



# 2012 Integrated Program Review

## Final Close Out Report

October 2012



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## TABLE OF CONTENTS

<b>1</b>	<b>Introduction.....</b>	<b>5</b>
1.1	What We Heard.....	5
1.2	Overall Spending Levels .....	6
1.3	Awards .....	7
1.4	Disclosures .....	8
<b>2</b>	<b>Power Services.....</b>	<b>9</b>
2.1	Power Overview .....	10
2.2	Columbia Generating Station.....	14
2.3	Bureau of Reclamation and Corps of Engineers .....	16
2.4	Renewables.....	19
2.5	Energy Efficiency.....	20
2.6	Non-Generation Operations .....	22
2.7	Fish and Wildlife, Lower Snake River Comp Plan (LSRCP) and Environmental Requirements.....	23
2.8	Northwest Power and Conservation Council (NWPCC) .....	25
2.9	Power Internal Support.....	26
<b>3</b>	<b>Transmission Services .....</b>	<b>28</b>
3.1	Transmission Overview .....	28
3.2	System Operations .....	31
3.3	Scheduling.....	32
3.4	Business Support .....	33
3.5	Marketing.....	34
3.6	Maintenance.....	35
3.7	Environment – Pollution Prevention and Abatement.....	36
3.8	Engineering.....	37
3.9	Non-Between Business Line (Non-BBL) Transmission Acquisition and Ancillary Services .....	38
3.10	Transmission Internal Support.....	39
<b>4</b>	<b>Agency Services .....</b>	<b>40</b>
4.1	Agency Services Overview .....	41
4.2	Business Process and Continuous Improvement .....	44
4.3	Corporate Strategy .....	46
4.4	Customer Support Services.....	47
4.5	Finance .....	48
4.6	Agency Compliance and Governance.....	49
4.7	Human Capital Management (HCM).....	50

4.8 Internal Audit ..... 51

4.9 Information Technology..... 52

4.10 General Counsel ..... 53

4.11 Public Affairs ..... 54

4.12 Safety..... 55

4.13 Security and Continuity of Operations (OSCO) ..... 56

4.14 Supply Chain ..... 57

4.15 Workplace Services ..... 58

4.16 Risk ..... 59

**5 Asset Strategies and Capital Investment Levels..... 60**

5.1 First Look at Capital Forecasts ..... 60

5.2 Updates in the 2012 IPR..... 60

5.3 Feedback from the Region..... 61

5.4 Capital Prioritization ..... 61

5.5 Capital Investment Levels ..... 62

5.6 Federal Hydro ..... 64

5.7 Fish and Wildlife ..... 64

5.8 Energy Efficiency..... 64

5.9 Transmission ..... 64

5.10 Facilities..... 65

5.11 Security..... 65

5.12 Information Technology..... 65

5.13 Columbia Generating Station..... 65

5.14 Columbia River Fish Mitigation..... 65

**6 Debt Management Actions ..... 66**

# 1 INTRODUCTION

## 1.1 WHAT WE HEARD

BPA would like to thank all of you – customers, tribes, stakeholders, special interest groups and constituents for participating in the 2012 Capital Investment Review (CIR) and the 2012 Integrated Program Review (IPR). Your participation in collaborative discussion meetings and written comments has offered valuable insight and guidance to BPA’s Executive Team when evaluating the Agency’s and regions needs to identify final IPR spending levels for FY 2014 and 2015 for inclusion in the BP-14 Initial Proposal.

BPA recognized common themes amongst the forty-nine written comments received. In general, participants’ comments recognize the need for investment and on-going maintenance of the aging Federal Hydro and Transmission system but question whether the proposed level of spending presented in the IPR Initial Publication is necessary. The following reflects the common themes heard about specific program areas.

### *Bureau of Reclamation and Corps of Engineers*

- Participants recognize and understand the need to continue investing in the Federal Hydro system and support proposed capital levels described in the Federal Hydro Asset Strategy during the CIR.
- A phased approach to refurbishment of the Keys Plant project is supported upon reaching agreement for shared funding with Irrigators.
- On the other hand, participants felt adequate justification for forty-three additional full time employees at the Bureau of Reclamation’s Grand Coulee Dam was lacking and raised concerns regarding the ability to hire qualified personnel given historical vacancy rates.
- Comments also encouraged BPA to reflect expected performance/economic benefits resulting from proposed staffing increases.
- Participants questioned the Corps and Reclamation’s ability to complete the level of planned work reflected in their proposed spending levels.
- Comments also reflected concern about the general level of escalation in Corps and Reclamation costs, and in particular the growth in non-routine extraordinary maintenance budgets.

### *Fish and Wildlife*

- Comments indicated Research, Monitoring & Evaluation (RM&E) proposed program levels were too high and need to be reduced.
- Tribal representatives indicated funding for non-accord programs and new mitigation projects are insufficient.
- Comments doubt BPA’s ability to satisfy Fish Accord commitments with the proposed spending levels.

### *Energy Northwest and Columbia Generating Station*

- The long-range plan including proposed spending for Fukushima related costs are viewed as appropriate except for application of a 4 percent escalation factor, which seems excessive given the economic environment.

### *Energy Efficiency*

- Two conflicting themes were heard, comments describe a genuine need for additional low-income weatherization funding while others support the proposed IPR levels and note concerns about the effect increasing costs will have on NW ratepayers.
- Some participants suggest Energy Efficiency be funded by customers.
- Treatment of Energy Efficiency as a capital asset is still in question.

### **Agency Services**

- BPA is encouraged to consider reducing award spending from 100 percent.
- Concerns were raised regarding write-offs of multiple information technology systems; participants requested an additional opportunity to discuss the root cause.
- Compliance costs are acknowledged as necessary; however spending should be minimized where benefits to the system are uncertain.
- Prioritizing spending (expense and capital) is recognized as vital, BPA is encouraged to develop and implement a methodology.
- Capital investment levels for Facilities and Security are supported, however BPA should explore the option to use third party financing.

### **Transmission**

- Proposed expense and capital investment levels are generally supported.
- A concern was raised that investment in expansion projects to accommodate integration of renewable resources that are not expected to serve Pacific Northwest load is not reflective of a program focused on BPA's core mission.
- The capital spending levels for certain projects, including I-5, the Northern Intertie Project, and Central Ferry- Lower Monumental, should be reconsidered in light of their schedules.

BPA recognizes this list does not distinguish all comments submitted; however, all comments have been acknowledged and reviewed by BPA's Executive Team prior to evaluating and identifying changes to proposed IPR spending levels. This report identifies and describes specific changes to proposed spending levels by program. Some adjustments affect multiple programs, for instance a general reduction in proposed award spending by 25 percent affects areas across many of the Power, Transmission and Agency Services programs.

This report has been designed for reading following the [IPR Initial Publication](#) released June 5, 2012 and [Capital Spending Estimates](#) released June 18, 2012. Information presented here describes changes to proposed spending levels from the Initial Publication and Capital Update, as well as responds to participant suggestions and key concerns. Details pertaining to cost estimates, drivers, goals, risks and statistics as well as comparisons to previous IPR costs can be found in the IPR Initial Publication.

