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March 5, 2024

MEMORANDUM

TO: Council Members

FROM: Patty O'Toole, Fish and Wildlife Division Director

SUBJECT: Overview of the Bonneville Integrated Program Review and Rate Case processes for the BP-26 Rate Period

BACKGROUND:

Presenter: Benjamin Agre, Manager, Financial Analysis & Forecasting, Bonneville Power Administration

Summary: Ben will provide an overview of the Integrated Program Review and Rate Case processes used by the Bonneville Power Administration

Relevance: Bonneville will begin their Integrated Program Review process for the upcoming Rate Case this spring. The Council or individual Council members may wish to participate in these processes.

Background:

At the March Council meeting, The Council will hear from the Bonneville Power Administration about their upcoming **Integrated Program Review (IPR)**. The IPR allows interested parties to see and comment on all relevant BPA capital and expense spending level estimates. The IPR just prior to each rate case and is the public review for the costs that will be recovered through rates the following three-year rate period.

BPA is a self-financed Federal agency. This means that BPA does not receive appropriations or tax dollars instead BPA establishes rates to be

charged for power and transmission services in a rate proceeding (**Rate Case**), a formal hearing process. BPA's rates must be set so that BPA will be able to recover its total costs, including obligations to repay its debt to the Federal Treasury. At the conclusion of the rate proceeding, the Administrator issues a Final Record of Decision, which includes BPA's final rates. BPA then files its final rates with the Federal Energy Regulatory Commission for confirmation and approval.

More Info:

Bonneville Power Administration [website](#)

See attached slides.

BPA Integrated Program Review (IPR) Overview

NWPCC

3/13/2024

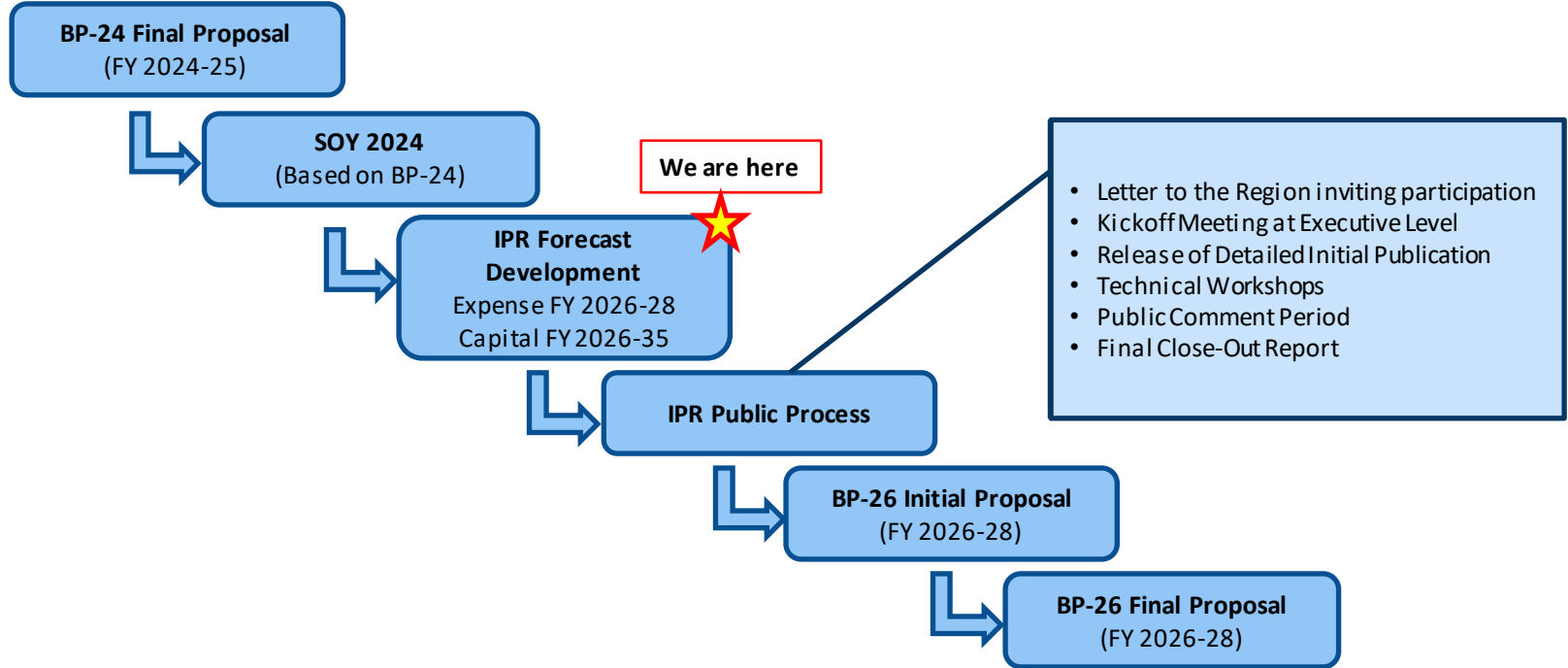


Pre-Rate Case Processes

The rate case is an official legal proceeding defined by the Northwest Power Act. Several informal processes lay the groundwork for the rate case:

