

# Integrated Program Review NW Power and Conservation Council Funding Workshop

June 26, 2014



# Workshop Purpose and Objectives

- Explain how BPA determines the Council's eligible funding range;
- Discuss application of Residential Exchange Program and short-term surplus sales in formula calculation; and
- Discuss steps BPA is taking to formalize calculation of the formula in the future.

# Annual Council Budget Process

- The Council conducts an annual, public budget development process;
- BPA ensures that the proposed budget is consistent with the statutory funding formula;
- Specific questions about the Council's draft FY 16 budget should be directed to the Council through its process.

# Interaction between BPA/Council

- The NW Power Act requires BPA to fund the Council pursuant to a statutory formula, which is tied to BPA power sales.
- BPA currently does a study establishing the Council's budget range as each White Book is issued or updated.
- In addition, the Council and BPA have entered into several multi-year budget agreements to help manage costs.
  - The budget agreements are contingent on being consistent with the Council funding formula.

## Recent History

- In the last few years, issues have been raised in the Council's budget process that relate primarily to the formula calculation:
  - Application of Residential Exchange Program?
  - Did the Council make an appropriate budget showing?
- BPA has adjusted and/or clarified the formula but has not addressed changes in past IPR processes.

# Calculating the Council Funding Levels

Preliminary Council Budget					
Council Budget Estimated at 0.02 and 0.10 mills/kwh					
For FY 2014 through 2017					
In Dollars					
Based on White Book Projections					
Fiscal Year		2014 <sup>1/</sup>	2015 <sup>1/</sup>	2016 <sup>2/</sup>	2017 <sup>2/</sup>
<b>Council Budget Estimated at 0.02 mills/kwh</b>					
1	Federal Agen. & USBR 2012 PSC	52,455	52,604	52,870	53,086
2	2012 Load Following Obligations	550,151	560,174	559,120	564,123
3	2012 Tier 1 Block <sup>3/</sup>	0	0	4,802	4,933
4	2012 Slice Block <sup>4/</sup>	316,990	332,696	315,876	323,695
5	2012 Slice RTP <sup>4/</sup>	340,420	327,085	333,145	324,366
6	IOU Residential Exchange Load <sup>5/</sup>	826,709	826,709	834,977	834,977
7	DSI 2002/2012 PSC	54,662	54,662	54,813	54,662
8	Exports (Power Sales Only)	95,594	92,193	91,593	90,753
9	Intra-Reg. Transfers Out (Power Sales Only)	16,397	16,397	16,495	16,394
10	Additional Power Deliveries (DSI commitments)	0	0	0	0
11	Proxy Net Secondary Sales (Reduced by DSI power deliveries in Line 10)	260,862	215,481	247,665	210,755
12	<b>Council Budget @ 0.02 mills/kwh</b>	<b>\$ 2,514,240</b>	<b>\$ 2,478,001</b>	<b>\$ 2,511,354</b>	<b>\$ 2,477,744</b>
<b>Council Budget Estimated at 0.10 mills/kwh</b>					
13	Federal Agen. & USBR 2012 PSC	262,273	263,020	264,349	265,432
14	2012 Load Following Obligations	2,750,757	2,800,868	2,795,602	2,820,615
15	2012 Tier 1 Block <sup>3/</sup>	0	0	24,010	24,665
16	2012 Slice Block <sup>4/</sup>	1,584,948	1,663,482	1,579,378	1,618,474
17	2012 Slice RTP <sup>4/</sup>	1,702,099	1,635,426	1,665,723	1,621,828
18	IOU Residential Exchange Load <sup>5/</sup>	4,133,547	4,133,547	4,174,883	4,174,883
19	DSI 2002/2012 PSC	273,312	273,312	274,063	273,312
20	Exports (Power Sales Only)	477,968	460,965	457,964	453,766
21	Intra-Reg. Transfers Out (Power Sales Only)	81,984	81,984	82,475	81,969
22	Additional Power Deliveries (DSI commitments)	0	0	0	0
23	Proxy Net Secondary Sales (Reduced by DSI power deliveries in Line 22)	1,304,311	1,077,403	1,238,324	1,053,776
24	<b>Council Budget @ 0.10 mills/kwh</b>	<b>\$ 12,571,200</b>	<b>\$ 12,390,007</b>	<b>\$ 12,556,771</b>	<b>\$ 12,388,721</b>

# Council Funding and the NW Power Act

- Sec. 4(c)(10)(A) and (B) of the NWPA provide as follows:
  - Funds provided by the Administrator for such payments shall not exceed annually an amount equal to .02 mill multiplied by the kilowatthours of firm power forecast to be sold by the Administrator during the year to be funded.
  - [U]pon an annual showing by the Council that such limitation will not permit the Council to carry out its functions and responsibilities under this chapter the Administrator may raise such limit up to any amount not in excess of .10 mill multiplied by the kilowatthours of firm power forecast to be sold by the Administrator during the year to be funded.

# Council Funding and the NW Power Act

- What sales constitute “firm power forecast to be sold” by the Administrator?
  - Power sales to preference customers under RD Contracts
  - DSI Contracts
  - Long-Term Surplus Sales
  - Residential Exchange Program Sales
  - Short-Term Surplus Sales



# REP Sales and Short-Term Surplus Sales

## ■ Residential Exchange Program

- Although referred to as “paper exchange”, legally it is a simultaneous power sale between BPA and the exchanging utility (IOUs primarily).
- Sec. 5(c) refers to REP as a sale. BPA “sells” power to IOUs.
- Sec. 7(b) refers to power purchased from REP as a resource “acquired” by BPA under section 5(c).
- IOU component of transaction viewed as a sale (*i.e.*, IOUs must file ASC rate with FERC under FPA; NWPA refers to it as a sale from IOUs to BPA (see sec. 7(b), 9(g)); so BPA side of transaction should be viewed as sale as well.

# REP Sales and Short-Term Surplus Sales

## ■ Short-Term Surplus Sales

- BPA has not sold “nonfirm” power since WP-96 rates. In 2007, BPA removed non-firm power rate schedule. All surplus sales now long-term or short-term firm sales under FPS rate schedule.
- No time duration in the statutory formula. Not only “long-term” firm power. Maybe short-term firm power.
- In rate case, BPA forecasts an amount of short-term firm power sales to establish secondary net credit. This credit based on firm power sales price; not nonfirm sales price.

# Council Funding Going Forward

- BPA is making some internal process adjustments to standardize the way it calculates the Council funding formula.
  - Inputs for calculation will be based on latest rate case, not done independently;
  - Process will be subject to A-123 review;
  - Any future adjustments to the formula will be discussed publicly with interested parties.

# Financial Disclosure

- This information has been made publicly available by BPA on June 26, 2014 and contains information not reported in agency financial statements.