

Financial Reserves Policy Implementation Workshop

November 20, 2019

1:30pm-2:30pm

Rates Hearing Room

Bridge: 1-415-527-5035

WebEx: <https://doe.webex.com/doe/j.php?MTID=m79fa74f0e2ca9a91060ed19914378a79>

Meeting number (access code): 906 688 923

Meeting password: P94mF9Na



Agenda

- Review the following annual thresholds published in the BP-20 Power and Transmission rate schedules and general rate schedule provisions:
 - Cost Recovery Adjustment Clause (CRAC) thresholds for Power and Transmission
 - Financial Reserves Policy (FRP) surcharge thresholds for Power and Transmission
 - Reserves Distribution Clause (RDC) thresholds for the Agency, Power, and Transmission
- Review the following calculations:
 - EOY 2019 Financial Reserves for Risk and Days Cash on Hand
 - Calibration(s) and EOY 2019 Accumulated Calibrated Net Revenue (ACNR)
 - Preliminary Power FRP Surcharge Amount and rates
- Review the timeline for finalizing the Power FRP Surcharge Amount, including timing of billing

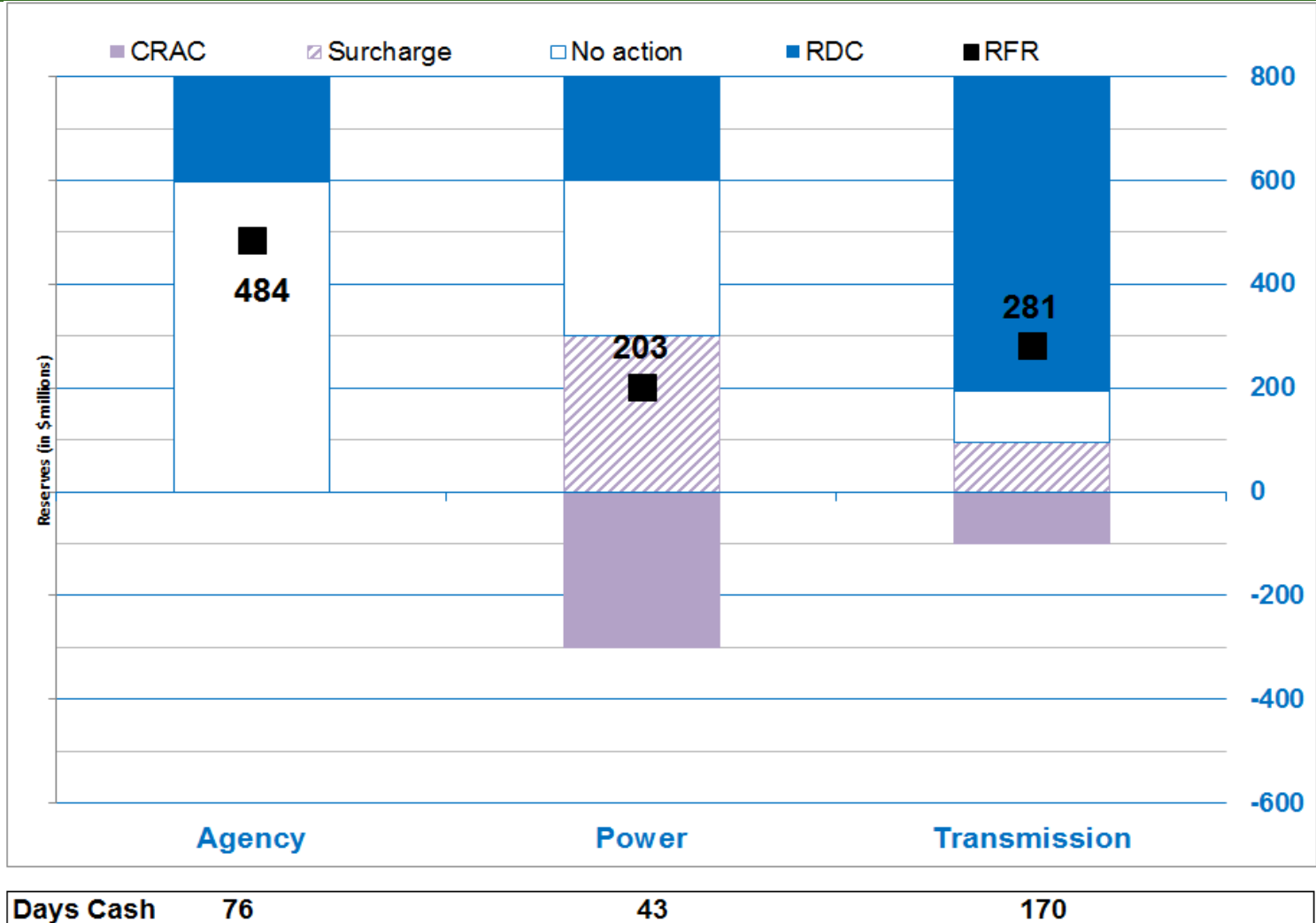
FRP Implementation Thresholds

- The CRACs, FRP Surcharges, and RDCs for FY 2020 Power and Transmission rates trigger based off of end-of-year FY 2019 Actuals.
- Thresholds in the table below are shown in terms of Reserves for Risk (RFR) and Accumulated Calibrated Net Revenue (ACNR). The actual metric for triggering the rate adjustment mechanisms is ACNR, which is a net revenue-based value, adjusted to align with RFR. In terms of days cash on hand:
 - The CRAC for each business line is set at 0 days cash.
 - The FRP Surcharge for each business line is set at 60 days cash.
 - The RDC has two requirements: above 120 days cash for the business line and above 90 days cash for the Agency.

Thresholds for FY 2020 based on end-of-year FY 2019 actuals.

