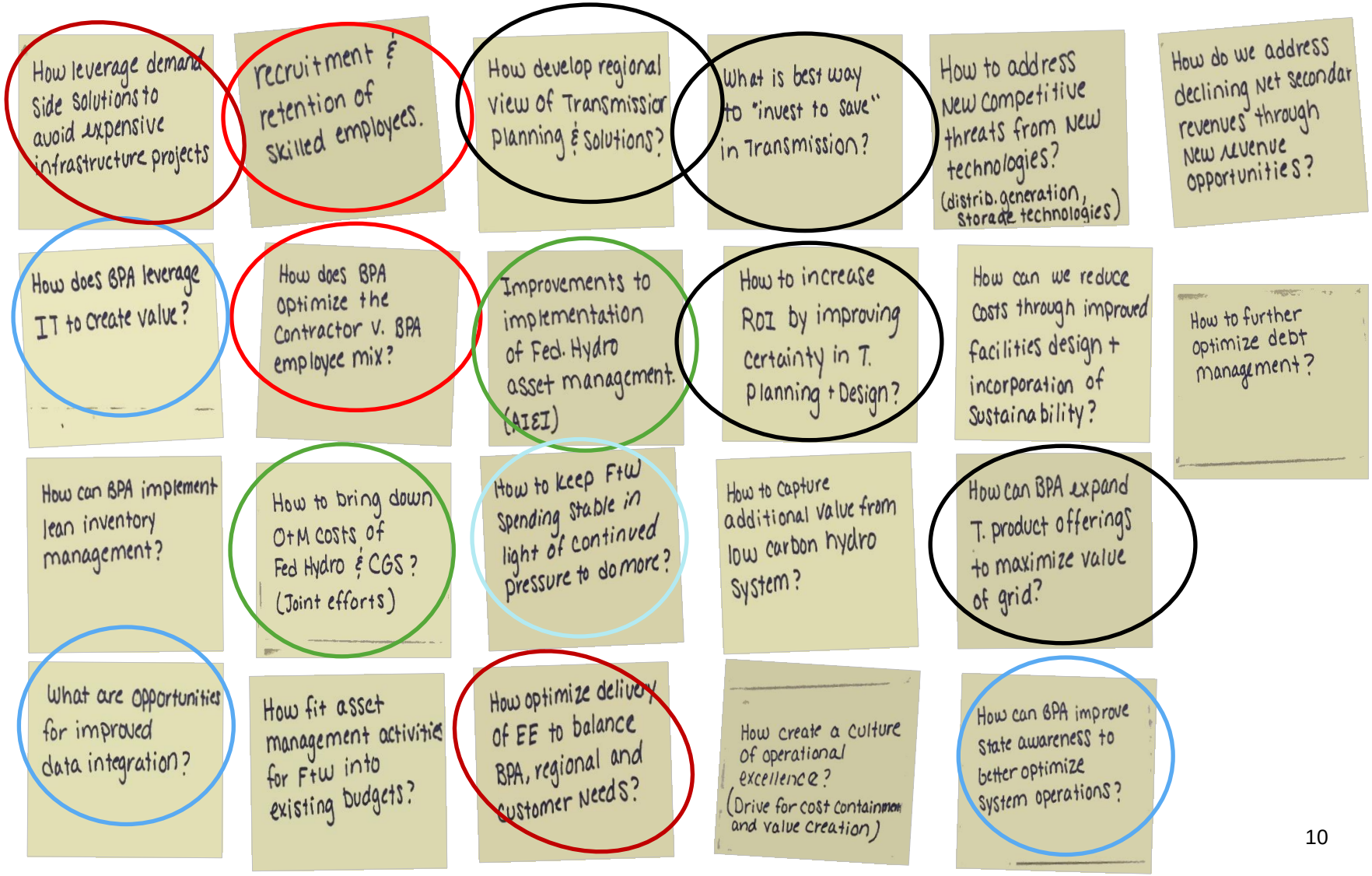
Did we get it all?

WHAT WE HEARD THIS WEEK

Kick-off Q&A


What should the prioritization criteria be?
How does BPA roll up efforts in a way that ensures competitiveness?
How will market changes impact cost competitiveness over time
transparency & value in cost increases
How should BPA prioritize these initiatives? (what are criteria)
How create more certainty on rate increases given 2-yr rate periods
Additional development of reference case & long term cost projections
Rec: Set hard targets to drive internal work toward a competitive outcome.
How create visibility into what costs are and why?
Develop more robust out year forecasts and incorporate those into the reference case
Maintaining long term focus balanced with shorter term rates
Prioritizing actions by providing greatest value at lowest possible cost.
Develop a revised Strategic plan
Develop a long-term plan (e.g. 15 years)
Can have good things done well & still end up ast not cost competitive
Challenge
Need rate certainty by year so utilities can do their own long-term planning
Sequencing opportunities
Imbed a rate path in the Strategic plan.
How align BPA employees & region around a common vision?

