

2012 Integrated Program Review Written Follow-Up Responses

July 16, 2012

Additional Follow-Ups will be addressed at the July 17-18 Discussion Meetings.

Contents

POWER	2
TRANSMISSION	7
AGENCY SERVICES	10

POWER

Kickoff Presentation Request:

A list of tax assessed (or appraised) values compared to what BPA paid for F&W land acquisition.

BPA Response:

BPA informs fish and wildlife project sponsors that it will not pay more than the “fair market value” of a property based on an appraisal performed using Federal appraisal guidelines (aka “the Yellowbook”). Consequently, BPA also does not provide even a portion of the costs of a cost-shared acquisition if the total purchase price will exceed the appraised fair market value.

The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 requires Federal agencies like BPA offer to pay “just compensation” for real property being acquired as part of a federal action. 16 U.S.C. § 4361(3). The act further specifies that the just compensation shall be no less than the appraised value of the property. *Id.* at §4361(2). BPA complies with the Uniform Act in making all real property acquisitions for the Fish and Wildlife Program. Therefore, BPA established the fair market value, and thus just compensation, based on an appraisal either performed or reviewed by the agency’s appraisal staff. 49 CFR § 24.104(1). The Federal acquisition and appraisal guidance that BPA must follow is silent on the use of tax assessments for determining just compensation. Nonetheless, the tax assessed values are not established following uniform federal guidelines, or reviewed by qualified review appraisers, and can vary by state given restrictions in state laws and regulations; therefore, tax assessments are not appropriate for determining fair market value.

A recent example of a BPA F&W land acquisition is the Knappton Cove property in Pacific County, WA. After reviewing and approving an appraisal performed to Yellowbook standards, BPA funded the Columbia Land Trust to acquire the property for an appraised fair market value of \$452,000. The tax assessed value of the property is currently \$154,900. BPA ultimately provided a cost share of \$252,000 toward the acquisition of the property.

BPA \$252,000 (through LCREP)

RCO \$150,000 (WA state Salmon Recovery Funding Board)

NAWCA \$50,000 (North American Wetlands Conservation Act)

Kickoff Presentation Request:

What is the seven percent BPA overhead dollar value on the F&W pie chart on slide 44?

BPA Response:

The seven percent BPA overhead value (\$16.8 million) on the F&W pie chart (slide 44) reflects the FY 2012 value for program administration and technical support contracts.

Program Administration (\$14.7 million)

Personnel Compensation and Benefits
 Agency Services (e.g., Realty Services)
 General Counsel

Technical support contracts (\$2.1 million)

21 projects that provide professional services
<http://www.cbfish.org/Portfolio.mvc/Projects/28>

Kickoff Presentation Request:

What is the dollar amount of the CRAC estimated in FY 2014?

BPA Response:

The following numbers are very preliminary. The studies they are based on have not been scrutinized as closely as rate case studies will be, and will not actually be used in the rate case. That is because there will be many updates before the initial proposal and the final rates. The numbers also ignore the uncertainty that remains in FY 2012.

Considering that, the latest CRAC summary is as follows:

Expected value over all games: \$31 million
 Average of the CRACs when triggered: \$83 million
 63% chance of \$0 (i.e. 37% chance of >\$0)
 12% chance of \$1 - \$50 million
 10% chance of \$50 - \$100 million
 11% chance of \$100 - \$150 million
 4% chance of \$150 - \$200 million
 0.6% chance of >\$200 million

NRU Request:

Provide the distribution of capital related costs to CGS/COE/BOR as shown in the revenue requirements pie chart on page 15 of the IPR initial publication.

BPA Response:

BPA's financial system does not break out capital related costs by CGS, COE and BOR specifically. The information presented in the table below displays available details supporting the capital related costs portion of the pie chart on page 15 of the IPR publication.

Levels presented on the next page are estimates, intended for scenario analysis and should not be considered final.

Capital-Related Cost Detail for IPR		
	IPR Capital Estimates Displayed in Initial IPR Publication (Jan 2012)	
	2014	2015
Non-Federal Debt Service		
EN Debt Service	577,911	543,641
Conservation (CARES) Debt Service	2,377	305
Cowlitz Falls (Lewis County) Debt Service	11,713	11,711
Northern Wasco Debt Service	<u>2,225</u>	<u>2,225</u>
Total	594,226	557,882
Depreciation and Amortization		
Depreciation - BPA	8,358	9,259
Depreciation - Corps	88,369	91,792
Depreciation - Bureau	27,468	29,163
Amortization - Legacy Conservation	13,930	9,649
Amortization - Conservation Acquisitions	43,788	43,227
Amortization - CRFM	6,613	6,613
Amortization - Fish & Wildlife	<u>32,063</u>	<u>34,692</u>
Total	220,589	224,394
Interest Expense		
Net Interest		
Interest On Appropriated Funds	224,526	226,457
Capitalization Adjustment	(45,937)	(45,937)
Interest On Treasury Bonds	76,079	92,840
Capitalized Bond Premium	0	0
AFUDC, Total	(10,467)	(9,702)
Interest Income	<u>(14,073)</u>	<u>(21,061)</u>
Total	230,127	242,597
Minimum Required Net Revenues		
Repayment of Treasury Borrowings	29,950	65,000
Payment of Irrigation Assistance	52,427	51,989
Depreciation (MRNR - Reverse sign)	(124,195)	(130,214)
Amortization (MRNR - Reverse sign)	(96,394)	(94,181)
Capitalization Adjustment (MRNR - Reverse Sign)	45,937	45,937
Capitalized Bond Premium (Reverse Sign)	0	0
Repayment of Federal Appropriations	6,317	0
Accrual Revenues (MRNR Adjustment - Reverse Sign)	<u>3,524</u>	<u>3,524</u>
MRNR, Total	0	0

