

**Guy Norman**  
Chair  
Washington

**Patrick Oshie**  
Washington

**Jim Yost**  
Idaho

**Jeffery C. Allen**  
Idaho



## Northwest **Power** and **Conservation** Council

**Doug Grob**  
Vice Chair  
Montana

**Mike Milburn**  
Montana

**Ginny Burdick**  
Oregon

January 5, 2021

### **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**

### **BACKGROUND:**

**Presenter:** Karlee, Manary, Supervisor of Financial Analysis and Forecasting, Bonneville Power Administration

**Summary:** Ms. Manary 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 January 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 occurs every two years, or just prior to each rate case, and is the public review for the costs that will be recovered through rates the following two-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: See attached slides.



# BPA IPR and Ratemaking

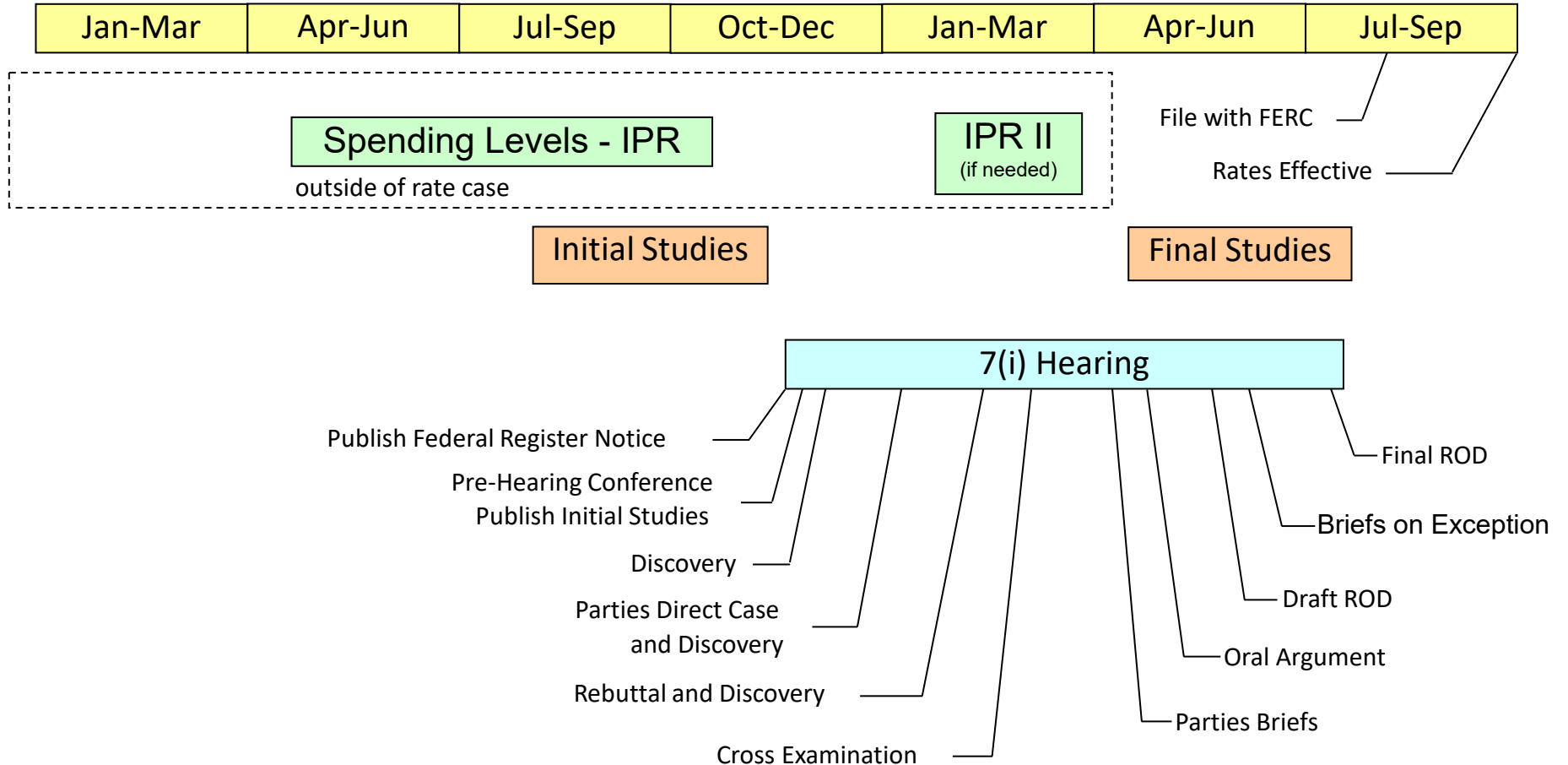
Northwest Power and Conservation Council  
January 12, 2022



# Integrated Program Review (IPR)

- The IPR allows interested parties to see and comment on all relevant FCRPS capital and expense spending level estimates in the same forum.
- The IPR occurs every two years, or just prior to each rate case.
- The spending level development takes place in the spring followed by public workshops in the summer and a close-out report in the early fall.
- Topics to be covered within the process include transmission, federal hydro, Columbia Generating Station, facilities, information technology, energy efficiency, fish and wildlife, grid modernization and other programs.

# Typical Timeline for Rate Case Process



# The Rates Process

- Informal processes lead into the formal 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, e.g. changes in accounting treatment for non-Federal debt

# The Ratemaking Prime Directives

- **Recover Costs (Statutory Mandate)**
  - Through its rates, BPA must recover the costs of:
    - Acquisition of power
    - Conservation
    - Transmission of electric power
    - Amortization of the Federal investment (including irrigation)
    - Other costs and expenses
  - Determined in the Revenue Requirements Study
    - Cost recovery demonstrations are mandatory for FERC
- **Address Risk to Ensure Cost Recovery (BPA Policy)**
  - Account for risk of forecasts of rate inputs being wrong
  - Sets forth risk mitigation strategies
  - Avoid early 1980s problem of not making full payment to Treasury

# Ratemaking Governed by BPA's Statutes

- **Early statutes give overall, general guidance—recover BPA's costs**
  - The Bonneville Project Act (1937)
  - The Flood Control Act (1944)
  - The Federal Columbia River Transmission System Act (1974)
- **The Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act, 1980)**
  - Reaffirms cost recovery mandate
  - Specific guidance on allocation of resource costs
  - Specific guidance on allocation of Residential Exchange costs
  - Specific guidance on rates for DSIs
  - Specific requirements for a public rates process
  - Specific guidance for FERC oversight
  - Grants discretion on other ratemaking issues



# The Rate Setting Process

- **Rate Case Process = Section 7(i) Process**
  - 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
  - Lawyers weigh in on the legal infirmities of BPA's proposal
  - The Administrator listens to the evidence and argument and decides
  - The Administrator issues his draft decisions
  - Parties can object to draft decisions or clarify their positions
  - The Administrator makes final decisions and proposes rates to FERC
  - Rates are effective on confirmation and approval by the FERC

# Is Anybody Watching Over BPA?

- **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 1 year for final approval
  - BPA has had two FERC remands: 1976 and 1983 transmission
- **After FERC approval, ratemaking may be appealed to the Ninth Circuit**