Kick-off Panel



Cost Management

Managing for Financial Health

Managing for Financial Health (continued)

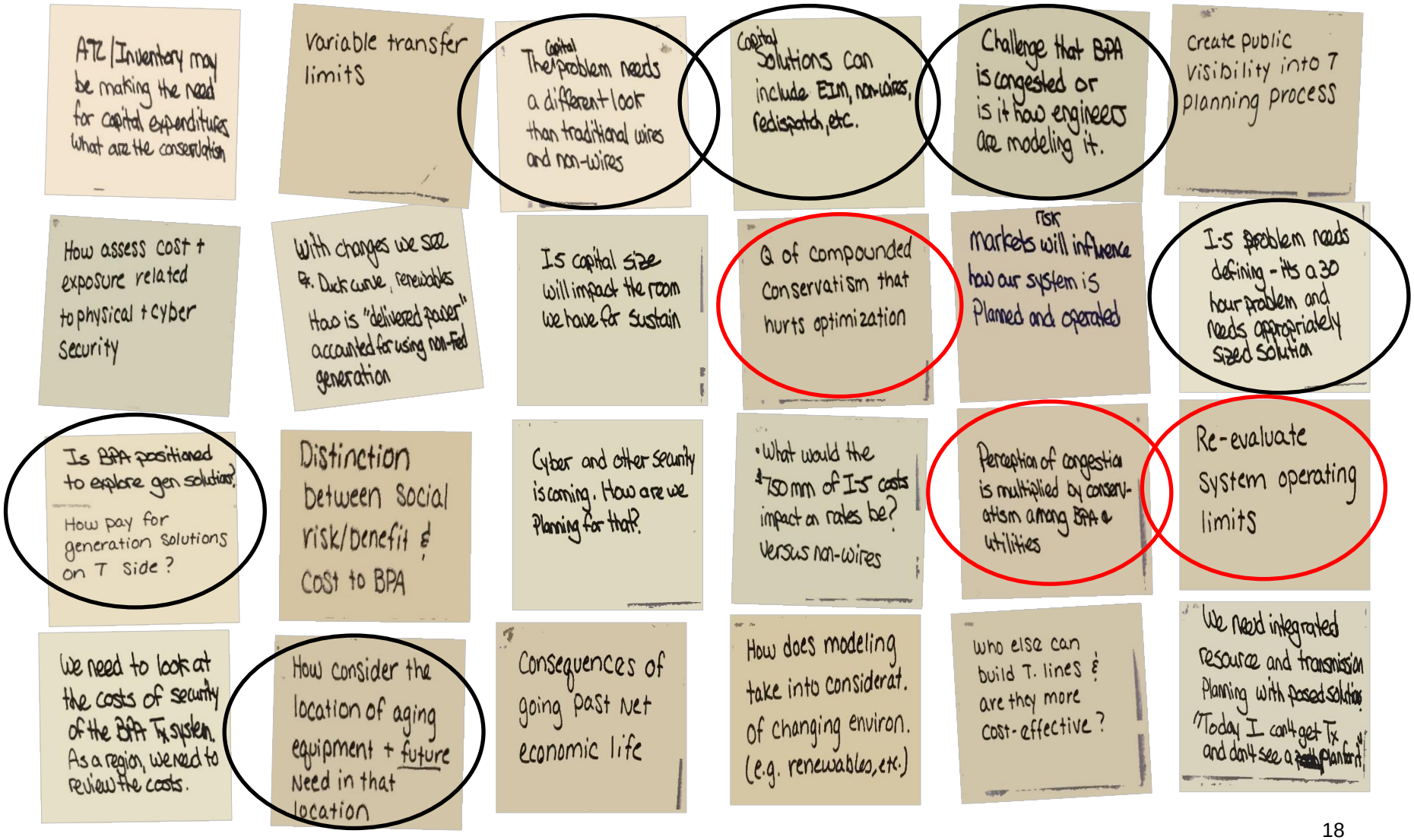
Federal Hydro

Fish and Wildlife

Energy Efficiency

Energy Efficiency (continued)

Transmission



Transmission (continued)

Transmission (continued)

Tension in Our System

- Play it Safe ⟺ Innovate
- Look Long Term ⟺ Next Rate Period
- Certainty of Rates ⟺ Uncertain Future
- Lowest Possible BPA Costs ⟺ Strong Environmental Stewardship

What have we missed?

QUESTIONS AND INPUT

Wrap-up Inclusion