

**Richard Devlin**  
Chair  
Oregon

**Ted Ferrioli**  
Oregon

**Guy Norman**  
Washington

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Washington



## Northwest Power and Conservation Council

**Bo Downen**  
Vice Chair  
Montana

**Jennifer Anders**  
Montana

**Jim Yost**  
Idaho

**Jeffery C. Allen**  
Idaho

August 12, 2020

### DECISION MEMORANDUM

**TO:** Council members

**FROM:** Sandra Hirotsu  
Administrative Division Director

**SUBJECT:** Decision to adopt Fiscal Year 2022 and Fiscal Year 2021 Revised budget

**PROPOSED ACTION:** Staff recommends the Council approve adoption of the revised Fiscal Year 2022 and Fiscal Year 2021 Revised budget as proposed in this memo. Staff also recommends that the Council authorize reprogramming of available Fiscal Year 2020 funds for unanticipated Fiscal Year 2020 costs.

**SIGNIFICANCE:** The funding necessary for the Council to carry out its activities and responsibilities under the Northwest Power Act is provided by the Bonneville Power Administration based on the Council's adopted budget. Following public comment, the Council adopts its budget in July or August of each fiscal year and forwards the adopted budget to Bonneville for inclusion in its budget transmittal to Congress.

### BUDGETARY/ECONOMIC IMPACTS

The draft budget released for public comment proposed a Fiscal Year 2021 Revised budget of \$11,744,000 and a Fiscal Year 2022 budget of \$12,042,000. These budgets are both below the calculation of the budget cap, based on the forecast of firm power sales that Bonneville provided to the Council as specified in the Northwest Power Act.

In response to the comments received, the Council is identifying additional cost savings that reduce the proposed budget for Fiscal Year 2022 by an additional \$100,000 and reduce the budget estimate for Fiscal Year 2023 by \$150,000. The savings represent reductions in overall compensation anticipated to occur prior to Fiscal Year 2022 as well as other cost savings resulting from naturally occurring attrition in Council staff.

## **BACKGROUND AND ANALYSIS**

In May, the Council released a draft budget document for a 48-day public comment period including an opportunity to receive oral comments at the June Council meeting in Portland. The Council received two written comments.

Bonneville Power Administration (BPA) requested the Council adopt a flat budget for Fiscal Year 2022 and Fiscal Year 2023 relative to the budgets for Fiscal Years 2020 and 2021. This is consistent with the approach BPA is taking in the Integrated Program Review which will establish BPA's budgets for Fiscal Years 2022 and 2023 and which will carry into BPA's rate case (BP-22) when it starts up this fall. BPA requests the Council scrutinize all its costs and explore additional options to find savings in Fiscal Year 2022 and in the budget projection for Fiscal Year 2023.

Public Power Council (PPC) and Northwest Requirements Utilities (NRU) submitted a joint comment on the proposed budget for Fiscal Year 2022. Members of their organizations are utilizing financial reserves, furloughing or laying off personnel, cutting program spending and accessing short-term lines of credit in order to manage through the economic hardship in the region resulting from the COVID-19 pandemic. The comment noted that in response to PPC/NRU advocacy, BPA proposed to hold its Power Services expenditures flat compared to the previous rate case level and PPC/NRU are requesting the Council do the same so that PPC/NRU can ensure the communities they serve have affordable and reliable electricity.

As noted by BPA, over the last decade, the Council budget has grown at a rate below the rate of inflation and the Council has a long history of establishing budgets that consider the financial interests of both Bonneville and its customer utilities. The Council recognizes the economic hardship the region has experienced and will continue to experience as a result of COVID-19 and the measures Bonneville and the Public Power Council are taking to reduce their budgets in Fiscal Years 2022 and 2023 as a result.

## **STAFF RECOMMENDATION**

1. Staff recommends the Council adopt the Fiscal Year 2021 budget of \$11,744,000 as proposed in the draft budget released for public comment.
2. Staff recommends reducing the Fiscal Year 2022 budget by \$100,000 from what was set forth in the draft budget; and which represents overall reductions in staff compensation and benefits along with other cost-saving efficiencies to be implemented. This will result in a Fiscal Year 2022 budget of \$11,942,000.

The Council will continue to look for additional savings over the next year in anticipation of more clarity with respect to COVID-19's economic impact and the Council will re-examine the Fiscal Year 2022 budget next year during the annual budget development process.

The \$11,942,000 budget proposed for Fiscal Year 2022 represents an increase of 1.6% over the Fiscal Year 2021 Revised budget--as opposed to the 2.5% increase projected in the draft budget.

3. Staff also recommends reducing the projected Fiscal Year 2023 budget by \$150,000 representing a similar overall reduction in staff compensation and benefits. This results in a projection of \$12,431,000 for Fiscal Year 2023. Note that the Fiscal Year 2023 projection is not being adopted by the Council at this time. The Council will have an opportunity to revise both the FY2022 and develop a budget for FY2023 when the next budget cycle begins in approximately February 2021.