NWEC Request:

NWEC would like the following data: 1) Yearly totals for FY2005-2011 of MWh saved through the energy efficiency programs (both capital and expense programs), 2) Yearly (FY2005-2011) cumulative MWh savings, incorporating savings over the measure lifetime, for BPA energy

efficiency savings, and 3) Yearly (FY2005-2011) average levelized cost per MWh for BPA energy efficiency savings.

BPA Response:

In response to NWECC’s data request, BPA is providing the table below:

NWECC data request for IPR workshop on Energy Efficiency (request dated June 27, 2012)

1) Yearly totals for FY 2005-2011 of MWh saved through the energy efficiency programs (both capital and expense programs).

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
MWh	356,532	439,752	473,916	579,912	535,236	791,904	1,024,920

2) Yearly (FY 2005-2011) cumulative MWh savings, incorporating savings over the measure lifetime, for BPA energy efficiency savings.

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Cumulative MWh	356,532	796,284	1,270,200	1,850,112	2,385,348	3,177,252	4,202,172

3) Yearly (FY 2005-2011) average levelized cost per MWh for BPA energy efficiency savings.

Levelized Cost of Conservation* (\$/MWh)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
	\$21.90	\$21.50	\$14.50	\$11.80	\$15.80	\$16.70	\$24.90

*Levelized cost uses a 6% discount rate and a 12 year measure life. Debt service and Legacy costs were not included because the savings associated with those costs were counted outside the time period in question.

NWECC Request:

In addition, NWECC would like the following data: 1) A yearly (FY2005-2011) accounting of average wholesale power rates and calculation of the wholesale value of cumulative energy saved based on these wholesale power rates and the yearly MWh savings values. This would be Tier 1 rates going forward, but not historically 2) A yearly projection for FY2012-2015 of the average wholesale power rates (Tier 1) and calculation of the wholesale value of projected, cumulative MWh savings from all BPA EE programs (capital and expense) over the same time period FY2012-15, and 3) An analysis of how the net revenues from EE savings have contributed to BPA rates over time.

BPA Response:

NWECC’s request numbers are outside the scope of the IPR process; however BPA is currently performing an analysis that attempts to answer similar questions.

The analysis comprises the following inputs:

1. Total, cumulative energy savings by year for 2001-2011 based on a twelve year average measure life

2. Total capital and interest costs, using a 6% discount rate and twelve year average measure life
3. Total expense costs, including those costs associated with BPA staffing, acquisition, demand side management technologies, net energy efficiency development, low income weatherization and tribal, and market transformation (Debt Service and Legacy costs were not included because the savings associated with those costs were counted outside the time period in question).

The analysis then performs the following calculations (all dollars are nominal):

1. Annual total cost of energy efficiency (capitalized costs plus expense costs)
2. Counterfactual cost of purchasing the equivalent amount of energy efficiency savings (MWh/year) at the Mid-C annual average price
3. Annual benefit (loss) from energy efficiency investments, i.e., Counterfactual cost of Mid-C less the cost incurred for energy efficiency investments
4. Revenue impact of assuming energy efficiency savings could have been "sold" by BPA into Mid-C at the annual average price.

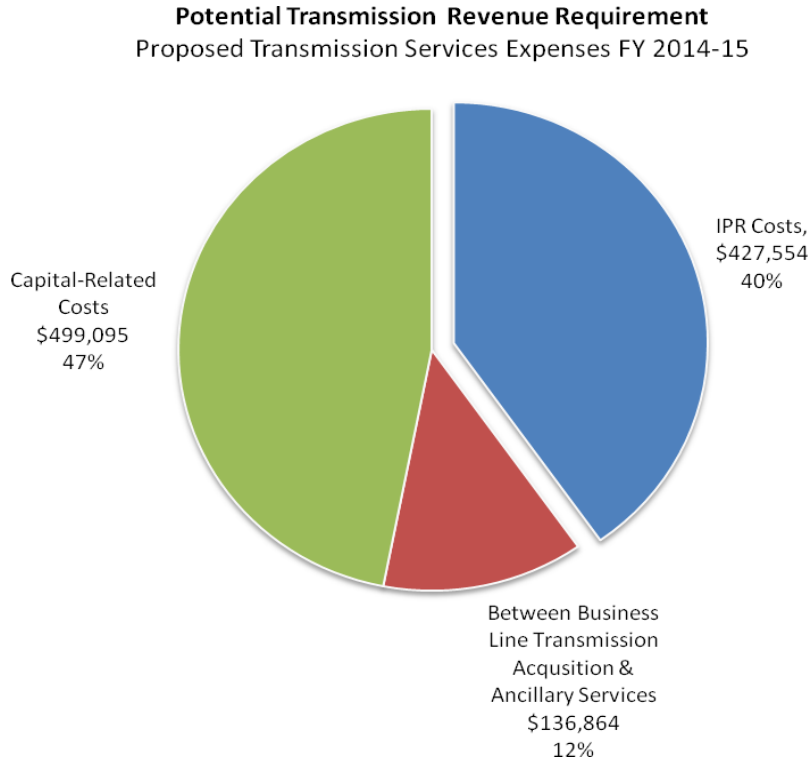
The analysis is still being vetted internally, but BPA is expecting to release the analysis in the coming months. The numbers provided above by BPA in response to NWECC's request derive from this "Mid-C vs. Energy Efficiency" analysis.

