BPA Policy 211-2

Budget Carryover

Table of Contents

1. Purpose & Background

The Bonneville Power Administration operates in an industry that requires large, multi-year capital commitments. Likewise, BPA has a large expense program that can fluctuate based on the near-term needs of BPA's operational and programmatic obligations.

Partnering with external parties is fundamental to BPA's ability to deliver on its mission – the Federal Hydro group partners with the Army Corps of Engineers and the Bureau of Reclamation to maintain and operate the Federal Columbia River Power System (FCRPS); the Fish and Wildlife program partners extensively throughout the region; and Transmission Services partners with various non-federal and private sector entities to finance transmission line expansions and additions. The relationships with these external parties and the multi-year nature of the investments do not always align with BPA's federal budgeting and rate making cycles. BPA's federal budgets are annual in nature – from October 1 to September 30 – and rates are set on a biennial basis with each rate period containing two annual budgets.

In addition to BPA's mission to market and transmit power from the FCRPS, BPA operates multi-year programs focusing on fish and wildlife mitigation, energy efficiency savings and maintaining and operating the FCRPS. These programs can lead to legal obligations and schedules that differ from BPA's budget and rate cycles. This creates unique challenges that can only be addressed with within-rate period and between-rate period funding flexibility.

This budget carryover policy balances the following competing objectives:

- Allowing budgeting flexibility for BPA and its customers and constituents.
- Supporting BPA in meeting its legal obligations.
- Maintaining budgeting discipline within BPA.
- Facilitating annual federal budgeting and apportionment requirements.

Additionally, this policy establishes the guidelines BPA uses when considering potential carryovers of expense or capital budgets: it outlines allowable carryover amounts and the approval procedures required to modify annual budgets for both capital and expense carryovers. These guidelines take into consideration the unique operational and legal requirements of BPA's different programs by asset category or expense program.

The program budget carryover policy establishes allowable carryover amounts and procedures between annual budgets for both capital and expense. This carryover policy addresses the following for each asset category - taking into consideration the unique operational and legal requirements of BPA's different programs:

A. The fungibility of funds between years within a rate period for both capital and expense;

B. The fungibility of funds between rate periods for both capital and expense;

C. The procedures and requirements for any allowable movement of funds between budget years.

2. Policy Owner

BPA's Chief Financial Officer (CFO) is the owner of this policy.

3. Applicability

This policy is applicable to all BPA organizations that have a need to carry over capital or expense funds from year to year or rate period to rate period.

4. Terms & Definitions

A. **Budget carryover:** Reprogramming or reallocating unspent funds in one fiscal year to a subsequent fiscal year, or reallocating funds from a subsequent fiscal year to the current fiscal year. Budget carryovers are not the consequence of a change to the purpose of the funds, but rather the result of a change in timing, recognizing that more time may be needed to accomplish the original objectives, or those funds may be needed sooner than originally anticipated.

B. **Department Budget:** the approved annual spending authority for a Tier 1 organization such as Transmission, Information Technology, and the Chief Administrative Office.

C. **Program Budget** is the approved annual spending authority for project-based funding, typically held on the project level 4 (PL4) in BPA's business line project trees. Additionally, the following defined programs have special provisions in this policy:

a. Columbia Basin Fish & Wildlife Program (also known as the Fish & Wildlife Direct program or 1085 program)

b. Energy Efficiency Incentive (EEI) program (also known as "Conservation Purchases," and associated with PL-4 number 0006102). Section 4D and 4E below clarify the types of EEI program budgets in a rate period.

D. **Energy Efficiency Incentive (EEI) Initial Implementation Budget:** The budget established by BPA to purchase energy savings from a program participant during that rate period and based on the participant's Tier One Cost Allocation (TOCA) rate as defined in the Energy Conservation Agreement (ECA).

E. **Energy Efficiency Incentive (EEI) Available Implementation Program Budget**: The budget available to BPA to purchase energy savings from a specific program participant at a given time, equal to the participant's Initial Implementation Budget plus any applicable carryover amount, plus or minus any applicable implementation budget transfers, minus any applicable approved invoice payment amounts, as defined in the ECA.

5. Policy

Allowable carryover amounts and procedures between annual budgets for both capital and expense are as follows:

A. **Capital**: Unspent capital dollars may be reallocated to the first year or carried over to the second year of the rate period in an amount not to exceed 5% of the first-year budget of a program or department listed under Section 4.B. of this policy. Each program must stay within its two-year budget in total. (But note the limited exception for Fish & Wildlife in Section 6.B below.)