- **Integrated Program Review (IPR)**
- Debt management workshops
- Pre-rate case workshops
 - Discuss issues of interest for the upcoming rate case
 - Can be hold-over issues from the last rate case or changes envisioned for the future

How IPR Fits in



What is IPR

What is IPR:

The IPR is a public process that allows interested parties to see and comment on FCRPS capital and expense forecasts in advance of each rate case.

Why hold the IPR:

- It provides customers and other interested parties with transparency BPA committed to under its 2008 Regional Dialogue Policy
- Discussing forecast costs in advance simplifies the rate case process.

What is Included in IPR

- **Agency expense and capital cost forecasts that will be recovered through rates are developed during IPR.**
 - **Major cost categories include:** Transmission; Federal Hydro; Facilities; Information Technology; Energy Efficiency; Environment, Fish and Wildlife, Security.
- **The following are not set in IPR:**
 - Loads and resources, financial reserves levels, revenue credits (including secondary sales and power purchases), billing determinants, and rate design.
- **The following programs may be described and estimates provided in the IPR, but final estimates are modeled and finalized in the rate case:**
 - Long-term generating projects, reimbursable energy efficiency, transmission reimbursable costs, non-operating generation, residential exchange, transmission acquisition and ancillary services, depreciation, amortization, net interest expense, and non-federal debt service.

IPR Process

- The IPR occurs just prior to the start of each rate case and has the following major steps.
 - BPA develops and reviews forecasts (winter/spring)
 - BPA releases an initial publication and holds public workshops. (summer)
 - Public comment period (summer)
 - BPA issues a close-out report (early fall). This report describes the expense and capital forecasts that will be included in the upcoming rate case.

IPR Public Process

- The primary source of information for IPR participants is the Initial Publication.
 - The Initial Publication discusses program objectives and cost forecasts. It is a valuable resource for programmatic information.
 - Prior IPR Reports: [BP-24 IPR Initial Publication](#) and [BP-24 IPR Close-Out Report](#)
- Participation is broad, ranging from special interest groups, tribes, investor-owned utilities, public utility districts and organizations such as the Public Power Council and Northwest Requirements Utilities.