TRANSMISSION

Kickoff Presentation Request:

Please provide dollar amount for the revenue pie chart on pg 61 of the Initial Publication.

BPA Response:



NRU Request:

System Operations: The program is under target in FY 2013, but then well over target in FY 2014 and FY 2015 mainly due to Control Center Support. While Technical Operations is below target, more information would be helpful regarding the STAR program, 1) particularly its evolution from implementation to maintenance, 2) the permanent staffing that will be required, and whether such staffing is contained in the IPR proposal. 3) To what extent does the STAR system “optimize available transmission”? 4) is there a risk that it may be obsolete before it is fully implemented? 5) What is the relationship between STAR and all of the new contractors that are being added to Scheduling? (pg 67 of the Initial Publication)

BPA Response:

1) The STAR program currently consists of contractors and existing BPA employees who are identifying the business gaps and then will create requirements to address those gaps. The

program will then transition into a building phase, which would also impact existing employees, including those in IT organizations. The program would end with hiring additional staff that will run and maintain the new systems and processes.

2) Permanent staffing will ultimately be determined by the ATC calculation regarding future state decisions that BPA and its stakeholders agree upon in a public process. BPA provided an estimate in the IPR for eight BFTE and three CFTE to run and maintain the systems and processes based on the low end of benchmarking efforts and a similarly sized modeling group at Tennessee Valley Authority.

3) One area of the ATC calculation process that BPA wishes to address is the reliance on manual processes and a lack of automated systems. Automation could ensure transmission optimization by improving BPA's visibility into its current and future system flows and by providing more certainty and transparency to its customers that our ATC results are accurate, reliable, and make the best use of transmission capacity.

4) Automation, coupled with streamlined processes, will mitigate this risk. BPA is designing future state options with adaptability in mind, especially in light of potential regional market changes that may occur. BPA is also taking a phased approach in which BPA will re-evaluate the program at every major milestone and make necessary adjustments.

5) There is no link between the STAR program and the addition of contractors in Scheduling.

If there is further interest in discussing the STAR program in greater detail, it could become an agenda item on an upcoming Quarterly Business Review.

NRU Request:

Transmission Engineering: "Regulatory" Costs are \$3.1 to \$3.5 million over target which includes \$1 million in FY 2014-15 for "total economic evaluation" of remaining assets to be incorporated into an overall asset replacement and expansion model. Is this a priority and can BPA undertake it considering overages in other areas, and can BPA adequately support it in light of the range of other DP related undertakings (pg 100 of the Initial Publication)?

BPA Response:

Yes, Transmission executives and staff believe this is a must-do priority. The results of this effort will significantly improve Transmission's strategies by providing a comprehensive, overarching strategy and standard tool to evaluate the trade-offs among replacing components in Transmission's extremely complex network of assets. It will also enable Transmission to use a standard and consistent methodology in making system expansion decisions.

In collaboration with Agency Asset Management, Transmission initiated a project to pilot the development of a joint strategy between Power Systems Control (PSC) and Systems Telecommunications. This pilot provided a detailed view of total economic evaluation of the PSC and system telecommunications strategies, resulting in one strategy with an optimized

replacement plan and significant efficiencies in resources and funding. Using the methodology, an implementation plan was developed to ensure that the strategy could be accomplished. In 2012, Transmission expanded this work to include System Protection Controls (SPC) and associated Control Center equipment. This expanded project has now demonstrated the methodology's usefulness in increasing Transmission's understanding of the total economic value of trade-offs among the assets included in this project. It has also given Transmission a more systematic approach to the development of a comprehensive asset strategy and plan. As a result, Transmission will be applying the methodology across remaining asset strategies (programs) and incorporating those programs into an integrated model. BPA is recommending a 30-month timeline for this project because of competing demands for staff time and cost of the project. The anticipated savings generated by the use of this leading-edge practice methodology will more than offset the proposed funding.

AGENCY SERVICES

NRU Request:

Business Process and Continuous Improvement: There is no stated justification for these programs being \$770,000 and \$875,000 over the target, and we had difficulty following what specifically would be accomplished by this activity in the write-ups for Power and Transmission. (pg 114 of the Initial Publication)

BPA Response:

Two areas within Business Process and Continuous Improvement that are driving higher than target-level expenses are Benchmarking and Sustainability. First, BPA has adopted a previously unfunded Benchmarking Program with the long-term objective to improve agency-level performance, drive a high performing culture and promote operational excellence. The program requires \$615,000 to resource the centralized benchmarking program including \$300,000 for two FTE (lead and analyst) to coordinate four benchmarking projects and operational excellence initiatives with the business unit subject matter experts. In addition to the FTE, the program will also require funding for benchmarking and other contracts, training, and travel. BPA's goal in FY 2013 is to be ready to implement process improvements in four strategic areas by completing four formal benchmarking projects and Operational Excellence process improvement initiatives to close performance gaps. In FY 2013, the program will focus on benchmarking: Safety, Supply Chain Performance, Reliability Compliance, and Energy Efficiency. The Safety benchmarking project will focus on reducing agency-wide accident frequency rates, reducing motor vehicle incidents and increasing the quality of safety training. The Supply Chain Performance project will concentrate on reducing agency costs in contracting and governance. The Reliability Compliance project will focus on increasing reliability compliance in transmission operations. Finally, the Energy Efficiency project has the potential to increase the effectiveness and the costs related to Power Service's Energy Efficiency program.