B. **Expense**: Unspent expense funds may be reallocated to the first year or carried over to the second year of the rate period in an amount not to exceed 3% of the first year budget of a program or department, subject to the following conditions:

   1. Each program or department must stay within its two-year forecast in total that was set in the rate case. (But note below limited exceptions for Fish & Wildlife program (Section 6.B.4(a) and Energy Efficiency program (Section 6.B.4(b).)

   2. Programs may only reallocate expense funds resulting from external agreements, legal obligations, or settlements whose timing or existence was unforeseen or beyond the program's control.

6. Policy Exceptions

A. **Capital**:

   1. Columbia Basin Fish and Wildlife (1085) program may exceed the 5% cap in an amount consistent with a long-term agreement if necessary to meet long-term agreement obligations. This measure is only available after every reasonable attempt to stay within the budget targets has been exhausted and the alternative would be to default on the program commitments.

   2. Movement of capital funds between rate periods is not permitted except under the following condition: Columbia Basin Fish and Wildlife (1085) program - Unused funds from the prior rate period may be carried over to the subsequent rate period necessary to fulfill long-term agreement obligations.

B. Expense:

1. Columbia Basin Fish and Wildlife (1085) program may exceed the 3% expense cap in an amount consistent with a long-term agreement if necessary to meet long-term agreement obligations and other long-term commitments. This measure is only available after every reasonable attempt to stay within the budget targets has been exhausted and the alternative would be to default on the Program commitments.
2. Energy Efficiency Incentive (EEI) program may reallocate funds between years within a rate period necessary to meet commitments in the Energy Conservation Agreements and assuming that the rate period total is not exceeded.
3. Movement of expense funds between rate periods is not permitted except in the following cases:
   a) Columbia Basin Fish and Wildlife (1085) program may carryover funds when they are required to fulfill long-term agreement obligations. This measure is only available after every reasonable attempt to stay within the budget targets has been exhausted and the alternative would be to default on the program commitments.

   b) Energy Efficiency may move to reflect moving up to the greater of 10% of a customer's Initial Implementation Budget or $50,000 of Available Implementation Budget from one rate period to the next so long as the carryover is consistent with the ECA[i].

C. **Limited Exception**: The Finance Committee may consider additional exceptions to the general carryover rules on a case-by-case basis. This exception should be used sparingly and supporting documentation and justification must be provided to the Finance Committee.

D. **BPA Financial Hardship Exception**: The CFO has the discretion to deny otherwise qualifying carryover requests if BPA is experiencing financial hardship. The CFO will not deny otherwise qualifying carryover requests if such a denial conflicts with an existing contractual obligation.

7. Responsibilities

A. **Manager of Budget Planning and Forecasting (Budget Officer)**: Establishes policy, operational procedures and practices for federal and internal budgeting, forecasting, and analysis. In addition, the Budget Officer reviews the carryover request and determines if it meets policy requirements.

B. **BPA Staff, Managers, and Subject Matter Experts**: Follow procedures and practices in accordance with this policy.

C. **Finance Committee**: Reviews any requests under the Limited Exception section above.

8. Standards & Procedures

To facilitate annual federal and internal budgeting and federal apportionment requirements, any movement of funds between fiscal years must be communicated to BPA's Manager for Budget Planning and Forecasting (Budget Officer) by e-mail by September 15 of the first fiscal year of the two fiscal years the carryover proponent seeks to move funds between.

Deviations from this timing may be granted or imposed by the Budget Officer on a case-by-case basis. Organizations must provide support for the carryover request to the Budget Officer. The Budget Officer reviews the request and determines if it meets policy requirements. Carryovers that meet the policy requirements are shared with executives as an "inform" item to the Finance Committee (FC). Requests under the Limited Exception clause of this policy must go to the Finance Committee for approval. Organizations must provide support and justification to the FC for the carryover request.

9. Performance & Monitoring

Oversight of the proper development and implementation of the budget carryover policy is the responsibility of the Chief Financial Officer, working through the Budget Officer.

10. Authorities & References

The Finance Committee

11. Review

A review of this policy is conducted every five years.

12. Revision History

Version Number	Issue Date	Brief Description of Change or Review
1.0	8/3/2017	Migration of content to new policy format
2.0	6/21/2024	Sunset review, minor changes.

[i] Budget Officer reviews the request and determines if it meets policy requirements.

Example 1 below – Carryover is $40,000 since 10% of Initial Implementation Budget > available budget.

Example 2 – Carryover is $50,000 since $50,000 of available budget > 10% of Initial Implementation Budget.

Example 3 – Carryover is $60,000 since 10% of Initial Implementation Budget > $50,000.

	Initial Implementation Budget	**Available Implementation Budget**	**Allowable Carryover Amount**
Example 1	$400,000	$30,000	$40,000
Example 2	$400,000	$55,000	$50,000
Example 3	$600,000	$55,000	$60,000