	A	B	C	D	E	F	G	H	I
1		Power			Transmission			Agency	
2		Threshold Measured in ACNR	Threshold Measured in Reserves for Risk	Maximum Recovery/ Surcharge/(RDC) Amount	Threshold Measured in ACNR	Threshold Measured in Reserves for Risk	Maximum Recovery/ Surcharge/(RDC) Amount	Threshold Measured in ACNR	Threshold Measured in Reserves for Risk
3	CRAC	(\$89)	\$0	\$300	(\$214)	\$0	\$100	n/a	n/a
4	FRP Surcharge	\$212	\$301	\$30	(\$117)	\$97	\$15	n/a	n/a
5	RDC	\$513	\$601	(\$500)	(\$20)	\$194	(\$200)	\$294	\$597

EOY FY 2019 Financial Reserves



ACNR and Calibrations

- For FY 2019 staff has identified one calibrating event, which applies to both business lines.
 - FY 2019 Calibrating Event: Financial Reserves Error Correction
 - A preliminary reserves error correction amount of \$330 million was included in BP-20 rates. The final error correction amount is \$182.3 million. This results in a decrease of \$147.7 million to Power RFR and an increase of \$147.7 million to Transmission RFR relative to what was assumed in the final BP-20 rates.
 - Total Power Calibration: (\$147.7 million)
 - Total Transmission Calibration: \$147.7 million

Power ACNR and FRP Surcharge

- Power ACNR is \$110 million. This is \$102 million below the Power FRP Surcharge Threshold.
- The maximum Power FRP Surcharge Amount is \$30 million.
- **The Power FRP Surcharge triggers for \$30 million, adjusting rates for December through September of FY 2020.**

FY 19 POWER ACNR Calculation

FY 19 Net Revenue	\$	257,789
+FY 19 Total Calibration	\$	(147,670)
=FY 19 CNR	\$	110,119
=FY19 ACNR*	\$	110,119

**for BP-20, ACNR is accumulated from the start of FY 19. Therefore FY 19 CNR = FY 19 ACNR*

FY 20 Surcharge Amount

Surcharge Threshold	\$	212,000
- FY19 ACNR	\$	110,119
= Underrun	\$	101,881
Power Surcharge Amount	\$	30,000