The second driver is BPA responsibility to meet the executive orders Executive Order 13432 and 13514 that address the government's commitment to sustainability. Over the past several years, sustainability was minimally staffed to collect data across the agency to meet our sustainability goals of reducing energy, water and fuel (among others). In order to demonstrate our compliance, BPA needs to increase and dedicate the analytical and reporting resources associated with this effort as well as contract for a third party verifier. The requested increase to support sustainability is \$120,000.

NRU Request:

Agency Compliance and Governance: This activity is over the target by \$400,000 and \$404,000 and there is no explanation as to what the IGLM project is. Why do we need 2 new positions, and as contract staff to support IGLM? (pg 128 of the Initial Publication)

BPA Response:

Information Governance & Lifecycle Management (IGLM), formerly Records Management, describes the policies, strategies, processes, practices, services and tools used by an

organization to manage its information assets through every phase of their existence, from creation or receipt, through their useful life to final destruction or disposition to an institution approved for archival deposit of Public Records by the National Archives.

BPA's IGLM policies cover ALL BPA business-related recorded information existing or newly created in ALL formats or media regardless of physical form or characteristics (media-neutral). This includes but is not limited to: paper, negatives, photographs, drawings and microfilms (physical recorded information), as well as audio/video recordings, data and recorded information held on servers, computer, portable computers, memory sticks, personal digital assistants and mobile phones (Electronically Stored Information or ESI).

Project Context:

Advances in technology have allowed individuals at organizations such as BPA to create, manage, and store vast amounts of information in a variety of formats and with varied methods. BPA must seek ways to incrementally make agency-wide improvements in the management, governance, and discovery of information at the agency to ensure that the right information is available in the right format, when needed, and at the least cost.

The IGLM function currently operates core services at a basic to structured maturity level, but is targeted towards operating at a consistent or managed level for each capability. The core services and capabilities of IGLM at BPA must continuously improve and mature to meet basic federal mandates regarding information management and to excel in meeting the needs of a rapidly changing environment of information creation on a path of continuous improvement.

Future State Design:

IGLM performs two core services: information governance and information lifecycle management. The core services, capabilities, and processes identified in this service model are the core competency of the IGLM group within DGC, but also impact every employee at BPA (BFTE and CFTE).

The IGLM program will:

- Build awareness of IGLM concepts and information governance risks across the agency
- Establish the expectation that each individual within BPA has the responsibility to appropriately manage the agency's information assets appropriately
- Provide user-friendly solutions to enable all staff members to effectively manage their information -- with focus on information integrity, security, availability

The design of the IGLM program includes two Services and five key Capabilities, outlined below:



The above design reflects the identification of key initiatives that will enable the IGLM group to make a path of continuous improvement and service maturation.

Transformation Plan:

Through an analysis of processes and deliverables identified to execute on IGLM services, nine distinct initiatives were identified to achieve this maturity. In order of priority, these initiatives include:

1. Policies and Information Lifecycle Definition
2. Resource Engagement and Resourcing
3. Tools and Solutions
4. Strategic Partnerships and Change Management
5. Risk Assessment and Management
6. Measurements and Performance
7. Retention Schedule and Information Categorization
8. Communications, Awareness, and Training
9. Formal Controls to Monitor and Audit IGLM Practices

Thirty-one deliverables were identified that must be completed as part of these initiatives. These activities will occur over a two-year period and require creation of a new job role for Agency Governance and Internal Controls as well as the re-allocation of roles and responsibilities of existing employees.

Currently, some of the above initiatives are using IT project resources, specifically “Tools and Solutions.” Further funding will be necessary to complete the initiatives, which may require the use of Agency Compliance and Governance resources as a program if no additional IT project resources can be allocated. This will result in the need for two new contract business analyst positions to achieve mitigation of the following risks:

- The agency is at risk because the agency may not have the ability to produce information requested by the courts as part of litigation.
- Increased costs to store information and find relevant information for e-Discovery, FOIA and other purposes poses a risk to other program areas if resources need to be used for more RIM and e-discovery work.
- If the agency is found to be non-compliant there is a reputational risk and possible financial risk

NRU Request:

Human Capital Management is \$729,000 and \$334,000 over target, and there is insufficient explanation of the need. (pg 132 of the Initial Publication)

BPA Response:

The increases of \$729,000 and \$334,000 over target for FY 2014 and FY 2015, respectively, are due to BPA's need to increase source recruiting and to support automation relative to the FY 2011 levels. Through a prioritization process with the Executive Vice President of Internal Business Services, the increases associated with these two drivers have already been mitigated by reductions in Human Capital Management (HCM) training, Library purchases, Technology training, and workflow consolidation between HCM and Office of Security & Continuity of Operations.