**Note:** Proposed IPR spending levels shown in the IPR Initial Publication and subsequent material is referenced as Initial IPR Spending Levels in this document.

## **1.2 OVERALL SPENDING LEVELS**

Comments on overall spending levels included suggestions that:

- Programs should be held to the "cost target" program levels.
- BPA should develop a mechanism that allows for identification of areas where specific spending levels can be reduced rather than allowing programs to increase at a determined escalation rate without further justification of their program and/or costs.
- BPA should prioritize both capital and O&M spending across the organization.
- BPA should determine if the 1.88 percent inflation assumption is still appropriate.

The cost targets that BPA set reflect the belief that holding costs to a conservative forecast of the level of inflation is an appropriate goal, but BPA also recognizes that limiting increases to this rate may not be prudent from a business standpoint in all cases. Targets were established differently for various categories of costs.

- Generally, a 1.88 percent inflation rate was assumed. In August, BPA researched current inflation forecasts

and determined that this level is still appropriate.

- Cost targets for staffing costs were actually set at levels lower than inflation in recognition of the freeze on cost-of-living-adjustments that has been imposed on federal employees for FY 2011 and 2012, and assuming the 2013 adjustment will also be frozen. For 2014 and 2015, a 1.34 percent cost-of-living-adjustment is assumed, which is below the level of inflation. This reduction will be offset in part by the cost of benefits increasing faster than salaries.
- In cases where the FY 2014-2015 forecasts provided in the 2010 IPR reflected smaller increases than the level of inflation, the cost targets were set at the lower level rather than assuming the full amount of inflation.

As part of BPA's review of budgeting practices and benchmarking against them, BPA determined that it is considered a best practice to set cost targets prior to development of proposed budgets, then focus agency-level executive review and scrutiny of proposed spending to those categories that are higher than the targets. This practice allows business units to understand the objectives up front and should incent realistic forecasts. Managers and executives within each business unit are expected to assess the needs of their organization as well as opportunities for reduction or elimination of activities to compensate for increased costs, e.g., for new initiatives, increasing contract or materials costs, etc. The proposed spending levels that are presented for review at the agency level have been prioritized and scrubbed by business unit management. This reduces the need for multiple reviews from senior management, makes the budgeting process more efficient and the budget cycle time shorter. So while this 2012 process for agency-level executive review of the initial IPR spending levels did not require additional prioritization or justification of programs that did not exceed the target level, this does not indicate that these programs did not have to justify their costs internally.

For the next IPR, BPA expects to implement a functional budgeting approach to developing proposed program levels. This will include identifying resource requirements by function and clarifying what will be achieved for the initial spending levels. This effort is expected to help executives better understand what the right level of spending is by function, improve transparency, and inform prioritization of expense spending.

### 1.3 AWARDS

For FY 2014-2015, BPA has decided to suspend 25 percent of employee awards. This is consistent with the approach adopted in the 2010 IPR when BPA suspended 50 percent of employee awards for FY 2012-2013. In this context, suspended amounts are program elements that BPA believes have merit but we are willing to reduce in light of the regional economic conditions and BPA's uncertain financial conditions. The suspended amounts will not be included in final IPR program levels. The Administrator reserves the ability to restore these suspended amounts if BPA's financial results exceed expectations in FY 2013-2015. BPA views its employees and those of the Corps, Reclamation and Energy Northwest as an integral part of BPA's mission. Indeed, without those employees, BPA would be hard pressed to achieve its mission. BPA does not believe that the award program should be a lower priority but agrees that, as the case has been for many years, full funding would only occur provided good financial results.

This reduction can be seen on page 29 for Power Services, page 42 for Transmission, and throughout for Agency Services.

The following sections specific to Power, Transmission, and Agency Services provide final IPR spending levels and updated information from the IPR Initial Publication released in June.

## 1.4 DISCLOSURES

### *Future Adjustments*

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 initial program spending levels. At the conclusion of the IPR process, BPA issues a Close Out Letter and Report in which BPA describes how its program funding and spending projections were informed by the parties' comments. The projected program levels described in the close out letter and report reflect the Administrator's best estimate regarding the appropriate spending levels to assume in setting rates.

The close out 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 IPR Close Out Letter and Report reflect the Administrator's best estimate regarding the appropriate spending levels to assume in setting rates, these levels may be further modified by subsequent future events that lead to changing priorities or by subsequent executive or congressional actions. Thus, while the IPR serves the important role of receiving regional input on the priorities for BPA spending, the resulting final program levels are only recommendations that may be subsequently modified.

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 Close Out Report. In short, the end of the IPR process does not mark the end of BPA's decision-making process for establishing future budgetary levels. BPA will seek to share adjustments to spending projections contained in the IPR at Quarterly Business Reviews.

### *Financial Disclosure*

- FY 2011 actuals have been made publicly available by BPA and contain Agency-approved Financial Information.
- FY 2012 and 2013 Rate Case forecast and FY 2012 Current End of Year (EOY) Forecast have been made publicly available by BPA and contain Agency-approved Financial Information.
- FY 2013-2015 IPR Target and Proposed spending levels have been made publicly available by BPA on June 5, 2012 and reflect information not reported in agency financial statements.
- FY 2013-2015 IPR Final IPR spending levels have been made publicly available by BPA on October 26, 2012 and reflect information not reported in agency financial statements.



# POWER SERVICES



## 2.1 POWER OVERVIEW

In FY 2011, well above average runoff dramatically ended a four-year dry spell in which the region had experienced below-average precipitation and runoff. Moreover, FY 2012 runoff was also well above average. Despite FY 2012’s higher streamflows, Power Services’ current financial position has not strengthened due to low market prices for natural gas and consequently low market prices for secondary sales.

For FY 2012, Power Services is again forecasting expenses to come in under its SOY forecast. Furthermore, for FY 2013-2015, Power Services is proposing to hold its internal operating costs to the expense cost target assumptions described in the IPR Initial Publication.

The operating expense 5 year growth rate forecast for Power Services excluding capital related costs, Transmission Acquisition/Ancillary Services and Residential Exchange in FY 2011 to FY 2015 declined from 21.7 percent to 17.7 percent from the Initial IPR to the Final IPR and is lower than the 2010 IPR forecast by 4.6 percent. The Power compound annual growth rate forecast also declined during this period from 5.0 percent to 4.2 percent.

**FIGURE 1**

**Comparison of Forecast Growth Rate in 2010 IPR to 2012 IPR**

Power	2010 IPR	2012 Initial IPR	2012 Final IPR
	FY 2009 Actuals to FY 2013 Final IPR	FY 2011 Actuals to FY 2015 Initial IPR	FY 2011 Actuals to FY 2015 to Final IPR
Overall 5-Year Change	22.3% <sup>1/</sup>	21.7%	17.7%
Compound Annual Growth Rate	5.2%	5.0%	4.2%

1/ The 2010 IPR Close-out Document displayed this as 20.5%. This has been recalculated without including Transmission Acquisition/Ancillary Services and Residential Exchange costs to be consistent with the calculation for the current forecasts. These costs are not within the scope of the IPR.

