

# Capital Investment Review

## Question and Answer



## CIR Question and Answer

**Question:** Is CIR the venue to comment on projects we want to be included in prioritization? If we have projects in our service territory we want BPA to consider for prioritization, is CIR the venue to bring this up to BPA's attention?

**Answer:** Yes, the CIR is the appropriate venue to bring up projects that should be considered for prioritization. The prioritized projects for FY2015-17 shared at the CIR meetings are BPA's proposal. BPA is seeking your input on that proposal to help determine the prioritization as it is refreshed every 6 months.

## CIR Question and Answer

**Question:** In the January meeting material “Building the Framework for the 2014 Integrated Program Review”, BPA showed tables on Preliminary Power and Transmission Rate Effects for FY2016-17 (Slides 14 and 29, respectively). Are the capital-related costs in those tables referring to the CIR spending levels?

**Answer:** The capital related costs presented in that material do not reflect the recent CIR spending levels released by BPA. Those January numbers were based on the 2012 CIR capital levels. BPA plans to update that information with the 2014 CIR numbers and hopes to have that available later in the process (May or June timeframe).

## CIR Question and Answer

**Question:** In the January meeting material “Building the Framework for the 2014 Integrated Program Review” slide 14, what is the correct interpretation of the table in relation to capital spending and its effect on the change in rates?

**Answer:** Of the proposed 11-11.5% power rate increase for FY2016-17, 6.8% is attributed to capital-related costs. The capital spending that results from the CIR process will impact the capital related costs. Historical capital spending from previous CIRs and debt management actions also impact that line on the table. The debt management workshop BPA is planning to hold in June should go into more detail on that.

## CIR Question and Answer

**Question:** What costs are included in the delivered energy pie chart shown on slide 45 of the prioritization PowerPoint package?

**Answer:** Change in cost of energy delivered includes the following cost components:

- Total change in the customer bills
- Change in BPA generation cost (replacement power cost)
  - Variable Fuel cost
  - Variable O&M costs
  - Change in Equipment deterioration

It does not include the opportunity cost of the hydro (i.e. the value of storing hydro for future use) in the analysis.

## CIR Question and Answer

**Question:** What is included in the \$20M in Keys investment referenced in the Federal Hydro Strategy (Mar. 11 presentation) p. 24?

**Answer:** The approximately \$20M in Keys investments included in the strategy consists only of previously existing projects to address the reliability of the P5 & P6 impellers, as well as the transformers on the generation side of the plant. This represents a small portion of BPA's costs for base reliability investments at the plant.

## CIR Question and Answer

**Question:** What is the difference between the Federal Hydro Strategy vs. Plan?

**Answer:** The “plan” refers to the “2012 IPR Approved Plan” capital program level of about \$235 million per year. The “strategy” refers to the “2014 Federal Hydro Projects Asset Strategy” which recommends a spending level which ramps up gradually to \$300 million per year (in real dollars) over the next decade. Both the strategy and the plan include the \$20 million of previously approved base reliability investments. The remaining investment required to complete the base reliability investments at the Keys pump generating plant has not yet been budgeted. The power share of costs associated with the spinning equipment at the plant is revisited every five years. The current period with the 68.3% power share runs from 2010-2014.

## CIR Question and Answer

**Question:** In the Federal Hydro Strategy (Mar. 11 presentation) p. 25, it states that the plan does not include costs for modernization of Keys (or other uncommitted economic opportunity investments). What do these costs represent?

**Answer:** The modernization investments at the Keys pump generating plant would represent projects that go beyond the scope of base level reliability and improve the functionality of the plant for power purposes. These would fall within the category of “economic opportunity investments” and are not addressed in either the strategy or the plan.



## Financial Disclosure

This information has been made publicly available by BPA on April 3, 2014 and contains information not reported in BPA financial statements.