BPA Policy 212-9

Allowance for Funds Used During Construction (AFUDC)

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1. Purpose & Background

The purpose of this policy is to provide guidance on the proper accounting treatment for capitalized interest and to describe the formula utilized to calculate the annual AFUDC rate.

2. Policy Owner

BPA's Chief Financial Officer (CFO) has overall responsibility for this policy, and assigns responsibility for its implementation to BPA's Accounting Officer (AO).

3. Applicability

Assets owned and financed by the Federal Columbia River Power System (FCRPS) requiring a period of construction to bring them to the condition and location necessary for their intended use. See Appendix A for project types which receive AFUDC.

4. Terms & Definitions

A. **Allowance for Funds Used During Construction (AFUDC):** A generally accepted accounting principle whereby the cost of financing capital construction projects is added to the cost of the asset via an offset to interest expense.

B. **AFUDC FERC Rate Formula:** BPA uses the FERC formula for AFUDC as defined in Title 18 CFR Part 101 Electric Plant Instruction 3(A)(17). The formula for calculating the annual AFUDC rate is:

$$Ai = s\ (S/W) + d\ (D/D+P+C)\ (1-S/W)$$

Ai = Gross allowance for borrowed funds used during construction rate (AFUDC)
S = Average short-term debt (estimated forecast)
s = Short-term debt interest rate (estimated forecast)
D = Long-term debt
d = Long-term debt interest rate
P = Preferred stock
p = Preferred stock cost rate
W = Average balance in Construction Work-in-Progress (CWIP)
C = Common equity
c = Common equity cost rate

Per FERC guidance in Accounting Release 13 (AR-13), no single borrowing rate will be project specific. The formula includes a component for the weighted average cost of long-term debt which is to include both use-restricted and unrestricted borrowings.

Since BPA has no preferred stock or common equity, the agency calculates the AFUDC rate each year using the following simplified formula:

$Ai = s\,(S/W) + d(1\text{-}S/W)$

- Ai = Gross allowance for borrowed funds used during construction rate (AFUDC)
- S = Average short-term debt (estimated forecast)
- s = Short-term debt interest rate (estimated forecast)
- d = Long-term debt interest rate
- W = Average balance in Construction Work-in-Progress (CWIP)

C. **Construction Work in Progress (CWIP):** The capitalized costs of constructing an asset which are carried on the balance sheet until such time as the assets are ready for intended use and placed in service in the accounting system. These costs, which are recorded in GL accounts beginning with 107XXX, include direct costs, as well as indirect costs, overheads, and AFUDC. Once placed in service in the accounting system, the costs are reclassified from CWIP to Plant in Service and AFUDC ceases.

D. **Interest During Constrruction (IDC):** Similar to AFUDC, a generally accepted accounting principle for capitalizing the cost of financing capital construction projects. Unlike AFUDC, the IDC calculation does not include equity components.

E. **Trust fund AFUDC:** In situations where debt proceeds borrowed to fund capital construction projects are placed in a restricted trust or special fund, such as projects under the Lease Purchase Program, AFUDC assigned to the construction project should include a provision for the cost of borrowing the unspent trust funds. Per AR-13, AFUDC assigned to the project should be determined by applying BPA's annual AFUDC rate to the balances in the trust fund.

Trust fund investment earnings during construction should be credited against the cost of construction (to reduce the overall project cost).

5. Policy

A. **Assets Qualifying for Interest Capitalization**

AFUDC will be applied to assets that require a period of time to bring them to the condition and location necessary for their intended use.

B. **Capitalization Period**

Except as provided in Section 5.C., the AFUDC capitalization period shall begin and continue as long as the two conditions below are present:[1]

1. Capital expenditures for the project have been incurred, and
2. Activities that are necessary to get the construction project ready for its intended use are in progress. The term “activities” is to be construed broadly.

Brief interruptions in activities, delays that are inherent in the asset acquisition process and interruptions in activities that are imposed by external forces are unavoidable in acquiring the asset and as such do not call for a cessation of interest capitalization.