**FIGURE 2**

**Initial IPR and Final IPR Costs Deltas Compared to BP-12**

		A	B	C	D
		<b>Initial IPR</b> (Delta in \$ Million)	<b>Estimated</b> <b>Rate</b> %	<b>Final IPR</b> (Delta in \$ Million)	<b>Estimated</b> <b>Rate</b> %
<b>IPR Costs</b>					
1	Columbia Generating Station:	29	1%	8	<1%
2	Bureau of Reclamation:	35	2%	26	1%
3	Corps of Engineers:	22	1%	17	1%
4	Renewables:	2	<1%	2	<1%
5	Energy Efficiency:	1	<1%	1	<1%
6	Non-Generation Operations:	4	<1%	4	<1%
7	Fish & Wildlife:	19	1%	19	1%
8	Northwest Power & Conservation Council:	0	<1%	0	<1%
9	Power Internal Support:	5	<1%	4	<1%
10	<b>Total IPR Costs</b>	<b>117</b>	<b>6%</b>	<b>80</b>	<b>4%</b>
<b>Non-IPR Capital-Related Costs</b>					
11	Capital-Related Costs <sup>1/</sup> :	26	1%	-73	-4%

1/ Capital-Related Costs in Column C Final IPR include estimated savings from debt management actions, this information has not been released previously. The \$73 million delta is compared to the BP-12 Final Proposal whereas the \$85 million quoted during debt management workshops compares June IPR investment levels to January 2012 levels.

Through the IPR process, BPA collaborated with our partners to reduce proposed IPR program expenses by \$37 million per year. Due to the debt management actions, described in June, along with Energy Northwest's participation capital-related costs have been reduced by \$99 million per year compared to the initial IPR levels and \$73 million compared to BP-12.

Figure 2 provides an updated rate impact analysis based on final IPR program spending estimates that are detailed in the upcoming sections of this report. The revenues and costs affected by gas prices, have not yet been updated from the [June 5<sup>th</sup> IPR workshop](#); however, BPA no longer believes that the low gas price scenario is very likely.

The actual proposed rate increase depends not only on final IPR program expenses, but also on gas and electricity prices and FY 2013 financial results. These will be reflected in BPA's BP-14 initial rate proposal, which is scheduled for release in November 2012. Although significant uncertainty about the future remains, we now believe the Power rate increase can be held below 10 percent in our Initial Rate Proposal.