Source Recruitment: BPA has been challenged in recruiting a diverse, qualified pool of candidates. We anticipate an increase in retirements across the agency (24 percent of employees are eligible to retire by the end of FY 2014). Due to a high retirement profile, BPA anticipates an increase in hiring of 20-30 percent per year. HCM will need to stand up the sourcing and recruiting function, which is a key element to improving the hiring process. This function is critical to expanding the pool of diverse, qualified candidates for selection. BPA is committed to increasing diversity and, therefore, will be investing in recruitment tools and sources to attract this talent pool. For example, we will continue contracting with third-party vendors to assist with attracting diverse candidates in executive searches. Failure to invest in robust searches will result in prolonged acquisition processes, lost time, and significant rework.

Automation Support: In order for HCM to meet increased demands for services, it requires investment in technology solutions to streamline the processes. These technology solutions were not budgeted for and if delayed will result in increased costs in the long term due to inefficient manual processes. The deployment of e-OPF, e-Performance, Health and Safety, and Workforce Analytics are new automation tools that are unbudgeted, and we are now providing resources for this support. In FY 2015 we anticipate full deployment of these four areas, will have the Talent Acquisition system in place, and expect to operate at the lower staffing levels.

NRU Request:

Internal Audit is \$67,000 over target in both years. While the amounts are small, the Agency needs to provide further explanation. (pg 135 of the Initial Publication)

BPA Response:

Operating at the cost target would put at risk the ability to acquire Internal Audit management software and audit services contract funding. The software will improve audit planning, quality control, process standardization, and efficiency. It will move automated audit processes out of a Microsoft Office based environment (e.g. Word, Excel, and Sharepoint) and into a much more effective environment that will allow for tracking of audit findings, compliance requirements and risks within an existing software platform. Delaying its acquisition will limit Internal Audit's efficiency gains over the period. The services contract funding allows for acquiring infrequent

and specialized audit services when such capability cannot be cost-effectively maintained within BPA Internal Audit. Not funding that capability will mean BPA will not be able to provide internal control for some operations and compliance risks.

NRU Request:

Safety: Is there a proposal to fund an Industrial Hygienist? Also the program is \$102,000 and \$104,000 over the IPR target figure, but the justification contains no quantification of the problem of reported overload and contractor unavailability. (pg 153 of the Initial Publication)

BPA Response:

Use of Industrial Hygiene (IH) services at BPA have been increasing over the past few years. IH services have been provided on an as needed basis through contracts with third party vendors. These services include, consulting, training, hazardous material sampling, laboratory cost etc. Current cutbacks have led to unacceptable delays in addressing employee safety and health issues in a timely manner. For example, on March 22, 2012 the Data Scheduling Center had to be evacuated due to an unknown air quality issue. This facility is a 24-hour scheduling center. This event occurred on Thursday morning. BPA had to bring our contract IH in to initially conduct air quality testing and then again for tape lift and Suma canister testing. BPA was unable to acquire anyone until Saturday, March 24. One of the struggles was working with the contract IH schedule to meet BPA's needs. Having a group such as the DSC displaced was a huge concern. The staff was using their alternate work site, but with their primary down they had to work in additional contingencies in the event something were to happen. With the delays of not having an on staff IH, BPA did not clear the center for occupancy until Tuesday, March 27, 2012. There are multiple examples of where delays in acquiring an IH have caused issues such as the example cited above which have impacted the reliability of our Transmission and Power System. As a result BPA will be evaluating the benefits of establishing a staff IH and expect to complete the evaluation in FY 2013.

NRU Request:

Security (OSCO): The office states it is committed to operating at cost target, but the table on pg. 155 is \$136,000 over target in 2015 (pg 156 of the Initial Publication).

BPA Response:

While OSCO has attempted to stay within previously set cost targets, BPA believes that the risk of doing so is too great in FY 2015. Therefore, OSCO is requesting an additional \$136,000 above target level in FY 2015 to replace outdated security components in order to maintain mandatory standards in security system reliability. The need for additional funds stems from a 46 percent increase from the prior year's maintenance budget due to the need for system wide replacement of outdated security components. Operating at the FY 2015 cost target would not only put the agency's ability to maintain security system reliability at risk, it would also increase outyear costs due to one-off break/fix vendor call outs.

NRU Request:

Workplace Services: This activity is over target by \$1.8 million and \$1.9 million. BPA had difficulty following what the adverse consequences would be of staying within target. (pg 164 of the Initial Publication)

BPA Response:

Increases over target of \$1.8 million and \$1.9 million relate to our new integrated critical facilities program (\$800,000 - \$900,000) and BPA's future workplace program (~\$1.0 million).

The critical facilities program at BPA is a newly integrated program that will coordinate operations, maintenance, repair and replacement of critical facilities systems (e.g., generators, uninterrupted power supplies, other electrical etc.) at HQ, Munro, and buildings at our Ross campus. Partial funding for this program is assumed to come from existing budgets; however, the increase will allow BPA to contract for experts to perform maintenance on critical systems. Without the additional funds, maintenance of certain critical facilities will continue to be inadequate thereby increasing the risk of outages which would affect dispatch operations, power scheduling, transmission scheduling, critical IT system performance etc.