**The Power Surcharge amount is the lower of the Underrun or \$30 million.*

Power FRP Surcharge Rate

	A	B	C	D	E	F
1	<i>(a) Power FRP Surcharge Rate:</i>					FY2020
2		Power FRP Surcharge Amount:				\$30,000,000
3		Sum of Dec - Sept Billing Determinants (MWh):				37,044,487
4		Power FRP Surcharge rate (\$/MWh):				\$0.81

- The Power FRP Surcharge Rate for December 2019 – September 2020 is 0.81 mills per kilowatthour.
- The Power FRP Surcharge rate is equal to the preliminary Power FRP Surcharge amount divided by the sum of billing determinants for the remaining unbilled portion of the Fiscal Year. The rate is used to bill PF customers and IP customers, and to adjust the December 2019 – September 2020 PF Tier 1 equivalent energy rates.
- The billing determinant for PF customers is System Shaped Load. A customer’s System Shaped Load is equal to its non-Slice TOCA multiplied by the RHWM Tier 1 System Capability (RT1SC). The billing determinant for an IP (DSI) customer will be its actual IP load.

Annual Power FRP Surcharge Rate

- The Annual Power FRP Surcharge rate is 0.67 mills per kilowatthour and is equal to the Power FRP Surcharge amount divided by the sum of billing determinants for FY 2020.
- The annual rate is used to adjust the Load Shaping Charge True-Up rate and the PF Melded Equivalent Energy Scalar rate (which is used in the actual DSI revenue credit calculation in the Slice True-Up.)
- The annual rate is not used to bill monthly Power FRP Surcharge amounts.

	A	B	C	D	E	F
21	<i>(d) Annual Power FRP Surcharge Rate and Other Adjustments:</i>					FY2020
22		Power FRP Surcharge Amount:				\$30,000,000
23		Sum of Annual Billing Determinants (MWh):				44,625,581
24		Annual Power FRP Surcharge Rate (\$/MWh):				\$0.67
25						
26		Adjusted Load Shaping Charge True-Up rate:				-\$15.86
27		Adjusted PF Melded Equivalent Energy Scalar rate:				-\$15.51

Transmission ACNR and RDC

- Transmission ACNR is \$137 million, which is \$157 million above the Transmission RDC Threshold.
- Agency ACNR is \$247 million, which is \$47 million *below* the Agency RDC threshold.
- **The Transmission RDC amount is the lesser of the Transmission Overrun and the Agency Overrun. Since there is no Agency Overrun, the Transmission RDC does not trigger.**

FY 19 TRANSMISSION ACNR Calculation

FY 19 Net Revenue	\$	(10,668)
+FY 19 Total Calibration	\$	147,670
= FY 19 CNR	\$	137,002
=FY19 ACNR	\$	137,002

**for BP-20, ACNR is accumulated from the start of FY 19. Therefore FY 19 CNR = FY 19 ACNR*

FY 20 Transmission RDC (Test 1: Transmission Threshold)

FY19 ACNR	\$	137,002
- RDC Threshold	\$	(20,000)
= Overrun	\$	157,002
RDC Test 1	\$	157,002

FY 20 Agency RDC (Test 2: Agency Threshold)

FY19 Transmission ACNR	\$	137,002
+FY19 Power ACNR	\$	110,119
=FY19 Agency ACNR	\$	247,121
- RDC Threshold	\$	294,000
= Overrun	\$	(46,879)
RDC Test 2	\$	-

FY20 Transmission RDC

Test 1	\$	157,002
Test 2	\$	-
Transmission RDC Amount	\$	-

Timeline/Next Steps

- November 18, 2019: Notification of preliminary Power FRP Surcharge Amount. Publish documentation, including estimated customer-specific billing amounts.
- November 20, 2019 at 1:30pm: Workshop to review preliminary FY 2020 Power FRP Surcharge Amount and supporting calculations.
- November 21, 2019 – December 5, 2019: Comment Period
<https://www.bpa.gov/PublicInvolvement/Comments/Pages/default.aspx>
- By December 13, 2019: Publish final Power FRP Surcharge Amount and rates, and a response to comments.
- Beginning January 1, 2020: Power FRP Surcharges on PF Public and DSI customers' December power bills issued in January (FRP Surcharge is collected over 10 months on Dec-Sept bills).