FIGURE 3

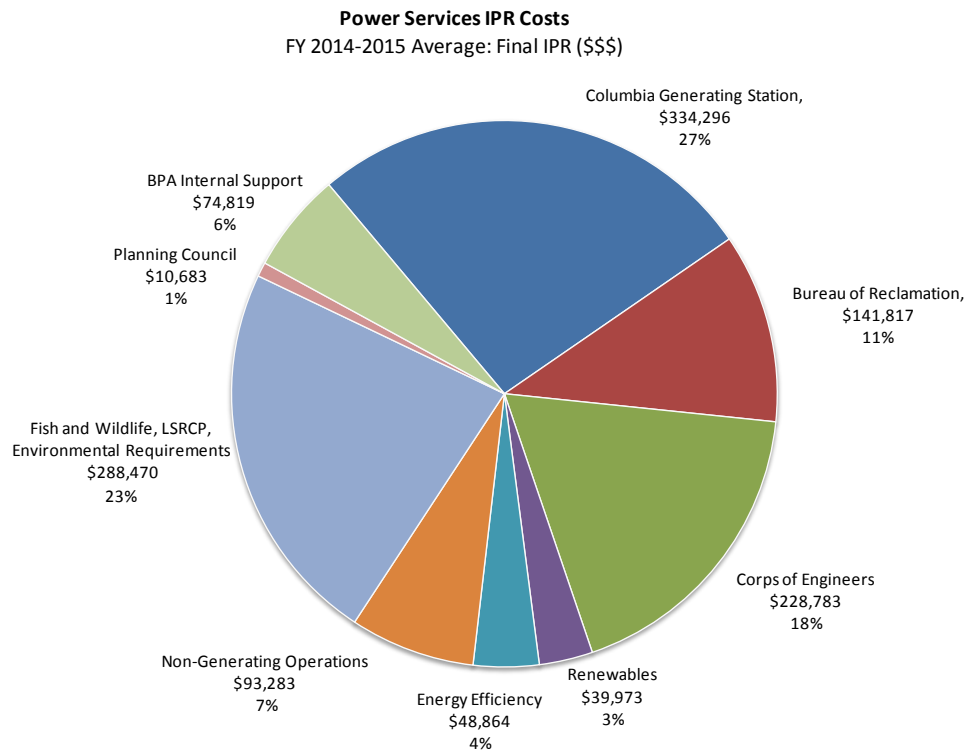


FIGURE 4

### Power Services IPR Expense Summary

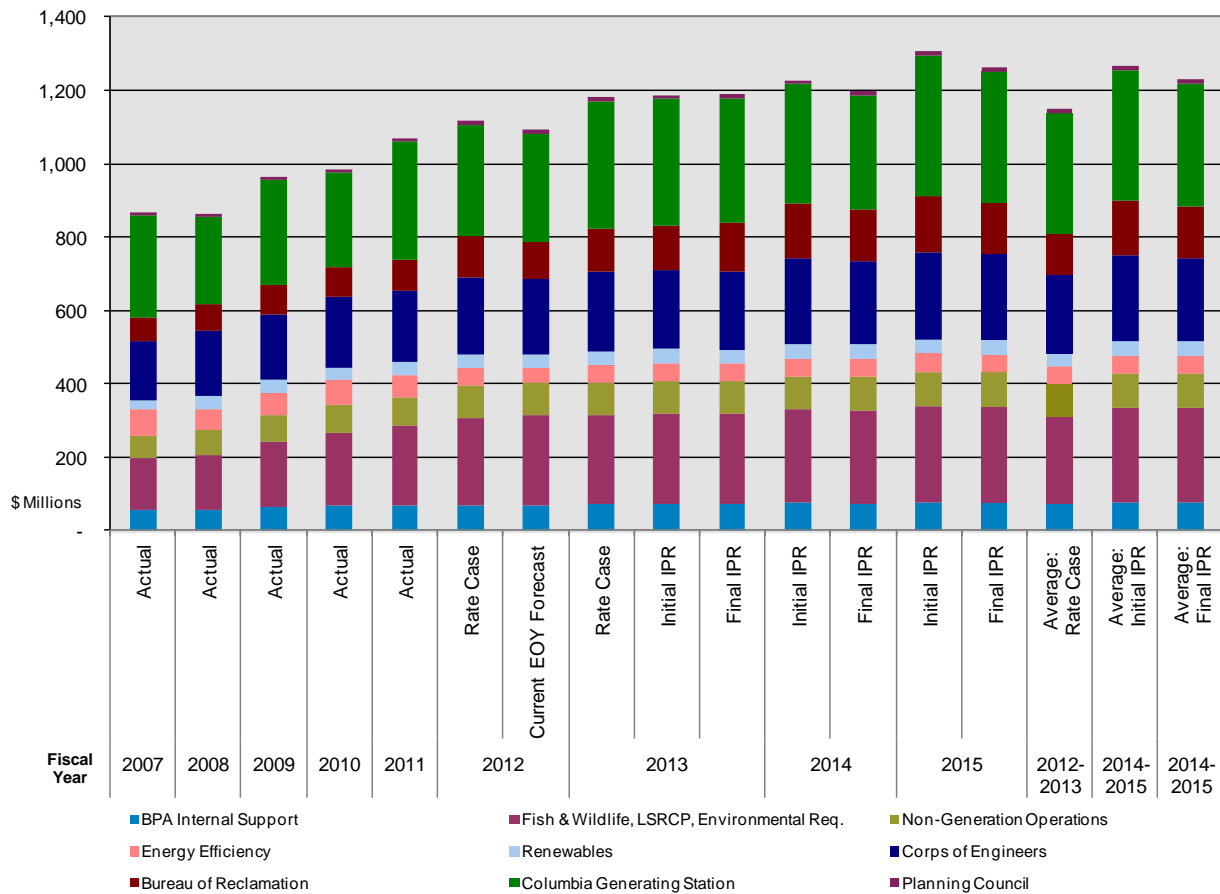


FIGURE 5

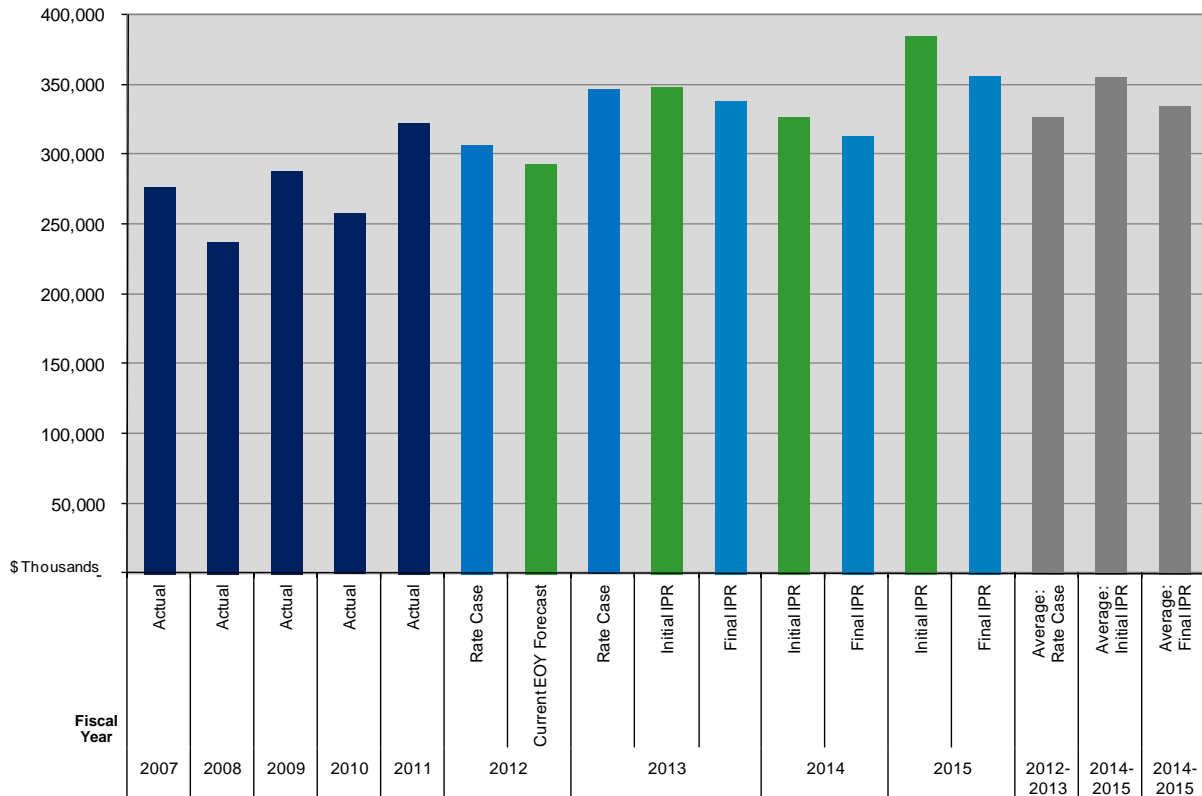
**Power Services Summary Statement of IPR Program Expenses**

(\$\$\$)	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	Current EOY Forecast	Delta
<b>Costs Described in IPR</b>						
Columbia Generating Station	323,082	322,212	(870)	306,366	293,037	(13,329)
Bureau of Reclamation	96,110	85,488	(10,622)	111,972	101,972	(10,000)
Corps of Engineers	192,433	190,835	(1,598)	208,700	207,175	(1,525)
Renewable Resources	39,758	38,527	(1,232)	37,670	37,312	(358)
Energy Efficiency	76,200	59,476	(16,724)	46,950	40,768	(6,182)
Non-Generation Operations	86,901	75,137	(11,764)	88,460	85,429	(3,031)
Fish & Wildlife, LSRCP, Environmental Requirements	249,780	245,609	(4,171)	266,525	275,052	8,528
NW Power & Conservation Council	9,934	8,930	(1,004)	10,114	10,114	
BPA Internal Support	63,464	66,440	2,976	68,978	69,030	52
<b>Subtotal</b>	<b>1,137,662</b>	<b>1,092,654</b>	<b>(45,008)</b>	<b>1,145,735</b>	<b>1,119,890</b>	<b>(25,846)</b>
<b>Other Costs <sup>1/</sup></b>						
Long-Term Contract Generating Projects	31,266	29,427	(1,839)	25,079	25,131	52
Operating Generation Settlement	21,754	17,570	(4,185)	21,928	20,424	(1,504)
Non-Operating Generation	2,128	2,672	544	1,938	2,100	162
Power Services Transmission Acquisition	168,065	179,684	11,619	160,516	169,574	9,059
Residential Exchange & IOU Settlements	188,987	184,764	(4,223)	201,561	202,635	1,074
<b>Subtotal</b>	<b>412,201</b>	<b>414,118</b>	<b>1,917</b>	<b>411,022</b>	<b>419,865</b>	<b>8,843</b>
<b>Total</b>	<b>1,549,863</b>	<b>1,506,771</b>	<b>(43,091)</b>	<b>1,556,757</b>	<b>1,539,755</b>	<b>(17,003)</b>