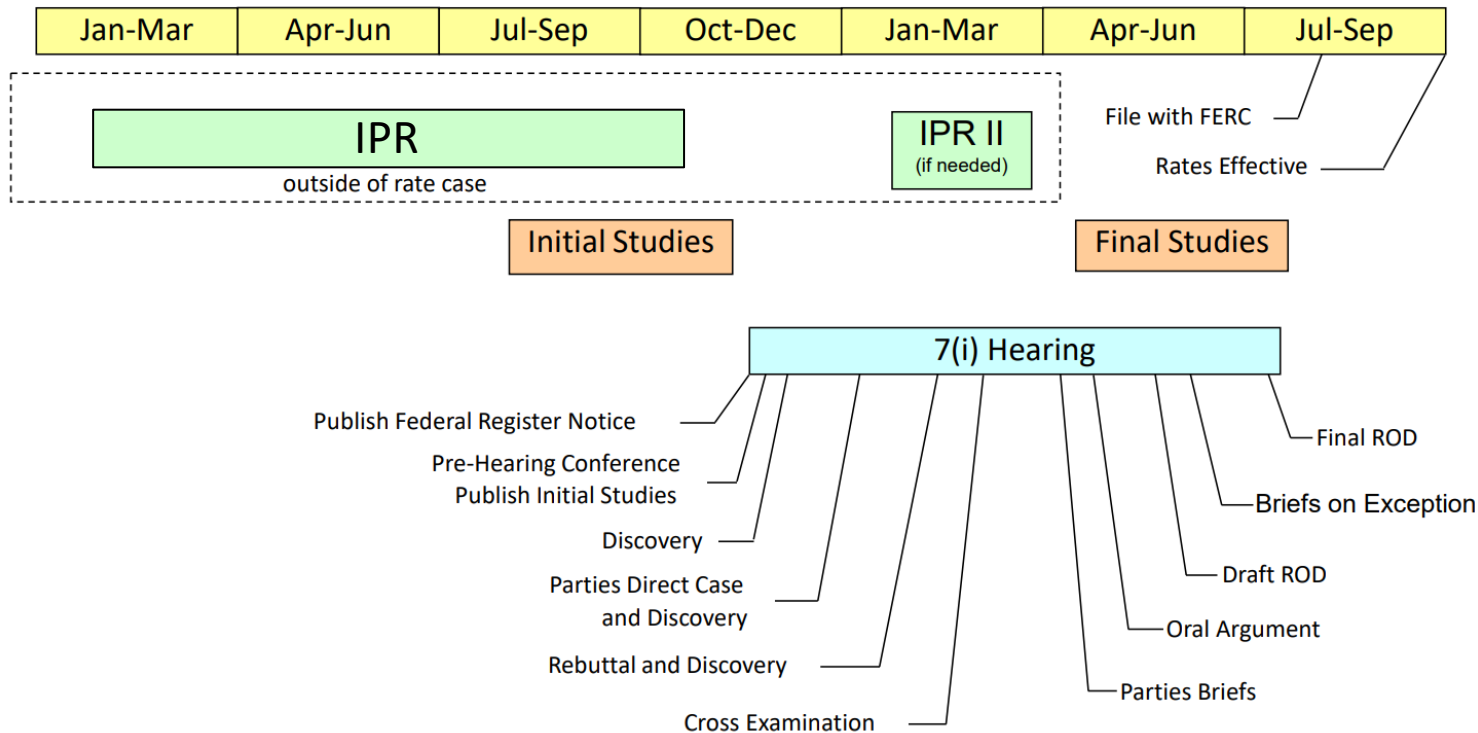
BP-26 IPR: Three Year Rate Period

- Most IPRs and rate cases cover costs and rates for a two-year rate period.
 - e.g. BP-24 covered FY 2024 & 2025.
- To align with BPA's Regional Dialogue contracts, the BP-26 IPR and BP-26 Rate Case will cover three years: FY 2026 – 2028.

Questions



Appendix: Typical Timeline



Appendix: Why do we host the IPR?

- In 2008, BPA signed new long-term power sales contracts with customers called Regional Dialogue Contracts.
- BPA's IPR and Quarterly Business Review* process address the regional cost review portion of the Regional Dialogue Policy**.
- The IPR and the QBR forecast processes address customer requests to provide input on BPA's projected cost levels for the next rate period and review costs. They fulfill BPA's Regional Dialogue policy obligation to assure its decision-making is open and transparent.

***What is the Quarterly Business Review?**

The Quarterly Business Review is a quarterly public meeting focused on sharing cost trends (year-to-date and forecasts) along with decisions influencing BPA's finances (such as debt management actions).

****Regional cost review in BPA's Regional Dialogue Policy:**

BPA will, in a separate process, establish a regional cost review cost control process which will, among other things, address agency capital and expense costs (replacing Capital Planning Review (CPR), Power Function Review (PFR), and Transmission's Programs in Review (PIR)) and examine major anticipated policy decisions that affect costs and explore potential alternatives.

BPA is committed to ensuring regular access to clear and transparent financial information and frequent opportunities for meaningful input into BPA cost and program decisions.

Appendix: The Rate Setting Process

Rate case = Legal Procedure defined in Section 7(i) of the Northwest Power Act

- Notice of the proposed rates shall be published in the Federal Register; ex parte begins (limits contact between BPA and parties)
- BPA publishes its initial rate proposal
- BPA's customers and other stakeholders review BPA's proposal
- Parties propose modifications or improvements
- BPA and other parties can respond to alternative proposals
- Parties file briefs making legal/factual arguments supporting their views.
- Parties afforded an opportunity to present oral argument before the Administrator
- The Administrator considers all views, evidence, and arguments and issues a draft decision.
- Parties can object to draft decisions or clarify their positions
- The Administrator makes final decision.
- Administrator files rates with FERC for approval.
- Rates are effective after confirmation and approval by the FERC

Appendix: Review of BPA's Rates

- **Customers and stakeholders participate in rate setting process**
- **Necessity of FERC Approval**
 - Rates become final upon confirmation and approval by the FERC
 - FERC jurisdiction is limited to:
 - Sufficient to assure repayment of the Federal investment
 - Based on the Administrator's total system costs
 - Equitably allocate transmission costs between Federal and non-Federal power (users of the transmission system)
 - FERC does not consider
 - Cost allocations
 - Rate design
 - Rates filed with FERC reviewed for sufficiency
 - 60-day interim approval period
 - Usually about 6 months for final approval
- **After FERC approval, ratemaking may be appealed to the Ninth Circuit**