

# BPA Policy 210-1

## Interest Rate

### Table of Contents

1. Purpose & Background.....	2
2. Policy Owner .....	2
3. Applicability.....	2
4. Terms & Definitions .....	2
5. Policy .....	2
5.1 General.....	2
5.2 Creating and Establishing a New Interest Rate Methodology or Changing an Existing Interest Rate Methodology .....	3
6. Policy Exceptions .....	3
7. Responsibilities.....	3
8. Standards & Procedures.....	4
9. Performance & Monitoring .....	4
10. Authorities & References.....	4
11. Review .....	4
12. Revision History .....	4
Appendix A. List of Interest Rates.....	5



## 1. Purpose & Background

Bonneville Power Administration (BPA) applies different interest rates, for different purposes, which are established through a variety of methods, for its forecasting/planning work, operations, and engagement with customers and stakeholders. Financial Strategy & Operations (FT) has an inherent responsibility to maintain, inform, and guide users on the appropriate application of interest rates for various purposes.

This document provides BPA’s policy for the use of interest rates in various circumstances to ensure consistency, where another interest rate is not prescribed. It also describes the various types of interest rates most commonly applied.

## 2. Policy Owner

The Executive Vice President (EVP) & Chief Financial Officer (CFO) owns this policy and assigns responsibility for its implementation and maintenance to the manager of Revenue Requirement, Repayment & Financial Strategy (FTR).

Any unforeseen circumstances regarding the use of interest rates not addressed in this policy, and not otherwise prescribed, must be brought before the Manager of Financial Strategy and Operations (FT) for decision.

## 3. Applicability

This policy applies to all organizations within BPA for any agency function that requires use of an interest rate.

## 4. Terms & Definitions

A. **Discount:** Any time an owing party is permitted to pay less than the face value to satisfy a debt owed. The conditions and parameters of a discount are included in the written terms of a debt instrument.

## 5. Policy

### 5.1 General

A. All uses of interest rates shall be consistent with the rates defined in Appendix A, unless otherwise prescribed (e.g. by contractual agreement, accounting guidance, etc.).

<b>Organization</b> Revenue Requirement, Repayment & Financial Strategy (FTR)	<b>Title</b> Interest Rate	<b>Unique ID</b> 210-1		
<b>Author</b> Tracy Carlson (FTR)	<b>Approved by</b> Chief Financial Officer, Marcus Chong	<b>Date</b> 9/25/2024	<b>Version</b> 2.0	<b>Page</b> 2

- B. BPA does not pay interest on customer funds held in the Bonneville Fund unless required by Federal statute or regulation, or by contractual provisions that include interest payment components.
- C. The manager of FT shall be consulted and must provide approval before any discount for early payment or prepayment of amounts owed to BPA is offered.

**5.2 Establishing or Changing an Interest Rate Methodology**

- A. Prior to establishing a new interest rate or changing an existing interest rate that is currently in use at BPA, the manager of FT shall be consulted and must provide approval before that new or changed interest rate methodology is incorporated into a BPA contract or financial process. This includes rates set by parties outside of BPA (such as the Federal Energy Regulatory Commission (FERC) or the Western Systems Power Pool (WSPP)) and applicable to BPA, but excludes rates set by Treasury (i.e. for appropriations) to comply with BPA statutory authority (see Section 10, *Authorities & References*).
- B. As sources and methodologies for particular interest rates change, Appendix A will be updated to reflect any changes. The manager of the FTR group shall be consulted before any updates are made.

**6. Policy Exceptions**

All exceptions to this policy are at the discretion of the manager of FT. Request for exceptions must be submitted via e-mail to the manager of FTR who would then vet and route them to the manager of FT. In the email, include what exception is being requested, what rate / index is desired to be used, and the reason / justification for the exception.