(\$\$\$)	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
<b>Costs Described in IPR</b>										
Columbia Generating Station	345,945	347,829	338,267	(9,561)	326,136	312,918	(13,218)	384,396	355,675	(28,721)
Bureau of Reclamation	119,891	119,891	132,391	12,500	150,101	140,601	(9,500)	152,533	143,033	(9,500)
Corps of Engineers	215,700	215,700	215,700	-	231,187	225,687	(5,500)	237,378	231,878	(5,500)
Renewable Resources	38,142	38,140	38,140	(0)	39,799	39,799	-	40,147	40,147	-
Energy Efficiency	47,850	47,850	47,850	-	48,408	48,408	-	49,320	49,320	-
Non-Generation Operations	89,950	90,110	89,282	(829)	92,052	91,856	(196)	94,908	94,710	(198)
Fish & Wildlife, LSRCP, Environmental Requirements	271,589	276,130	276,109	(21)	284,970	284,970	-	291,970	291,970	-
NW Power & Conservation Council	10,355	10,355	10,355	-	10,568	10,568	-	10,799	10,799	-
BPA Internal Support	70,483	71,478	69,829	(1,649)	74,447	73,603	(843)	77,025	76,034	(991)
<b>Subtotal</b>	<b>1,209,905</b>	<b>1,217,483</b>	<b>1,217,923</b>	<b>440</b>	<b>1,257,667</b>	<b>1,228,409</b>	<b>(29,257)</b>	<b>1,338,475</b>	<b>1,293,565</b>	<b>(44,910)</b>
<b>Other Costs <sup>1/</sup></b>										
Long-Term Contract Generating Projects	25,831	26,008	26,008	-	25,999	25,999	-	26,619	26,619	-
Operating Generation Settlement	22,148	20,785	20,785	-	21,138	21,138	-	21,497	21,497	-
Non-Operating Generation	1,948	2,316	2,316	-	2,206	2,206	-	2,228	2,228	-
Power Services Transmission Acquisition	157,185	157,455	157,455	-	160,896	160,896	-	159,963	159,963	-
Residential Exchange & IOU Settlements	201,838	201,838	201,838	-	209,253	209,253	-	213,190	213,190	-
<b>Subtotal</b>	<b>408,950</b>	<b>408,402</b>	<b>408,402</b>	<b>-</b>	<b>419,492</b>	<b>419,492</b>	<b>-</b>	<b>423,497</b>	<b>423,497</b>	<b>-</b>
<b>Total</b>	<b>1,618,854</b>	<b>1,625,884</b>	<b>1,626,324</b>	<b>440</b>	<b>1,677,158</b>	<b>1,647,901</b>	<b>(29,257)</b>	<b>1,761,973</b>	<b>1,717,063</b>	<b>(44,910)</b>

1/ Other IPR Costs reflect proposed IPR levels presented in the Initial IPR Publication and future updates will be presented in the BP-14 Initial Proposal.

## 2.2 COLUMBIA GENERATING STATION



### Program Details

	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	Current EOY Forecast	Delta
(\$\$\$) Columbia Generating Station	323,082	322,212	(870)	306,366	293,037	(13,329)

	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
(\$\$\$) Columbia Generating Station	345,945	347,829	338,267	(9,561)	326,136	312,918	(13,218)	384,396	355,675	(28,721)

### Changes from Initial IPR Levels

General public comments received are supportive of the long-range plan and support initial spending levels including contingency funding for Nuclear Regulatory Commission (NRC) requirements resulting from the Fukushima emergency in Japan.

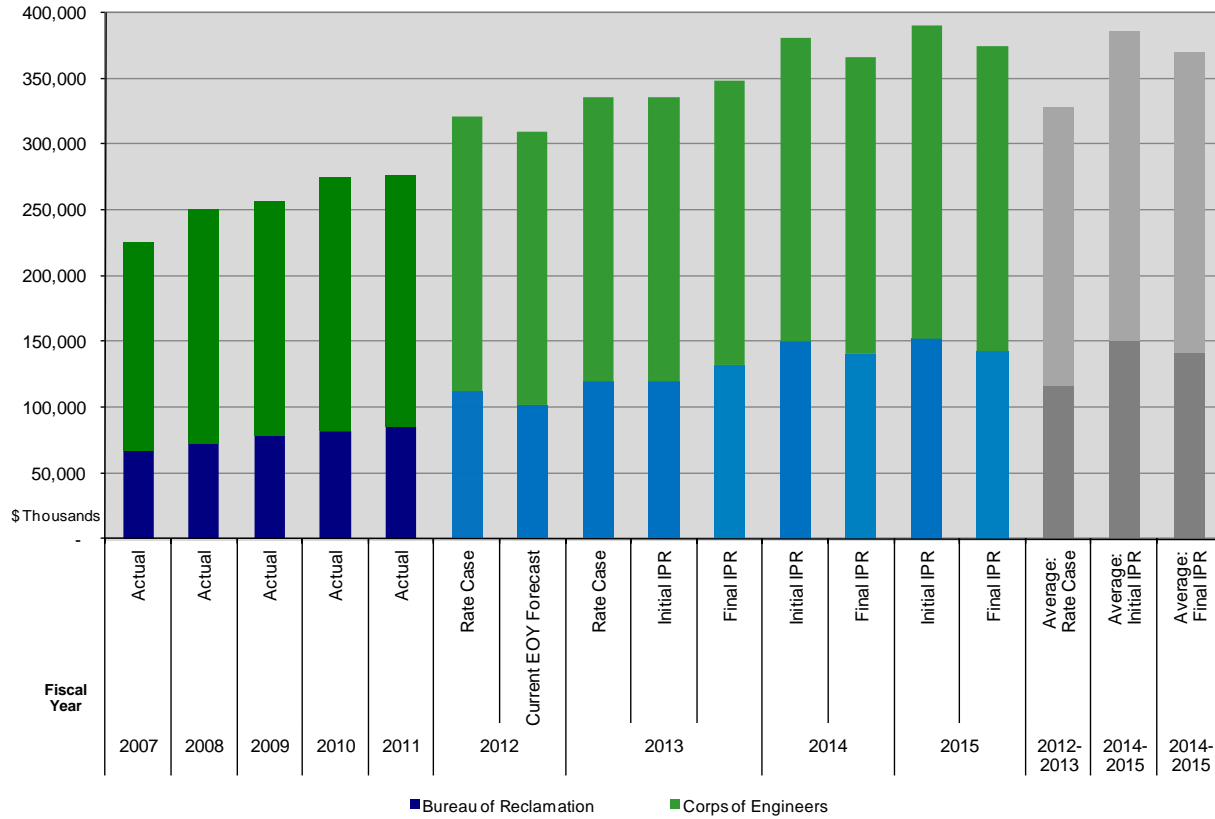
There were two events that occurred after the initial IPR forecasts were published that have reduced the funding requirements for the Columbia Generating Station (CGS). The first was the contract signed by Energy Northwest, The Department of Energy, the U.S. Enrichment Corporation and the Tennessee Valley Authority that began the process of turning depleted uranium into low cost nuclear fuel. This program will reduce the funding requirements for CGS by approximately \$22 million per year from 2014 through 2017 and will provide

a lower cost stable fuel supply through 2028. The second event was the Nuclear Regulatory Commission approval of Energy Northwest's request to extend the Columbia Generation Station's operating license for twenty additional years through 2043. This extension will allow BPA's contributions into the CGS Decommissioning Trust Fund to accumulate over a much longer period, thereby providing an opportunity to reduce the annual contributions toward the decommissioning of the plant. This decreases CGS's funding requirements by an average of \$11 million per year for fiscal years 2014 and 2015. There are also additional benefits related to the license extension that will result in lower debt service costs not shown here.