The capitalization of AFUDC will stop when the asset has been tested,[2] is substantially complete[3] and is placed in service or ready for its intended use.

When assets are completed in parts and each part is capable of being used independently while work continues on other parts, interest capitalization stops when each part is substantially complete and ready for use.[4] See BPA Policy 212-11 Work Order Completion and Asset Unitization for guidance on timely unitization practices, work order structure, and work order status. See Appendix A for project statuses during which AFUDC is applied.

C. **Halting of AFUDC for Construction Delays**

Interest is not to be capitalized during periods when BPA intentionally defers or suspends activities related to the asset. Similarly, if management has the ability to cure externally imposed delays but chooses not to do so then interest capitalization should cease.[5] Interest cost incurred during such periods is a holding cost, not an acquisition cost.[6] No AFUDC should be accrued during periods of interrupted construction, outside of those described in section 5.B. above, unless BPA can justify the interruption as being reasonable (i.e. not controllable by BPA management) under the circumstances.[7]

The project may be placed in a hold status during which time it will not receive monthly AFUDC if:

1. Management intentionally defers or suspends substantially all activities necessary to get the asset ready for its intended use,
2. The project is expected to be completed in the future,

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[1] FERC Accounting Release (AR-5)
[2] AR-5
[3] ASC 835-20-25
[4] ASC 835-20-25-5
[5] PwC Accounting and Reporting Manual 4740—Capitalized Interest Cost
[6] ASC 835-20-25-6
[7] AR-5

3. The existing project costs are expected to benefit the future asset, and
4. The delay is expected to last longer than one year (project delays of less than one year will be evaluated if the AFUDC accrued during the delay would be material to the financial statements).

When activities resume, the project will be placed back in an active status and AFUDC charges will resume. See Appendix A for project statuses during which AFUDC is applied.

Note that if a project is not expected to be completed in the future, or if the existing project costs do not benefit the future asset, then the costs should be written off to expense.

D. **AFUDC Application for Software Projects**

AFUDC on software projects is capitalized only during the application development stage (see BPA Policy 212-7 Software Capitalization & Expense for IT capitalization guidance). If BPA suspends substantially all activities related to the software being developed or obtained for internal use, interest capitalization shall cease until activities resume. If construction does not resume or a capital asset does not result, all costs must be written off to expense.

E. **Corps of Engineers and Bureau of Reclamation**

The Corps of Engineers and Bureau of Reclamation calculate IDC/AFUDC on capital projects based on funding source and in accordance with their own policies. They use BPA's AFUDC rate for direct funded projects and the one-year U.S. Treasury rate for appropriation funded projects.

6. Policy Exceptions

AFUDC will not be applied to inventory not yet issued to projects, land assets, assets that are ready for their intended use upon receipt, nor Projects Funded in Advance, which are construction projects for BPA-owned assets, requested and funded by customers. See Appendix A for project types which receive AFUDC.

7. Responsibilities

A. **Executive Vice President and Chief Financial Officer (CFO):** Delegated the authority by the Administrator to set accounting policies deemed necessary to keep complete and accurate accounts of operations, including all funds expended and received in connection with the acquisition, transmission, and sale of electric energy and other BPA services.

B. **Accounting Officer:** Establishes accounting policy and provides technical accounting guidance on capitalization policies.

C. **Accounting and Reporting Managers:**

1. Provide accounting functional guidance and oversight to BPA's financial management systems.
2. Establish BPA and FCRPS accounting requirements and reporting mechanisms in compliance with applicable policies, laws, and regulations.

D. **All BPA Managers**: Establish operational procedures, practices, and relevant training to ensure the work results conform to established BPA policies.

8. Standards & Procedures

Evaluation of Debt for Inclusion/Exclusion in the AFUDC Calculation

The categories of debt evaluated for inclusion/exclusion in the AFUDC calculation are sourced from the 'Debt and Appropriations' and 'Deferred Credits and Other' footnotes to the FCRPS Financial Statements. When a new line item is added to these footnotes, or an existing line item is changed, an evaluation regarding the treatment of such item for inclusion or exclusion must take place.