## **ATTACHMENTS**

Comment from Bonneville Power Administration

Joint comment from Public Power Council and Northwest Requirements Utilities



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

June 30, 2020

In reply refer to: DI-7

Richard Devlin  
Northwest Power and Conservation Council  
851 SW 6th Avenue, Suite 1100  
Portland, OR 97204-1348

Dear Chair Devlin:

Thank you for the opportunity to comment on the Northwest Power and Conservation Council's revised 2021 and proposed 2022 budgets. As discussed with the Council in May, the Bonneville Power Administration (Bonneville) is currently conducting its Integrated Program Review (IPR) for the BP-22 Rate Case. The IPR will establish budgets for fiscal years 2022 and 2023.

Consistent with Bonneville's Strategic Plan to keep costs at or below the rate of inflation through 2028, Bonneville business units strived to keep 2022 and 2023 IPR budgets flat relative to budgets for 2020 and 2021. Bonneville also worked with some of the outside organizations it funds, including the Corps of Engineers, Bureau of Reclamation and Energy Northwest, to keep budgets as flat as possible for the next rate period. We are grateful for their efforts to work with us.

The Council has a long history of establishing budgets that consider the financial interests of both Bonneville and its customer utilities. Over the last decade, the Council has developed its annual budget under the rate of inflation and helped manage costs through multi-year budget agreements. These actions are much appreciated, as is the Council's revised 2021 budget of \$11,744,000, which represents a slight decrease from the proposed 2021 budget issued last year. We value that the Council is being flexible and cognizant of the current financial uncertainty regionally in finding savings below what it originally projected for the BP-20 IPR.

For the FY 2022 proposed budget and the projection for 2023 included in BP-22 IPR, we ask that the Council continue to scrutinize all of its costs and explore any options for additional savings. As things currently stand, the Council's proposed 2022 and forecasted 2023 budgets are not flat relative to its IPR numbers for 2020 and 2021. In addition, the proposed budget for 2022 would be the largest single year budget increase since 2016.

In conversations with Council staff, we understand that there are some specific budget areas that may merit increases as the Council assesses its future budget and operational needs. However, given the financial uncertainty that currently exists and the financial goals identified in our

strategic plan, we encourage the Council to seek to offset any increases with reductions in other areas as it further considers its budgets for FY 2022 and 2023.

Thank you again for the opportunity to comment.

Sincerely,

Peter T. Cogswell  
Director, Intergovernmental Affairs  
Bonneville Power Administration

June 26, 2020

RE: PPC and NRU Comments on Proposed 2022 Budgets

Public Power Council (“PPC”) and Northwest Requirements Utilities (“NRU”) submit these comments in response to the Northwest Power and Conservation Council (“NWPC”) proposed budget for FY 2022.

PPC and NRU represent 99 consumer-owned, not-for-profit electric utilities across the Pacific Northwest. Our members pay about 95% of the Bonneville Power Administration’s (“BPA”) Power revenue requirement, which represents over \$2.5 billion in annual revenues to BPA. This includes full funding of the NWPPC. Affordable and reliable power supply is essential to our members and the consumers they serve across the region. This is especially true as the region is experiencing unprecedented economic hardship due to the COVID-19 pandemic, and the NWPC’s budget and cost-saving actions should be reflective of this.

PPC and NRU’s members are taking extraordinary measures to ensure the communities they serve can continue to have affordable and reliable electricity despite massive unemployment and a significant economic downturn. Examples of actions that our members are taking include utilizing their financial reserves, cutting program spending, accessing short-term lines of credit, and furloughing or laying off personnel. Our members are suspending disconnection of non-paying accounts, even as the number of non-paying accounts increase, and are expanding retail customer assistance programs.

PPC and NRU have advocated for affordable and reliable power supply, even prior to the COVID-19 pandemic. The magnitude of economic hardship caused by COVID-19 makes this goal even more immediately pressing and relevant. In response to our advocacy, in the BP-22 Integrated Program Review Process (“IPR”), BPA has proposed to hold its Power Services expenditures flat compared to BP-20 levels. This means BPA and its generating partners have absorbed \$63 million per year in inflation, despite labor costs rising faster than inflation. BPA and its generating partners have undertaken tremendous efforts to make challenging trade-offs and reductions to absorb inflation while still providing highly reliable and carbon-free power.

In contrast to these efforts by public power, BPA, and BPA's generating partners, in a memorandum dated May 5, 2020, NWPCC staff offered for public comment its proposed FY 2022 budget of \$12,042,000, which represents an increase of \$298,000, or 2.5%, compared to the proposed revised FY 2021 budget of \$11,744,000.

PPC and NRU are deeply disappointed that the NWPCC is not attempting to absorb inflation to keep its budget flat (no inflation) or even identify budget reductions. The long-term affordability of BPA power has been of concern for several years, and the short-term economic ramifications of COVID-19 make the affordability of BPA's power even more critical. It is the responsibility of every entity to find cost savings wherever possible to keep electric rates as affordable as possible, particularly in light of the ongoing economic hardships due to COVID-19.

Therefore, we ask the NWPCC to, at a minimum, keep its budget flat (no inflation) for FY 2022. Ideally, the NWPCC should identify additional opportunities for cost savings to support BPA, its generating partners and its customers in keeping power supply as affordable as possible. When looking for budget reduction opportunities, we recommend ensuring NWPCC work conforms with the directives of the Northwest Power Act and does not duplicate work that occurs elsewhere, such as within BPA.

Thank you for the opportunity to comment.