BPA received comments that expressed concern regarding the amounts included in the CGS funding requirements for Energy Northwest's At Risk Compensation Plan (ARC) and the escalation rate that is used in the CGS O&M forecasts. The ARC is a significant part of Energy Northwest's compensation package and is funded at a level of 100% for the target performance. Energy Northwest also has stretch targets identified. It enables CGS to attract and retain quality employees. Energy Northwest believes it will meet the targets established and so has budgeted for 100% payout. The escalation rate of 3.95% is a weighted average rate and includes rates for employee benefits, labor, regulatory fees, software maintenance fees, capital and operations and maintenance. BPA has discussed both the ARC and the escalation forecast with Energy Northwest. At this time no adjustments have been made. BPA is continuing to discuss and work with Energy Northwest concerning the appropriate award levels and the escalation rate used to develop these forecasts. Any reductions in spending levels that result from these discussions will be reflected in the final rate proposal.

BPA greatly appreciates the commitment and determination made by Energy Northwest to manage its costs and forecasts within the targets set by the CGS Long Range Plan. Energy Northwest has put significant effort into maintaining predictable forecasts for the region's ratepayers. Energy Northwest's ability to continue this commitment will help BPA improve its own rate planning and will continue to build trust within the region by contributing to predictability and consistency in rates.

### 2.3 BUREAU OF RECLAMATION AND CORPS OF ENGINEERS



#### Program Details

	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	Current EOY Forecast	Delta
Bureau of Reclamation	96,110	85,488	(10,622)	111,972	101,972	(10,000)
Corps of Engineers	192,433	190,835	(1,598)	208,700	207,175	(1,525)
<b>Total</b>	<b>288,543</b>	<b>276,323</b>	<b>(12,220)</b>	<b>320,672</b>	<b>309,147</b>	<b>(11,525)</b>

	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
Bureau of Reclamation	119,891	119,891	132,391	12,500	150,101	140,601	(9,500)	152,533	143,033	(9,500)
Corps of Engineers	215,700	215,700	215,700	-	231,187	225,687	(5,500)	237,378	231,878	(5,500)
<b>Total</b>	<b>335,591</b>	<b>335,591</b>	<b>348,091</b>	<b>12,500</b>	<b>381,288</b>	<b>366,288</b>	<b>(15,000)</b>	<b>389,911</b>	<b>374,911</b>	<b>(15,000)</b>

#### Response to General Comments and Changes from Initial IPR Levels

Reclamation and the Corps, along with BPA, understand the economic pressures the region is facing and are proposing to manage their O&M programs to a combined level that would be \$15 million per year below their initial IPR funding levels for the FY 2014-2015 rate period. Reclamation will manage to a \$9.5 million reduction, and the Corps will manage to a \$5.5 million reduction. In order to accomplish this reduction, some non-routine maintenance work will be pushed into the FY 2016-2017 rate period. Additionally, hiring across the program, as well as execution of fish and wildlife and cultural resources, will be closely managed to achieve the balance of the reduction. The reduction is not without risk. Deferring non-routine maintenance could



result in failures that impact the systems' reliability and generating capability. Non-routine maintenance funding is required not only for returning failed units to service, but is needed to address condition issues of joint feature items like gates, outlet tubes and other dam features. These items, like the rest of the system, have an average age of almost 50 years and need significant maintenance. Also, as mentioned in the IPR workshop, a wage freeze has been in affect, but is anticipated to be lifted by FY 2014. For Corps Trades and Crafts (T&C) employees (~60 percent of employees), there will be an adjustment to bring their salaries in line with other regional T&C employees, and it will be a significant challenge to incorporate this while accomplishing all work activities at the reduced program funding level.

Balancing the programs needs while managing costs is a primary focus of the FCRPS Hydro Program. BPA, the Corps, and Reclamation are committed to managing the Operations and Maintenance Program activities to minimize costs, as well as the risk of lost revenue, while maintaining the reliable long-term performance and value of the system.

### ***Proposed Staffing Increases***

The Corps and Reclamation proposed spending levels for FY 2014-2015 also reflected increases associated with staffing and the mechanical overhaul of the Third Powerplant at Grand Coulee Dam. Comments received during and after the workshop centered around the size of the request for the increased staffing and the ability to execute all of the program considering all the activities underway. There is a tremendous amount of work occurring at the facility. Its poor condition requires extensive maintenance to keep units in service, while multiple capital investments are occurring throughout the facility. These work activities are significantly over and above the pre-overhaul status and what used to be the base program at the plant in the past, and require additional staff. Reclamation and BPA reviewed the proposed increases in staffing and reduced them from the original recommendation. Additional reductions are reflected as part of the \$9.5 million per year undistributed reduction Reclamation will manage to over the FY 2014-2015 rate period.

### ***Implementation and Execution of Proposed Work***

Comments received about the Corps and Reclamation's ability to execute the program and level of work proposed are also valid when considering the amount of additional new non-routine maintenance planned for the FY 2014-2015 period. However, the Corps and Reclamation have developed work plans for the base program and the non-routine maintenance work and are confident they will execute the proposed program. Again, most of the additional non-routine maintenance is at Grand Coulee and is for the Third Powerplant Overhaul. It reflects the contractor's schedule for work and spending and is what is required to complete the overhaul and restore the performance of the Third Powerplant as rapidly as possible. Considering the age, condition, and performance requirements across the system, the proposed O&M program funding is the level needed to ensure continued reliable performance of the generating facilities across the FCRPS while meeting stewardship and mitigation responsibilities.