The Subject Matter Experts (SMEs) responsible for providing inputs to the calculation and for performing the calculation, including members of Asset Accounting, General Accounting, and Debt & Liquidity Management, meet and discuss the item. Once the SMEs have formulated a recommendation, it will be taken to the Accounting Officer for review and then to the Treasurer for final approval.

Standard AFUDC Applied by the Accounting System

The equation for calculating monthly AFUDC is:

((Prior month charges + (current month charges * .50)) * AFUDC rate) / 12

Interest is compounded annually.

At the beginning of each year, Debt & Liquidity Management (FTL) calculates the AFUDC rate and Asset Accounting (FRP) enters it into the accounting system, PeopleSoft.

On a monthly basis, FRP runs the AFUDC processes within PeopleSoft during Month-End Close, which applies the AFUDC to eligible project charges.

For projects financed by funds held in a special trust, such as projects under the Lease Purchase Program, additional AFUDC will be calculated as follows and applied via manual journal entry:

Trust Fund AFUDC

Project cash balance in trust * AFUDC rate / 12

Negative Trust AFUDC (allocation of trust fund earnings)

(Project cash balance in trust / Total project cash in trust receiving an allocation) * monthly net trust investment earnings

Note: Trust fund AFUDC and negative AFUDC are only applied to active projects with a positive cash balance in the trust fund.

9. Performance & Monitoring

On an annual basis, as part of developing the AFUDC rate for the coming fiscal year, Debt & Liquidity Management (FTL) obtains inputs from SMEs in Asset Accounting (FRP), General Accounting (FRG), and FTL. The inputs include data on existing debt that is included in the calculation as well as a review of draft Financial Statements for additions or changes to the 'Debt and Appropriations' and 'Deferred Credits and Other' footnotes to the FCRPS Financial Statements. FTL then shares the calculation file and draft AFUDC memo with the SMEs to ensure inputs were appropriately utilized. This process ensures proper calculation of the AFUDC rate. The final memo is signed by the FTL and FRP managers.

On a weekly basis, Asset Accounting (FRP) reviews work orders created by Transmission Asset Management Oversight & Program Support (TPW) to ensure the appropriate work order type was utilized. One of the outcomes of this verification is to ensure proper application of AFUDC based on project type.

On an ongoing basis, Transmission Engineering Internal Operations (TEBI) analysts work closely with Transmission project managers to ensure work orders are in the appropriate status. Additionally, on a quarterly basis, FRP reviews languishing projects (those which are in an active status but which show little to no activity), to ensure work orders are in the appropriate status. One of the outcomes of these verifications is to ensure proper application of AFUDC based on project status.

On a monthly basis, FRP runs the AFUDC processes in PeopleSoft as part of Month End Close. Included in the procedures is a reasonableness check to ensure that the AFUDC applied during the month aligns with expectations.

10. Authorities & References

A. ASC Topic 835 "Interest"

B. Title 18 CFR Part 101 Electric Plant Instructions 3(A)(17) – FERC Uniform System of Accounts

C. FERC Accounting Release 5 (AR-5) Capitalization of Allowance for Funds Used During Construction

D. FERC Accounting Release 13 (AR-13) Allowance for Funds Used During Construction

E. PwC Accounting and Reporting Manual 4740 – Capitalization of Interest Cost

11. Review

This policy is scheduled for review five years from publication of the most recent major revision.

12. Revision History

Version Number	Issue Date	Brief Description of Change or Review
1.0	6/20/2017	First publication in BPA Policy set. This is a revision of BPA Accounting Manual, Ch. 3.05, *BPA's Allowance for Funds Used During Construction (AFUDC) Policy,* reviewed Jan. 2012.
1.1	11/27/2017	Appendix A updated to include FY 2018 AFUDC rate. This was an administrative update not subject to formal review. Previous effective date of 6/20/2017 retained.
1.2	6/19/2018	Appendix B added.
1.3	11/19/2020	Appendix A updated to include FY 2021 AFUDC rate.
1.4	4/4/2022	Appendix A updated to include FY 2022 AFUDC rate.
1.5	10/24/23	Sunset review—clarifying language added to body of policy, Performance & Monitoring section updated from A-123 reference to descriptive language, Appendix A updated to include CC project type, Appendix B expanded to include additional background information on components of calculation, and Appendix C added to demonstrate accounting impliciations. Additionally, called out evaluation process in section 8.