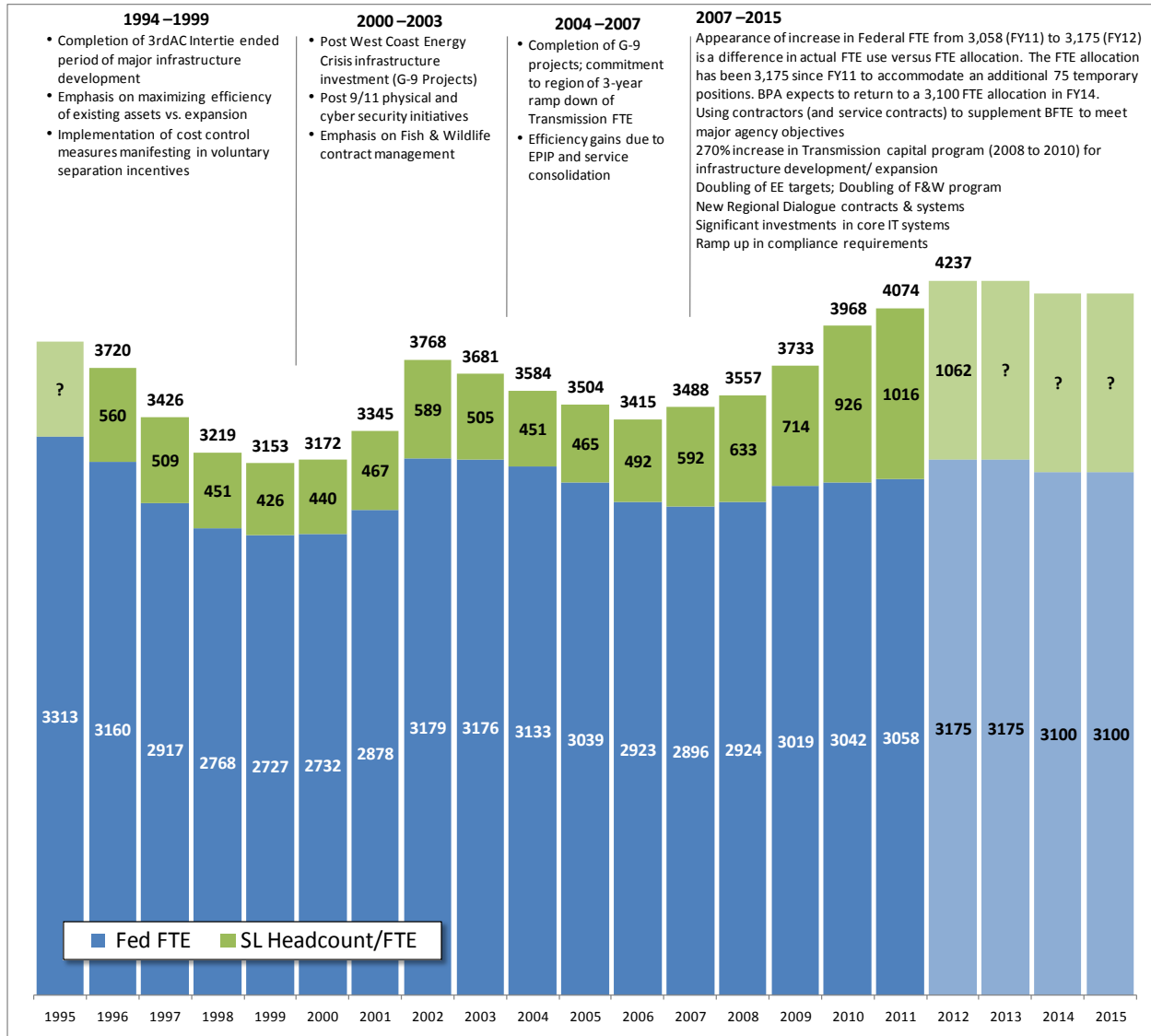
BPA's future workplace program is a workplace strategy BPA expects to begin implementing in 2014 that will leverage technology and is aimed at reducing costs through increasing space utilization, strengthening our continuity of operations, increasing employee productivity, and improving recruitment and retention during economic recovery. The \$1 million per year in FY 2014 and 2015 will save an expected \$2.7 million in annual lease costs beginning in FY 2016 (that's over \$5 million in the next rate period). Without the upfront amount, the cost savings associated with reduction in leased space would not be achieved.

NRU Request:

NRU would like to see a chart of FTE's and contract employees working for BPA for FY 2011-15 for Power, Transmission and Agency Services and their individually listed components.

BPA Response:

Below is a chart of FTEs and contract employees working for BPA for FY 2011 through FY 2015.



A breakout of the individually listed business units (Power, Transmission, and Agency Services) will be ready at a later date.

NRU Request:

In the 2010 IPR, BPA provided a table that showed wind integration budget for FY 2010-13. Please provide a similar table for this IPR.

BPA Response:

FY2013-15 Wind Integration Proposed Spending Levels – GEP Funds Availability in FY 2013 Only
June 18, 2012

BPA WIT Proposed Spending Levels	FY 2013	FY 2014	FY 2015
Power FTE	\$763,125	\$695,000	\$710,000
Power Non-FTE	\$826,375	\$470,000	\$480,000
Total Power	\$1,589,500	\$1,165,000	\$1,190,000
Corporate Strategy FTE	\$141,000	\$215,000	\$220,000
Corporate Strategy Non-FTE	\$0	\$0	\$0
Total Corporate Strategy	\$141,000	\$215,000	\$220,000
Legal FTE	\$280,000	\$145,000	\$150,000
Legal Non-FTE	\$0	\$0	\$0
Total Legal	\$280,000	\$145,000	\$150,000
Transmission FTE	\$4,048,777	\$2,200,000	\$2,240,000
Transmission Non-FTE	\$0	\$0	\$0
Total Transmission	\$4,048,777	\$220,000	\$2,240,000
Total FTE	\$5,232,902	\$325,500	\$3,320,000
Total Non-FTE	\$826,375	\$470,000	\$480,000
Total WIT Proposed Spending Level	\$6,059,277	\$3,725,000	\$3,800,000