**7. Responsibilities**

- A. The staff of the FTR group is responsible for updating Appendix A of this policy as needed, with approval from the manager.
- B. The Director, Customer Support Services (MS org), is responsible for ensuring customer contract interest rates conform with this policy.
- C. BPA managers are responsible to ensure this policy is followed by their organizations.
- D. BPA staff must follow this policy.

<b>Organization</b> Revenue Requirement, Repayment & Financial Strategy (FTR)		<b>Title</b> Interest Rate		<b>Unique ID</b> 210-1
<b>Author</b> Tracy Carlson (FTR)	<b>Approved by</b> Chief Financial Officer, Marcus Chong	<b>Date</b> 9/25/2024	<b>Version</b> 2.0	Page 3

## 8. Standards & Procedures

None. See Section 7 above.

## 9. Performance & Monitoring

All BPA managers are responsible for monitoring their operations to ensure that the Interest Rate Policy is followed or an exemption is granted.

## 10. Authorities & References

- A. 16 USC, Chapter 12g, Bonneville Power Administration Refinancing Section of the Omnibus Consolidated Rescissions and Appropriations Act of 1996
- B. BPA Policy 212-9, Allowance for Funds Used During Construction (AFUDC)

## 11. Review

The manager of the FTR group shall ensure that this policy is reviewed at least every five years.

The manager of the FTR group shall ensure that staff update Appendix A as information changes.

## 12. Revision History

Version	Issue Date	Brief Description of Change or Review
1.0	1/18/2019	Initial policy
2.0	XXXXXXXX	Recurring 5-year review, link updates, and added ECI Index

<b>Organization</b> Revenue Requirement, Repayment & Financial Strategy (FTR)		<b>Title</b> Interest Rate		<b>Unique ID</b> 210-1	
<b>Author</b> Tracy Carlson (FTR)	<b>Approved by</b> Chief Financial Officer, Marcus Chong	<b>Date</b> 9/25/2024	<b>Version</b> 2.0	Page 4	

# Appendix A: List of Interest Rates

Below is a list of all interest rates used across BPA with a brief description and their source.

---

## 1. Allowance for Funds Used During Construction (AFUDC) FERC Rate

DESCRIPTION: BPA uses the FERC formula for AFUDC as defined in Title 18 CFR Part 101 Electric Plant Instruction 3(A)(17). Please see BPA Policy 212-9 for details.

SOURCE: Email the Manager of the Debt & Liquidity Management (FTL) for current rates.

## 2. Appropriations Rate

DESCRIPTION: Provided by the Office of Debt Management and published in the Official Interest Rate and Inflation Forecast.

SOURCE: [Interest Rate and Inflation Forecast - All Documents \(bpa.gov\)](https://finance.bud.bpa.gov/FT/FTR/Common%20Agency%20Assumptions/Forms/AllItems.aspx) or <https://finance.bud.bpa.gov/FT/FTR/Common%20Agency%20Assumptions/Forms/AllItems.aspx>

NOTE: Choose the most recent Interest Rate and Inflation Forecast and review the table of contents to find the Appropriations table.

## 3. BPA Total Weighted Average Cost of Borrowing

DESCRIPTION: Equal to the weighted average interest rate of outstanding BPA debt. This can include but is not limited to subsets for all types of debt (e.g. Federal, non-Federal, Bond, Appropriation, Asset Class, etc.)

SOURCE: Email the Manager of the Debt & Liquidity Management (FTL) for current rates.

## 4. Consumer Price Index (CPI)

DESCRIPTION: The rate representing changes in prices paid by all urban consumers.

SOURCE: <https://www.bls.gov/cpi/latest-numbers.htm>

NOTE: The “CPI-U, US City Average, All Items” links are to be employed for general use but others may be used if they are more relevant.