Appendix A – Rate and Practical Application

AFUDC RATES BY FISCAL YEAR

Rates for current and prior fiscal years are as follows:

- FY 2025 – 3.29%
- FY 2024 – 3.27%
- FY 2023 – 3.02%
- FY 2022 – 2.37%
- FY 2021 – 2.56%
- FY 2020 – 3.00%
- FY 2019 – 3.18%
- FY 2018 – 3.09%
- FY 2017 – 3.05%
- FY 2016 – 2.97%
- FY 2015 – 3.09%
- FY 2014 – 3.72%
- FY 2013 – 3.59%
- FY 2012 - 4.08%
- FY 2011 - 4.35%
- FY 2010 - 4.81%
- FY 2009 - 5.23%
- FY 2008 - 5.44%
- FY 2007 - 5.09%
- FY 2006 - 4.78%
- FY 2005 - 4.89%
- FY 2004 - 5.32%
- FY 2003 - 6.31%
- FY 2002 - 6.49%
- FY 2001 - 6.61%
- FY 2000 - 6.66%
- FY 1999 - 6.82%
- FY 1998 - 7.39%

AFUDC APPLICATION CRITERIA

The following project types and statuses are used to identify the projects that will receive AFUDC each month:

Capital Project Types that do Receive AFUDC

CL: BPA Capital

CC: Cloud Computing Arrangement
CS: Capital Spares
C3: 3rd Party Financial Capital
IC: Information Technology Capital
CJ: Capital Jointly Funded (BPA funded share)
TC: Interconnection Trans Credits
ML: Master Lease Financed
MS: Master Lease Spare
MD: Master Lease Financed Spacer Dampers (trust fund AFUDC only)

AND

<u>Project Status that do Receive AFUDC</u>

A: Approved
B: Labor Hold for Tolerance Analysis (used by TBL)
J: Hold for Tolerance Analysis (used by TBL)
T: Completion in Process (used by TBL)
N: Plant Accounting Hold

Examples of substantial delays in starting construction, or substantial delays during construction due to external forces (i.e. uncontrollable by BPA management) under which AFUDC may still be applied:

- Court-ordered work stoppage
- Bankrupt customer
- Delays in advances for customer funded projects
- Natural disaster
- Worksite inaccessible due to severe weather

<u>CESSATION OF AFUDC</u>

Due to the large number of capital projects and the administrative costs of placing projects on and off hold as well as monitoring those projects, BPA has set a one year delay or more threshold requirement in order for projects to be placed on hold in the accounting system. The one year threshold will be applied as long as the resulting impacts are not material to the financial statements. Asset Accounting will evaluate the appropriateness of applying the threshold on a case by case basis.

Examples of substantial delays in starting construction, or substantial delays during construction imposed by internal forces (i.e. controllable by BPA management) that may result in the cessation of AFUDC are:

- Management defers delivery of materials
- Management defers design

- Intentional budget reduction efforts
- Projects put “on the shelf”

Project Status Subject to Cessation of AFUDC:

H Hold
O Labor Hold

Capital Project Types that Do Not Receive AFUDC:

CQ Capital Acquisition
CV Conservation
FC Fish & Wildlife – Capital
CF Capital Funded in Advance
CI Capital Indirects
LA Land & Land Rights
SD Spacer Damper Replacement FAS 71
RS Radio Spectrum
LS Land Relating to Radio Spectrum

LC LGIA- Land

Additional Information on CF Project Types:

Project type CF is the traditional capital project funded in advance. Type CF is part of Transmission Business Line’s reimbursable program. The accounting treatment is based on the contract terms and financial arrangements. Accumulated expenditures eligible for interest capitalization should be determined on a cash basis and expenditures on discrete projects should be reduced by progress payments from customers.[8] BPA owns the asset, but is not financially responsible for funding it. BPA does not “borrow” for CF work since the customer’s deposit is on hand to accomplish construction. BPA does not borrow any funds or pay interest on them, so CF project types are excluded from AFUDC calculation.