Note:

Technology Innovation not included since not part of WIT projects
Includes Enhances Supplemental Service

BPA WIT Proposed Spending Levels Funding Sources	FY 2013	FY 2014	FY 2015
Total Power Wind Integration Proposed Spending Level	\$1,800,000	\$1,345,000	\$2,425,000
Available from Green Energy Premiums (GEP)	\$1,800,000	N/A	N/A
Power Proposed Spending Level Not Covered by GEP	\$0	\$1,345,000	\$2,425,000
Total Transmission Proposed Spending Level	\$4,259,277	\$2,380,000	\$2,240,000
Available from Green Energy Premiums (GEP)	\$0	N/A	N/A
Transmission Proposed Spending Level Not Covered by GEP	\$4,259,277	\$2,380,000	\$2,240,000
Total BPA WIT Proposed Spending Level	\$6,059,277	\$3,725,000	\$3,800,000
Available from Green Energy Premiums (GEP)	\$1,800,000	N/A	N/A
Total BPA WIT Proposed Spending Level Not Covered by GEP	\$4,259,277	\$3,725,000	\$3,800,000

Note: Funding for Corporate Strategy and Legal is split between Power and Transmission

NRU Request:

Between Business Line Cost Allocations: Where on the table (pg 170) is the allocation of WIT cost to Power and Transmission? Please provide background on how this allocation of WIT cost to Power and Transmission was decided upon. (pg 171 of the Initial Publication)

BPA Response:

See above table for allocation to Power and Transmission. Power and Transmission both cover their own FTE that work on the WIT initiatives. Most of the initiatives are Transmission centric so Transmission FTE is used mostly when working on them. The Forecasting initiative is Power centric so Power FTE is used mostly when working on it.

In general, Power and Transmission share Corporate costs, so that assumption was carried into the WIT. Legal allocations of costs to Power and/or Transmission are based on the issues worked on by Legal. As a forecast, BPA assumes it is split between Power and Transmission.

NRU Request:

Awards: In the expense target assumptions, we see that the awards program has been re-instated. Please provide the total amount of the awards program along with its allocation to Transmission and Power. (pg 9 of the Initial Publication)

BPA Response:

The attached table shows the average FY 2014-15 awards amounts included in the proposed IPR cost estimates. This reflects re-instatement of full award levels. The Performance, Success and Team Share awards for FY 2012-13 were reduced by 50% in the last IPR.

Average FY 2014-15 Total Power and Transmission Awards Forecasts (\$\$\$)			
	A	B	C
Award Type	Direct Charge Awards	Corporate Awards Allocations	Total Awards
Awards Charged to Power			
Individual Awards (Performance, People-2-People & Safety)	552	1,025	1,577
Success & Team Share	544	612	1,157
Total Power Awards	1,096	1,637	2,733
Awards Charged to Transmission			
Individual Awards (Performance, People-2-People & Safety)	2,222	1,251	3,473
Success & Team Share	2,014	619	2,632
Total Transmission Awards	4,236	1,870	6,105
Total Awards	5,332	3,507	8,839

Snohomish PUD Request:

As part of its Agency Services, under Compliance and Governance, BPA mentions that one of its goals is to coordinate with all agency partners to file all FERC, NERC and WECC reliability self certifications. (pg 127 in the Initial Publication) 1)We would like to understand specifically how much of these FERC, NERC and WECC compliance efforts contribute to the proposed Compliance and Governance Budget. 2) Additionally, we would like to know whether or not the Compliance

and Governance budget includes any cost estimate that covers consequences of non-compliance. 3) Finally, we understand that the compliance and Governance program has been allocated to both Power and Transmission rates on a 50/50 split. We would like for BPA to further clarify the basis of this allocation.

BPA Response:

1) The portion of the self-certification effort dedicated to coordinating with the federal partners is not currently tracked separately. It is part of the self-certification duties of the reliability program staffs in Power, Transmission, and Agency Compliance & Governance.

2) The proposed spending does not include any cost estimate for the consequences of non-compliance.

3) Compliance and Governance costs are divided equally between Power and Transmission because Agency Compliance & Governance is one of the functions that serves an executive administration function for the whole agency. Agency Compliance & Governance oversees numerous compliance programs that have far-reaching applicability throughout Power and Transmission. It is one of many general agency support functions allocated in this manner.

PPC Request:

Please provide realistic scenarios of reduced spending levels in the different BPA budgets that reflect agency-wide priorities, rather than just directing all the constituent parts of BPA to say what would happen if their budgets were cut by 10% (as happened in a prior IPR). For example, what if BPA escalated its costs so that the cost escalation increased the rates only by 4% or 6% instead of the currently proposed 8%? Which of BPA's planned functions would be reduced to achieve those cost-reduction goals?

BPA Response:

If needed and once more is known about net secondary revenues and FY 2012-13 financial results, then additional spending scenarios could be reviewed in an IPR2.