<b>Organization</b> Revenue Requirement, Repayment & Financial Strategy (FTR)	<b>Title</b> Interest Rate	<b>Unique ID</b> 210-1		
<b>Author</b> Tracy Carlson (FTR)	<b>Approved by</b> Chief Financial Officer, Marcus Chong	<b>Date</b> 9/25/2024	<b>Version</b> 2.0	<b>Page</b> 5

## 5. Employment Cost Index (ECI)

DESCRIPTION: The rate addresses the unique pressures on future labor costs the broader GDP Price Deflator fails to capture. The ECI, compared to similar labor cost indices, is robustly resistant to variations in labor force composition.

SOURCE: [Interest Rate and Inflation Forecast - All Documents \(bpa.gov\)](https://finance.bud.bpa.gov/FT/FTR/Common%20Agency%20Assumptions/Forms/AllItems.aspx) or <https://finance.bud.bpa.gov/FT/FTR/Common%20Agency%20Assumptions/Forms/AllItems.aspx>

NOTE: GDP and ECI forecasts are used in the development of BPA’s Integrated Program Review (IPR). For the FY 2024/2025 IPR, cost increases at inflation were determined by applying ECI inflation to personnel expenses and GDP inflation to all other expenses.

## 6. Discount Rates

DESCRIPTION: This rate is used to discount projected cash flows, both risk adjusted and risk-free discount rates are available at the listed source.

SOURCE: [Asset Management Common Planning Assumptions - Discount Rates \(bpa.gov\)](https://finance.bud.bpa.gov/FA/FAC/Common_Planning_Assumptions/SitePages/Discount%20Rates.aspx) or [https://finance.bud.bpa.gov/FA/FAC/Common\\_Planning\\_Assumptions/SitePages/Discount%20Rates.aspx](https://finance.bud.bpa.gov/FA/FAC/Common_Planning_Assumptions/SitePages/Discount%20Rates.aspx)

## 7. Disputed Payment Refund, Tariff contracts

DESCRIPTION: Used by tariff transmission contracts.

SOURCE: See FERC Rate, Appendix A, Item 9, of this policy.

## 8. Disputed Payment Refund, Non-Tariff contracts

DESCRIPTION: Prime Rate divided by 365, used by power and non-tariff transmission contracts.

SOURCE: See Prime Rate, Appendix A, Item 17, of this policy.

## 9. Disputed Payment Refund, WSPP

<b>Organization</b> Revenue Requirement, Repayment & Financial Strategy (FTR)	<b>Title</b> Interest Rate	<b>Unique ID</b> 210-1		
<b>Author</b> Tracy Carlson (FTR)	<b>Approved by</b> Chief Financial Officer, Marcus Chong	<b>Date</b> 9/25/2024	<b>Version</b> 2.0	<b>Page</b> 6

DESCRIPTION: Any excess amount of bills which, through inadvertent errors or as a result of a dispute, may have been overpaid shall be returned by the owing Party upon determination of the correct amount, with interest calculated daily, at a rate equal to 200 basis points above the per annum Prime Rate reported daily in the Wall Street Journal from the date the overpayment was received until returned. A Party shall have the right to dispute the accuracy of any bill or payment only for a period of two (2) years from the date on which the bill was initially delivered.

SOURCE: Section 9.4 of the WSPP. See latest version of the WSPP contract in [WSPP - WSPP Agreement Description](#) for rate information. Contact the CCM Help Desk if locating a contract is difficult: call extension 4226, or email [ccm\\_support@bpa.gov](mailto:ccm_support@bpa.gov).

## 10. FERC Rate

DESCRIPTION: The Commission, on a quarterly basis, publishes interest rates for oil, natural gas, and electricity for determination of refund purposes.

SOURCE: [Interest Calculation: Rates and Methodology | Federal Energy Regulatory Commission \(ferc.gov\)](#) or <https://www.ferc.gov/interest-calculation-rates-and-methodology>

## 11. Government Agency Rate

DESCRIPTION: Rate at which BPA borrows from the U.S. Treasury.

SOURCE: Email the current manager of the Debt & Liquidity Management (FTL) group.