### ***Increased Generation Benefits***

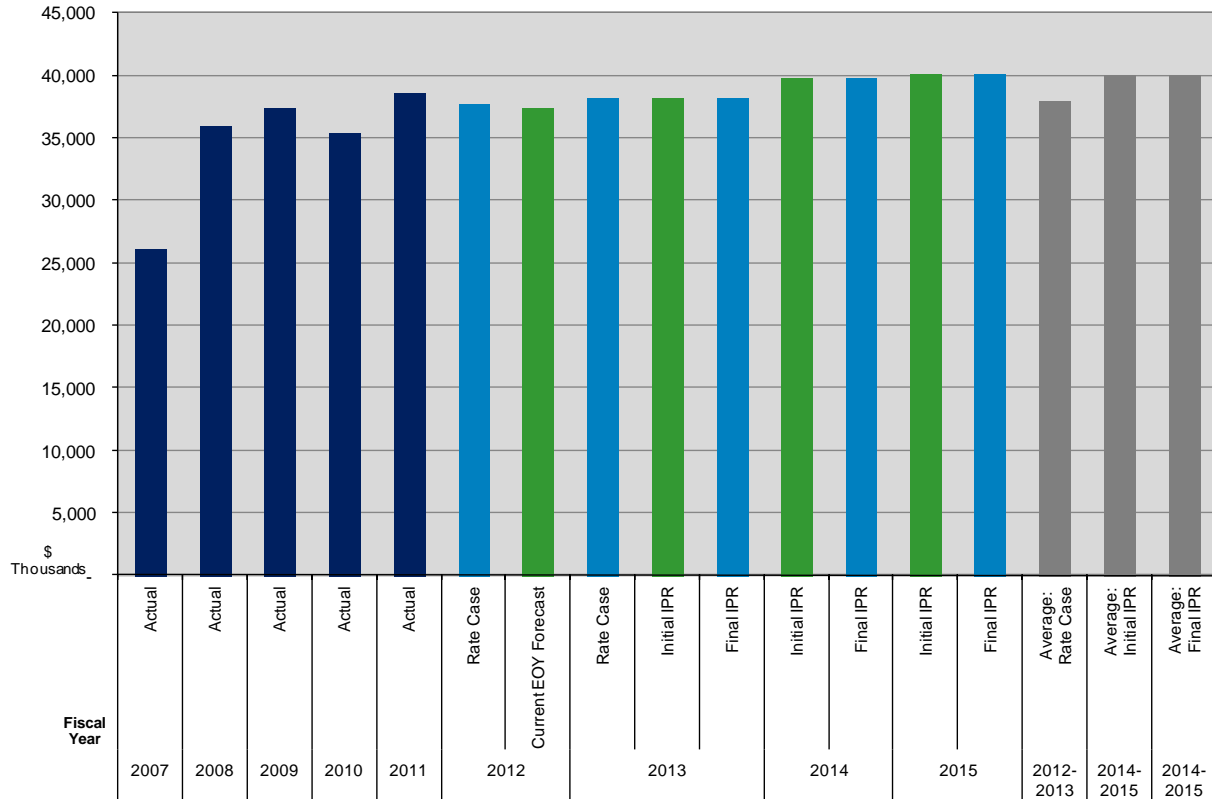
Participants requested that the projected increase in generation resulting from the proposed staffing increase at Grand Coulee Dam be factored into the upcoming rate case. In general, these potential improvements will be incorporated into the hydro studies through plant data updates but will not be reflected in the BP-14 rate case. As improvements are completed, hydro models are updated based on actual performance of the hydro system, not projections. BPA monitors the plant data to make sure the model lines up with the actual data. As differences between the model and actual data become visible, BPA works with the project owners to update the model's plant data based on the actual data. In fact, most projects were updated last year in the model reflecting the most current data.

### ***Zebra and Quagga Mussel Prevention***

BPA recognizes that the problems associated with aquatic invasive species are wide in scope and require coordination across geographical, political, and agency boundaries. As a result, BPA has actively engaged with several regional coordination teams including the Western Regional Panel on Aquatic Nuisance Species and 100th Meridian Initiative Basin Teams. BPA will continue to work with the Corps, Reclamation, States and private utilities in cooperative efforts to prevent the spread of Zebra and/or Quagga Mussels to Federal projects in the Northwest Region. Some of the actions taken to date include: completed three Vulnerability Assessments for Corps projects and scheduling of five Reclamation projects for Vulnerability Assessments; contributed funds for Pacific States Marine Fisheries Council's development of Uniform Watercraft Decontamination Protocols; contributed funds for Pacific States Marine Fisheries Council Watercraft Inspection Training; participated in four emergency response drills, including the most recent exercise at Libby Dam; and completed an Aquatic Invasive Species Rapid Response Plan in cooperation with US Fish and Wildlife Service and the Pacific States Marine Fisheries Council that was approved by the EPA and NOAA Fisheries.

BPA's Technology Innovation (TI) Program is funding several projects dealing with Aquatic Invasive Species, one of which is to test promising antifouling coatings in the Columbia River Basin and Lake Mead, Nevada. This project is assessing the effective service life of foul-release coatings to mitigate the impacts of invasive Zebra/Quagga mussels in the Columbia River. This information is necessary to determine the cost-effectiveness of coatings for maintaining the functionality of multiple steel and concrete structures at hydropower facilities. Additionally the BPA TI Program is funding projects that are testing detection of early free-swimming larval stage and also the growth potential of Quagga mussels in Columbia River Basin water. The results will permit development of a mussel growth model that can be used to predict impacts at FCRPS facilities and development of proactive management strategies that will maintain system reliability and minimize environmental impact.

## 2.4 RENEWABLES



### Program Details

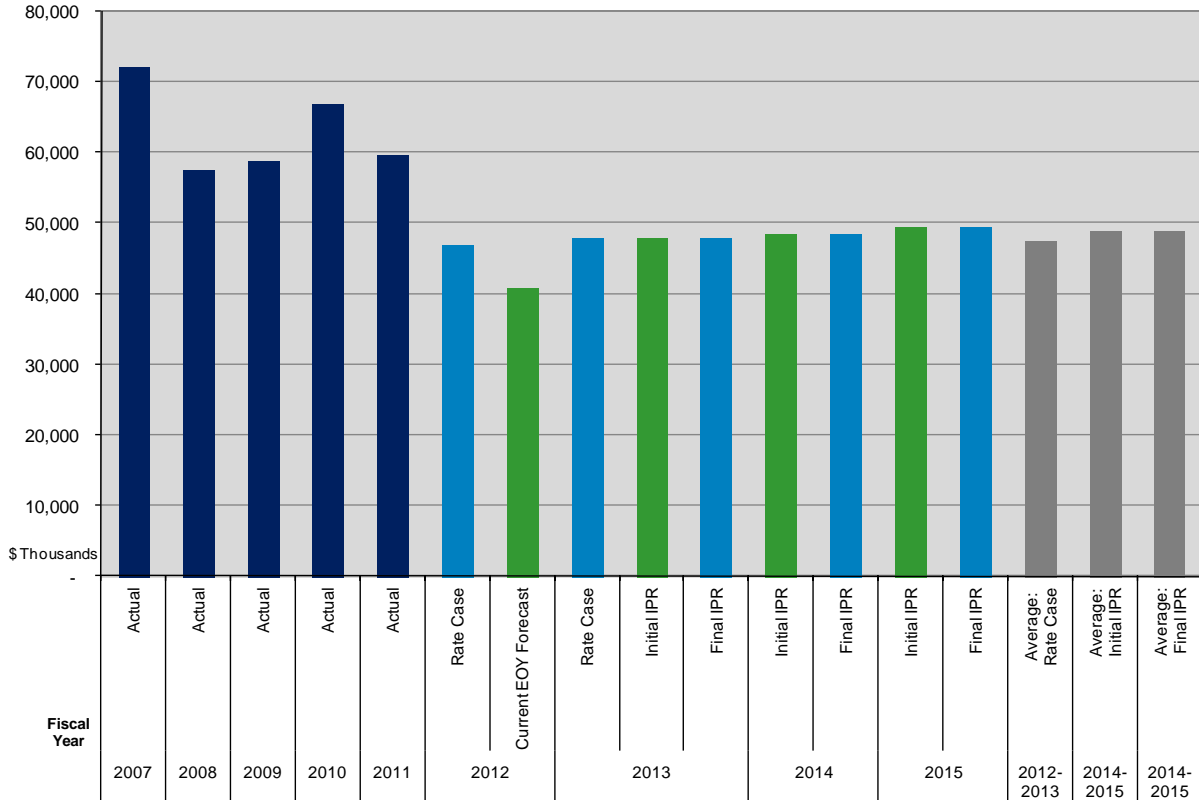
	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	Current EOY Forecast	Delta
Renewable Conservation Rate Credit	2,500	2,588	88	-	(18)	(18)
Renewables	37,258	35,939	(1,319)	37,670	37,331	(339)
<b>Total</b>	<b>39,758</b>	<b>38,527</b>	<b>(1,232)</b>	<b>37,670</b>	<b>37,312</b>	<b>(358)</b>

	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
Renewable Conservation Rate Credit	-	-	-	-	-	-	-	-	-	-
Renewables	38,142	38,140	38,140	-	39,799	39,799	-	40,147	40,147	-
<b>Total</b>	<b>38,142</b>	<b>38,140</b>	<b>38,140</b>	<b>-</b>	<b>39,799</b>	<b>39,799</b>	<b>-</b>	<b>40,147</b>	<b>40,147</b>	<b>-</b>

### Changes from Initial IPR Levels

The final IPR spending estimates remain the same as the initial IPR spending estimates in the IPR Initial Publication.

