

Transmission Services Top-Down Cost Control

A major area of concern for public power in the Focus 2028 process is the amount of centralized cost control exercised at BPA. For Transmission Services, IPR related costs are proposed to increase by \$42 million. Please provide the following scenarios:

- a. What specific areas of spending would BPA cut to get to a zero increase in IPR-related costs? Are there risks of those specific cuts that you can identify?
- b. What specific areas of spending would BPA cut to reduce the proposed increase in IPR spending by 50%? Are there risks of those specific cuts that you can identify?

BPA recognizes the importance of centralized cost control; significant emphasis was placed on this during the development of IPR spending levels. IPR programs were required to justify resource needs and any increase in proposed spending was thoroughly vetted and in most instances refined downward from initial submissions. Transmission deferred or absorbed approximately \$90 million of work or other cost increases for the BP18 timeframe. The proposed increases shown below represent dollars for expected special salary rate increases for engineers, expected increases for hourly workers and funding of agency Key Strategic Initiatives.

Expenses	A	B
	Change from BP-16 to FY 18/19	
	\$ (Million)	% Change in Rates
1. Operations	15	1.9%
2. Maintenance	14	1.8%
3. Engineering	6	0.7%
4. Internal Support & Undistributed Reduction	7	0.8%
5. IPR Sub-Total	42	5.3%

Risks/Impacts to IPR Program Costs of no increase:

Operations

The Operations budget is primarily made up of people costs and IT expenses so further budget reductions would have to be made in those areas. The risks of taking further cuts include a longer time frame for implementing all the changes associated with the Transmission Load Service (TLS) program, delay in compliance implementation, not having consistent Network Integration (NT) systems with the rest of the region, and not being able to take advantage of new market opportunities to help keep rates down.

The key strategic initiative costs are addressed in a separate posting on the [2016 IPR webpage](#) and, when more information is known, will be addressed in IPR2.

Maintenance:

To get to a zero increase in IPR related costs, this will require reduction in Operation & Maintenance staffing (stop all current hiring and lapse future vacancies). The results of reduction in staffing will increase backlog of critical maintenance requirements increasing risk to system reliability and will increase some response time to system emergencies.

Engineering:

Zeroing the increase in IPR costs for Engineering would require reduction in staff, impacting the quality and quantity of engineering expertise available to plan and execute the capital and sustain programs. Mis-operations, compliance errors and violations, delays and cost overruns could increase because of the loss of knowledge workers. There would be low or no support available for new initiatives.

Internal Support and Undistributed Reduction:

Agency Services support costs offset by the Transmission Undistributed reduction make up this increase. Agency Services organizations prepared their spending proposals making detailed trade-offs in order to provide service at the lowest cost consistent with sound business principles. Refer to Section 5. Agency Services on page 151 of the 2016 IPR-CIR Detailed Publication for more information on Agency Services costs and the risks of establishing lower Agency Service cost levels.

Transmission Services worked diligently to find reductions to reach proposed spending levels equal to BP-16. In many instances reductions were made to service contracts, supplemental labor, staff, travel and training accompanied by redirecting resources to highest priority work.

The undistributed reduction in BP-16 was \$2.1 million on average annually. In the 2016 IPR, the proposed undistributed reduction is \$11.8M annually. Any further increase would require reductions in the above mentioned programs to achieve.