[8] PwC Accounting and Reporting Manual 4740—Capitalization of Interest Cost

Appendix B – BPA Application of FERC Formula

<u>FERC Formula Practical Application at BPA</u>

Debt included/excluded

The items listed below are derived from the notes to the audited financial statements and are considered when determining which debt to include in the AFUDC calculation.

Note	Item	Formula use	Reason included/excluded
Debt and Appropriations	Columbia Generating Station (CGS)	Excluded	This is not BPA debt, nor does BPA own any tangible assets related to this project. EN issues bonds which BPA backs. However, the liability arises from BPA's contractual obligation to acquire generating capability, and to pay for operating, maintenance, and debt service costs. BPA's payments enable EN to repay the bond holders.
Debt and Appropriations	Cowlitz Falls Hydro Project	Excluded	This is not BPA debt, nor does BPA own any tangible assets related to this project. The liability arises out of BPA's contractual obligation to acquire generating capability, and to pay for operating, maintenance, and debt service costs. There are no borrowed funds in this instance and therefore no interest rate to include in the AFUDC calculation.
Debt and Appropriations	Nuclear Project 1 (WNP1)	Excluded	This is not BPA debt, nor does BPA own any tangible assets related to this project. EN issues bonds which BPA backs. However, the liability arises from BPA's contractual obligation to pay for debt service costs. BPA's payments enable EN to repay the bond holders.
Debt and Appropriations	Nuclear Project 3 (WNP3)	Excluded	This is not BPA debt, nor does BPA own any tangible assets related to this project. EN issues bonds which BPA backs. However, the liability arises from BPA's contractual obligation to pay for debt service costs. BPA's payments

			enable EN to repay the bond holders.
Debt and Appropriations	Northern Wasco Hydro Project	Excluded	This is not BPA debt, nor does BPA own any tangible assets related to this project. The liability arises out of BPA's contractual obligation to pay for debt service costs. There are no borrowed funds in this instance and therefore no interest rate to include in the AFUDC calculation.
Debt and Appropriations	Lease Purchase Liability	Included	These funds are used to finance capital construction of assets owned by third-parties which BPA plans to obtain under a bargain purchase option within the lease agreements. The assets are recorded on BPA's books as BPA is the accounting owner.
Debt and Appropriations	NIFC Debt	Included	These funds are used to finance capital construction of assets owned by third-parties which BPA plans to obtain under a bargain purchase option within the lease agreements. The assets are recorded on BPA's books as BPA is the accounting owner.
Debt and Appropriations	Finance Lease Liability	Excluded	Finance leases allow BPA to utilize assets in exchange for payments and an imputed interest rate. This debt does not pertain to borrowing in order to finance the construction of assets, but may include liabilities related to financing assets constructed by third parties and leased to BPA.
Debt and Appropriations	Other Financial Liability	Excluded	Failed-Sale Leaseback arrangements recorded on BPA's books as BPA is the accounting owner, but not the legal owner. These projects were recorded without the application of AFUDC.
Debt and Appropriations	Customer Prepaid Power Purchases	Included	Customer prepaids are a financing mechanism for BPA to obtain cash for funding construction projects. BPA repays these advanced payments with interest via fixed credits on the