## 12. Late Payment Charge

DESCRIPTION: Amounts not paid on or before the due date shall be payable with interest calculated daily, at a rate equal to 200 basis points above the per annum Prime Rate reported daily in the Wall Street Journal for the period beginning on the day after the due date and ending on the day of payment, provided that such interest shall not exceed the amount permitted by law. (Prime + 2%)

SOURCE: Section 9.3 of the WSPP; Prime + 2%. See latest version of the WSPP contract in [WSPP - WSPP Agreement Description](#) SharePoint site for rate information. Contact the CCM Help Desk if locating a contract is difficult: call extension 4226, or email [ccm\\_support@bpa.gov](mailto:ccm_support@bpa.gov).

## 13. Interest to be Charged on Delinquent Debt Payments to BPA

DESCRIPTION: Federal law and regulation (31 USC §3717, 31 CFR §901.9) requires interest to be charged on all debts owed to the United State when delinquent. The interest rate to

<b>Organization</b> Revenue Requirement, Repayment & Financial Strategy (FTR)		<b>Title</b> Interest Rate		<b>Unique ID</b> 210-1	
<b>Author</b> Tracy Carlson (FTR)	<b>Approved by</b> Chief Financial Officer, Marcus Chong	<b>Date</b> 9/25/2024	<b>Version</b> 2.0	Page 7	

be charged shall either be established by the Secretary of Treasury or established by contract. These are the applicable late payment interest BPA applies on delinquent debt, different than the rate established rates established by the US Treasury that have been determined by the BPA Business units:

- Power Enabling Agreement to the WSPP Contract – Prime Rate+ 2%
- Power Regional Dialogue / Provider of Choice Contract – The higher of Prime + 4% or Prime x 1.5%
- Transmission Point to Point / Network Agreements - FERC Rate on Refunds, 18 C.F.R. §35.19a(a)(2)(iii)
- CALISO EIM - FERC Rate on Refunds, 18 C.F.R. §35.19a(a)(2)(iii)
- Fiber and Wireless Agreement - The higher of Prime + 4% or Prime x 1.5%

#### 14. OATT Rate

DESCRIPTION: The OATT defines the terms and conditions of point-to-point and network integration transmission services offered by BPA Transmission Services. The OATT Rate is updated monthly.

SOURCE: [tariff-interest-rates.pdf \(bpa.gov\)](https://www.bpa.gov/-/media/Aep/transmission/open-access-transmission-tariff/tariff-interest-rates.pdf) or <https://www.bpa.gov/-/media/Aep/transmission/open-access-transmission-tariff/tariff-interest-rates.pdf>

NOTE: The “OATT Interest Rates” link at the site above provides all technical data, however, the main page provides much more context and publications.

#### 15. Prime Rate

DESCRIPTION: The most common interest rate is called the prime rate. It is listed in the Money Rates section of The Wall Street Journal and represents the base rate on corporate loans posted by at least 75% of the nation’s 30 largest banks.

SOURCE: Wall Street Journal [Money Rates \(wsj.com\)](https://www.wsj.com/mdc/public/page/2_3020-moneyrate.html) or [http://www.wsj.com/mdc/public/page/2\\_3020-moneyrate.html](http://www.wsj.com/mdc/public/page/2_3020-moneyrate.html)

NOTE: The Prime Rate is listed under the “International Rates” header.

<b>Organization</b> Revenue Requirement, Repayment & Financial Strategy (FTR)		<b>Title</b> Interest Rate		<b>Unique ID</b> 210-1	
<b>Author</b> Tracy Carlson (FTR)	<b>Approved by</b> Chief Financial Officer, Marcus Chong	<b>Date</b> 9/25/2024	<b>Version</b> 2.0	Page 8	



## 16. Projected Borrowing Rates

DESCRIPTION: Future interest rate assumptions for Appropriations, Agency, Taxable, and Tax-Exempt rates. The forecast will be periodically updated, targeting an annual frequency, pending approval and communicated through a memo.