PPC Request:

For budget items that are reclassified as expense from capital, and vice versa, please provide the rationale for the reclassification and the amount of dollars that were shifted for each item.

BPA Response:

BPA follows the capitalization rules established under US GAAP accounting standards and the FERC Uniform System of Accounts. At times, BPA must expense projects that no longer fit within this guidance.

For Agency Services costs that are allocated, rather than charged directly, to the Power and Transmission business units: Per BPA policy, direction of effort cost studies are performed to update general and administrative (G&A) allocations. These studies are used to establish rates to allocate G&A costs to Transmission and Power Services and can result in cost shifts between

capital and expense.

The Capital to Expense Program budget specific to Transmission will be addressed at the July 18th workshop.

Charles Pace Request:

*For purposes of establishing jurisdictional authority and consistent with the Supreme Court’s definition in *Bennett v. Spears*, 520 U.S. 154 (1997), Bonneville should clarify that, upon closeout of the 2012 Integrated Program Review process, the determination of capital and expense spending levels for FY 2013-2015 will represent a “final action” under section 9(e)(3) of the Northwest Power Act.*

BPA Response:

BPA conducts the discretionary IPR process in order to solicit and consider regional input on the agency’s financial priorities for the upcoming rate period. Through this collaborative process, BPA and regional parties can have a meaningful dialogue regarding BPA’s proposed program levels. At the conclusion of the IPR process, BPA typically issues a close-out letter and report in which BPA describes how its program funding and budgetary projections were informed by the parties’ comments. The projected program levels described in the closeout letter and report reflect the Administrator’s best estimate regarding the appropriate budget levels to assume in setting rates.

The above comment assumes that BPA’s closeout letter and report constitute a “final action,” reviewable by the U.S. Court of Appeals for the Ninth Circuit under section 9(e)(3) of the Northwest Power Act and the Supreme Court’s test for finality in *Bennett v. Spear*, 520 U.S. 154 (1997). That is incorrect.

In *Bennett v. Spear*, the Supreme Court set forth a two-part test for determining whether an agency action is final: (1) the action must mark the consummation of the agency’s decision making process – it must not be of a merely tentative or interlocutory nature and; (2) the action must be one by which rights or obligations have been determined, or from which legal consequences will flow. 520 U.S. at 178. The IPR budgetary process in general, and the IPR closeout letter and report in particular, are not final actions subject to judicial review because they fail to satisfy either prong of the finality test in *Bennett v. Spear*.

First, the closeout of the IPR process does not “mark the consummation of the agency’s decision making process” on budgetary levels because further adjustments to BPA’s spending projections may occur after the conclusion of the IPR. While the closeout letter and report reflect the Administrator’s best estimate regarding the appropriate budget levels to assume in setting rates, these budgetary levels may be further modified by subsequent future events that lead to changing priorities or by subsequent Executive or congressional actions. Pursuant to the Transmission System Act, 16 U.S.C. §§ 838i(a)-(c), and the Government Corporation Control Act, 31 U.S.C. § 9103, BPA prepares an annual budget for submission to the President. The President must submit the Federal budget to Congress. 31 U.S.C. § 9103; 31 U.S.C. § 1105(a).

The estimates presented within the budget submitted by the President are developed completely within the discretion of the President. 31 U.S.C. § 9103(c) (“ . . . as changed by the President.”) Congress may, in its discretion, add specific directives or limitations in appropriation acts. 16 U.S.C. § 838i(b). Thus, while IPR serves the important role of receiving regional input on the priorities for BPA spending, the resulting proposed program levels are only recommendations that may be subsequently modified. Agency proposals or recommendations are not reviewable as final agency actions. *See, e.g., Dalton v. Spencer*, 511 U.S. 462, 468-71 (1994).

The second part of the *Bennett v. Spear* test requires that the action being challenged establish obligations or cause legal consequences. Here again, the IPR closeout letter and report fail to satisfy the Supreme Court’s test for finality. The closeout letter and report describe BPA’s proposed program levels that are only recommendations that may be subsequently modified by the President and Congress. However, these proposed budget levels are based upon existing or anticipated obligations; they do not *create* such obligations. As a result, no legal consequences “flow” from BPA’s proposed program levels at the conclusion of the IPR process. Legal consequences will arise only after some additional decision is made.

Further, while BPA may intend to fund a particular program at a particular level during the next rate period, future events may change BPA’s spending projections. These changes may result in increases or decreases to the spending projections contained in the IPR documentation. In short, neither component of the *Bennett v. Spear* test for finality is met following the close of the IPR process: the end of the IPR process does not mark the end of BPA’s decision making process for establishing future budgetary levels and no legal consequences flow from BPA’s issuance of the IPR close-out letter and report.

Finally, if a party sought to challenge the IPR results, a court probably would not review the matter on the merits because the party could not satisfy the basic standards of justiciability such as standing, ripeness, and exhaustion. Standing in particular would elude the challenger because such party would be unlikely to show a concrete particularized injury in fact from a budget that has no legal consequences.

FINANCIAL DISCLOSURE

FY 2011 actuals have been made publicly available by BPA and contains Agency-approved Financial Information.

FY 2012-13 forecasts for Rate Case and Start of Year have been made publicly available by BPA and contains Agency-approved Financial Information.

FY 2013-15 IPR target and Proposed IPR levels have been made publicly available by BPA on June 5, 2012 and reflect information not reported in agency financial statements.