			customers' power bills.
Debt and Appropriations	Borrowings From Treasury	Included	These funds are used to finance capital construction of BPA-owned assets. BPA borrows from the U.S. Treasury and repays the debt with interest through its annual Treasury Payment.
Debt and Appropriations	Federal Appropriations	Excluded	These funds are the result of BPA's obligation to pay the congressional appropriations used by the Corps of Engineers and the Bureau of Reclamation for power generation assets reported under the FCRPS. It is not the result of BPA borrowing for construction of BPA-owned assets. While the Corps and Bureau utilize BPA's AFUDC rate for Direct Funded projects (those financed by BPA), the one-year U.S. Treasury rate is used for appropriation funded projects.
Debt and Appropriations	Federal Appropriations (Not Scheduled For Payment)	Excluded	These funds are the result of BPA's obligation to pay the congressional appropriations used by the Corps of Engineers and the Bureau of Reclamation for power generation assets. It is not the result of BPA borrowing for construction of its own assets reported under the FCRPS. It is not the result of BPA borrowing for construction of BPA-owned assets. While the Corps and Bureau utilize BPA's AFUDC rate for Direct Funded projects (those financed by BPA), the one-year U.S. Treasury rate is used for appropriation funded projects.
Deferred Credits and Other	Deferred Project Revenue Funded in Advance	Excluded	Under the contracts, CF (reimbursable projects) result in BPA-owned assets. However, BPA is not financially responsible for funding the construction of the assets--the customers provide funding in advance. Because BPA does not borrow for CF work, the agency

			does not pay any interest and therefore CF project types are excluded from the AFUDC calculation.
Deferred Credits and Other	Interconnection Agreements	Included	These are construction agreements in which the customer advances money for the purpose of building specific assets that BPA will own. In exchange for transmission service from BPA, the customer bears the upfront costs of interconnection with BPA's grid. Rather than borrowing from the U.S. Treasury, BPA receives funding up front from the customers. Under FERC Order 2003-A, these agreements serve as a financing mechanism. The customer accrues a rate of return on the balance of their deposit and repayment takes place by BPA either providing service credits or cash.
Deferred Credits and Other	Operating Leases	Excluded	This is not borrowing. It represents lease liabilities for the right to use identified assets.
Deferred Credits and Other	Third AC Intertie Capacity Agreements	Excluded	This is not borrowing. It is unearned revenue from 3rd AC capacity owners and is recognized over time in relation to the life of the assets.
Deferred Credits and Other	Federal Employees' Compensation Act	Excluded	This is not borrowing. It is an actuarial estimated amount of future payments for current recipients of BPA's worker compensation benefits.
Deferred Credits and Other	Fiber Optic Leasing Fees	Excluded	This is not borrowing. It is unearned revenue related to the leasing of fiber optic cables, recognized over the lease terms.
Deferred Credits and Other	Derivative Instruments	Excluded	This is not borrowing. It pertains to the unrealized value of the derivative portfolio (power purchase and sale transactions), which will be settled according to the contract terms. A liability balance does not represent amounts owed to an outside party.

Deferred Credits and Other	Service Deposits	Excluded	This is not borrowing. It represents deposits by customers for BPA products or services. In the majority of cases, these amounts are expected to be returned to the customer after a period of service. In certain cases, the deposits are considered prepayments and are recognized as revenue per the terms of the respective contracts.
Deferred Credits and Other	Other	Excluded	This is miscellaneous deferred credits and other which cannot be categorized as borrowing.

Balances and rates utilized

The table below lists the included debt items from the table above, FERC guidance, BPA application, and the justifications for any deviations between the two.

Item	FERC guidance	BPA application	Reason for deviation
Long-term debt balance	Actual book balance as of the end of the prior year	Actual book balance as of the end of the prior year	There is no deviation for the balance used. However, some forms of debt are excluded as described in the previous table.
Preferred stock balance	Actual book balance as of the end of the prior year	N/A - BPA has no equity components.	N/A
Common equity balance	Actual book balance as of the end of the prior year	N/A - BPA has no equity components.	N/A
Long-term debt cost rate	Weighted average effective rate (per 35.13 of the Federal Power Act)	Weighted average interest (WAI) rate for all LT debt outstanding at end of prior year	There is no deviation in the use of the WAI rate. However, there are differences in the rates used to calculate the WAI. The stated rate is currently used for Treasury Borrowing while the effective rate is used for borrowing under the lease finance program. It is presumed that these differences are the result of the volume of transactions under the two different scenarios.