SOURCE: [Interest Rate and Inflation Forecast - All Documents \(bpa.gov\)](https://finance.bud.bpa.gov/FT/FTR/Common%20Agency%20Assumptions/Forms/AllItems.aspx) or <https://finance.bud.bpa.gov/FT/FTR/Common%20Agency%20Assumptions/Forms/AllItems.aspx>

## 17. Projected Inflation Rates

DESCRIPTION: Future inflation rates and Gross Domestic Product deflators. The forecast will be periodically updated, targeting an annual frequency, pending approval and communicated through a memo.

SOURCE: [Interest Rate and Inflation Forecast - All Documents \(bpa.gov\)](https://finance.bud.bpa.gov/FT/FTR/Common%20Agency%20Assumptions/Forms/AllItems.aspx) or <https://finance.bud.bpa.gov/FT/FTR/Common%20Agency%20Assumptions/Forms/AllItems.aspx>

## 18. Prompt Payment Act Interest Rates

DESCRIPTION: The Prompt Payment Act, 31 USC Chapter 39, gives guidance for assessing late interest penalties against agencies that pay vendors after a payment due date. This rate was established under the Contract Disputes Act and is referred to as the "Renegotiation Board Interest Rate," the "Contract Disputes Act Interest Rate," and the "Prompt Payment Act Interest Rate."

SOURCE: [Prompt Payment \(treasury.gov\)](https://www.fiscal.treasury.gov/fsservices/gov/pmt/promptPayment/promptPayment_home.htm) or [https://www.fiscal.treasury.gov/fsservices/gov/pmt/promptPayment/promptPayment\\_home.htm](https://www.fiscal.treasury.gov/fsservices/gov/pmt/promptPayment/promptPayment_home.htm)

NOTE: The "Current and historical rates for paying interest" link at the site above provides all technical data, however, the main page provides much more context and publications.

<b>Organization</b> Revenue Requirement, Repayment & Financial Strategy (FTR)	<b>Title</b> Interest Rate	<b>Unique ID</b> 210-1		
<b>Author</b> Tracy Carlson (FTR)	<b>Approved by</b> Chief Financial Officer, Marcus Chong	<b>Date</b> 9/25/2024	<b>Version</b> 2.0	<b>Page</b> 9

## 19. Residential Exchange Interest, Calculation for Deemer Balances

DESCRIPTION: CPI (Corporate) incremental change to the CPI is multiplied by the previous month's Deemer balance to determine the incremental interest component of a given month's Deemer balance. The tracking of Deemer balances currently only applies to Idaho Power Company.

SOURCE: [Latest Numbers : U.S. Bureau of Labor Statistics \(bls.gov\)](https://www.bls.gov/cpi/latest-numbers.htm) or <https://www.bls.gov/cpi/latest-numbers.htm>

NOTE: The "CPI-U, US City Average, All Items" is to be used in this case.

## 20. Treasury Current Value of Funds Rate

DESCRIPTION: Rate applied to overpayment of travel, relocation advances, payroll, or other Federal Government receivables.

SOURCE: [Current Value of Funds Rate \(treasury.gov\)](https://www.fiscal.treasury.gov/fsreports/rpt/cvfr/cvfr_home.htm) or [https://www.fiscal.treasury.gov/fsreports/rpt/cvfr/cvfr\\_home.htm](https://www.fiscal.treasury.gov/fsreports/rpt/cvfr/cvfr_home.htm)

<b>Organization</b> Revenue Requirement, Repayment & Financial Strategy (FTR)	<b>Title</b> Interest Rate	<b>Unique ID</b> 210-1		
<b>Author</b> Tracy Carlson (FTR)	<b>Approved by</b> Chief Financial Officer, Marcus Chong	<b>Date</b> 9/25/2024	<b>Version</b> 2.0	Page 10