Preferred stock cost rate	Weighted average (per 35.13 of the Federal Power Act)	N/A - BPA has no equity components.	N/A
Common equity cost rate	Rate granted in last rate proceeding or three year average	N/A - BPA has no equity components.	N/A
Short-term debt balance	Estimated for the current year with appropriate adjustments as actuals become available	Actual book balance as of the end of the prior year	Actual figures are used as the amounts are immaterial. The differences between estimating and using actuals are negligible.
Short-term debt cost	Estimated effective rate for the current year with appropriate adjustments as actuals become available	WAI rate for all ST debt outstanding	Actual rates are used as the amounts are immaterial. The differences between estimating and using actuals are negligible.
Average balance for CWIP	Estimated for the current year with appropriate adjustments as actuals become available	Actual book balance as of the end of the prior year, not an average	Actual figures are used as the estimated average balance for the coming year would not be expected to differ in a material amount from the ending balance of the prior year.

Appendix C – Accounting Implications

Accounting Entries

As construction progresses on a capital project and the CWIP accumulates, AFUDC is applied per the formula outlined in the policy. During the monthly processes which apply the AFUDC, the following accounting entries result:

Construction of PP&E owned by BPA:

Dr./Cr.	GL Account	GL Account Title	GL Description	Account Type
Debit	107920	CAP AFUDC	This account represents the CWIP costs for interest on CWIP projects, or commonly known as Allowance for Funds Used During Construction (AFUDC)	Asset
Credit	750020	EXP AFUDC	This account represents the net cost for the period of construction of borrowed funds used for construction purposes.	Expense
Credit	750024	EXP AFUDC VIE FUNDED PROJECTS	This account captures the income statement effect from the capitalization of AFUDC for projects funded by Variable Interest Entities as well as the related AFUDC effect from construction trust balance earnings and costs. The costs captured here offset interest expense in account 750600.	Expense
Credit	750026	EXP AFUDC TRANS CREDIT PROJECT	This account captures the income statement effect from the capitalization of AFUDC for Transmission Credit (TC) projects. The costs captured here offset interest expense in account 750610.	Expense

Construction of PP&E owned by the Army Corps of Engineers or Bureau of Reclamation (recorded as FCRPS activity in the ASPRJ business unit):

Dr./Cr.	GL Account	GL Account Title	GL Description	Account Type
Debit	107929	CAP DIRECT FUNDED AFUDC ASPRJ	This account represents the cost for Allowance for Funds Used During Construction (AFUDC) for ASPRJ direct funded CWIP.	Asset
Credit	750021	EXP AFUDC DIRECT FUNDING	This account represents the current year expense for interest incurred for construction work (CWIP) in progress for the ASPRJ business unit (Corps and Bureau).	Expense

Accounting Entries

The effect of the entries above is an increase to CWIP (Balance Sheet) and a decrease to Total interest expense and other income, net (Income Statement). The screenshots below demonstrate where the asset (CWIP) and expense can be found in the FCRPS Financial Statements. AFUDC does not mean that projects incure additional interest expense, rather it is the mechanism by which the financing costs are shifted from the current period to the future and are recovered over the life of the assets through rates when the CWIP costs are unitized to Completed Plant and begin depreciating as tangible or intangible assets.

Debit: Asset

Federal Columbia River Power System
Combined Balance Sheets
As of September 30
(Millions of Dollars)

	2021	2020
Assets		
Utility plant and nonfederal generation		
Completed plant	$ **20,758.8**	$ 20,499.4
Accumulated depreciation	**(7,758.6)**	(7,507.9)
Net completed plant	**13,000.2**	12,991.5
Construction work in progress	**1,342.8**	1,151.0
Net utility plant	**14,343.0**	14,142.5

Credit: Expense

Federal Columbia River Power System
Combined Statements of Revenues and Expenses
For the Years Ended September 30

(Millions of Dollars)

	2021	2020	2019
Interest expense and other income, net			
Interest expense	**427.3**	467.9	250.8
Allowance for funds used during construction	**(25.9)**	(27.7)	(32.5)
Interest income	**(1.5)**	(3.3)	(9.8)
Other income, net	**(202.0)**	(7.0)	-
Total interest expense and other income, net	**197.9**	429.9	208.5