## 2.5 ENERGY EFFICIENCY



The Conservation Rate Credit expired at the end of FY 2011, resulting in the drop in the Energy Efficiency spending levels shown in the table above.

### Program Details

	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	Current EOY Forecast	Delta
(\$\$\$)						
DSM Technologies	-	(9)	(9)	-	5	5
Conservation Acquisition	16,200	12,042	(4,158)	15,950	14,298	(1,652)
Low-Income Weatherization & Tribal	5,000	3,046	(1,954)	5,000	6,920	1,920
Energy Efficiency Development	11,500	5,330	(6,170)	11,500	4,153	(7,347)
Legacy Programs	1,000	624	(376)	1,000	1,100	100
Market Transformation	13,000	10,807	(2,193)	13,500	14,310	810
Conservation Rate Credit	29,500	27,636	(1,864)	-	(17)	(17)
<b>Total</b>	<b>76,200</b>	<b>59,476</b>	<b>(16,724)</b>	<b>46,950</b>	<b>40,768</b>	<b>(6,182)</b>

	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
(\$\$\$)										
DSM Technologies	-	-	-	-	-	-	-	-	-	-
Conservation Acquisition	15,950	15,950	15,950	-	16,444	16,444	-	16,754	16,754	-
Low-Income Weatherization & Tribal	5,000	5,000	5,000	-	5,155	5,155	-	5,252	5,252	-
Energy Efficiency Development	11,500	11,500	11,500	-	11,859	11,859	-	12,083	12,083	-
Legacy Programs	900	900	900	-	1,031	1,031	-	1,050	1,050	-
Market Transformation	14,500	14,500	14,500	-	13,919	13,919	-	14,180	14,180	-
Conservation Rate Credit	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>47,850</b>	<b>47,850</b>	<b>47,850</b>	<b>-</b>	<b>48,408</b>	<b>48,408</b>	<b>-</b>	<b>49,320</b>	<b>49,320</b>	<b>-</b>

## Changes from Initial IPR Levels

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The final IPR spending estimates remain the same as the initial IPR spending estimates in the IPR Initial Publication. In general, public comments reflected two primary themes the first being support for initial spending levels and the second being doubling of funding for the low-income weatherization program.

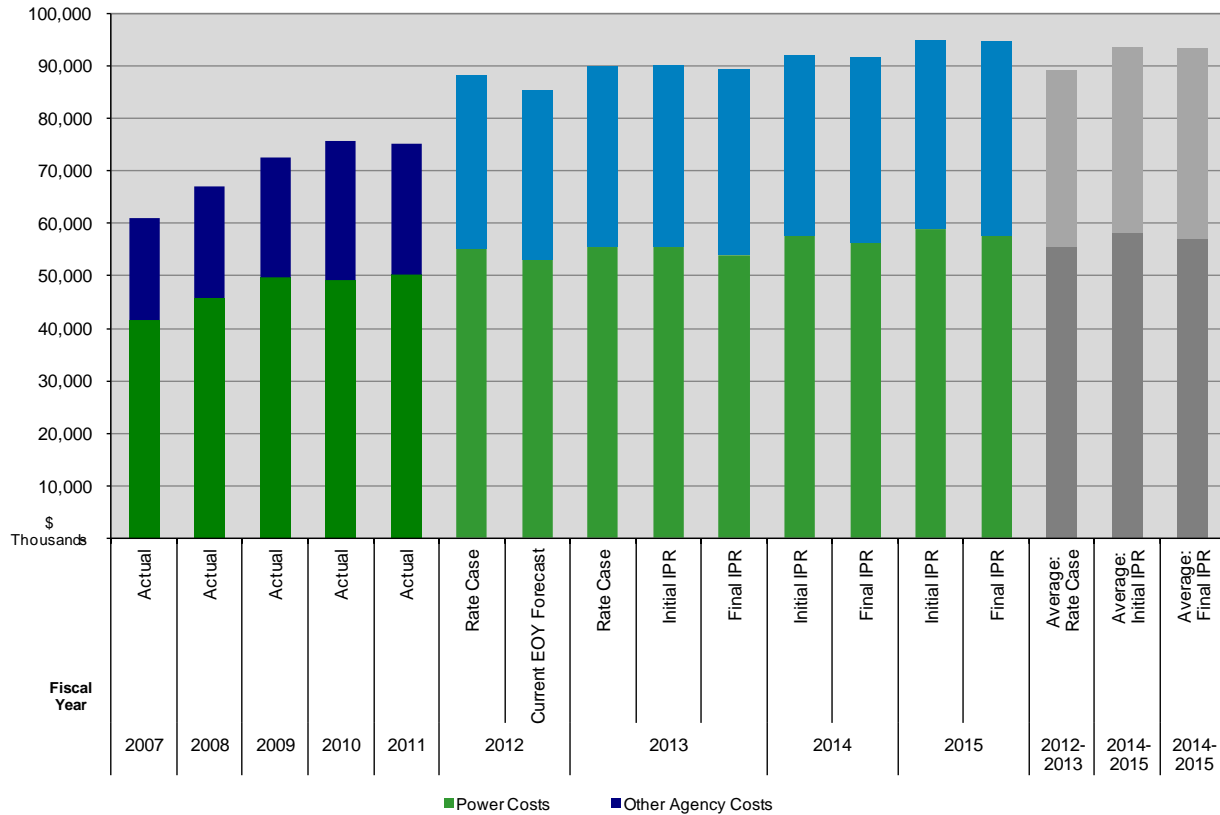
No comments were more passionate or heartfelt than those offered by the various groups and individuals who requested that BPA double its annual low-income weatherization program budget from \$5 million to \$10 million in the next rate period. BPA clearly recognizes the many values this program delivers to recipients but does not think it is appropriate for Northwest ratepayers to bear the direct responsibility for making up for the expiration of American Recovery and Reinvestment Act funding.

Advocates for raising the low-income weatherization funding level also argued that for equity reasons the weatherization budget should be increased. Equity is an important concern. Low-income consumers of preference customers paid in their rates for all Energy Efficiency programs, but may have been unable to access the programs that required participant contributions. Over the last several years, BPA's Energy Efficiency funding to its utilities has increased significantly, and the program specifically allows utilities to fund low-income programs at a one-to-one dollar level. However, it would not be appropriate for BPA to mandate that retail utilities fund low-income weatherization at a particular funding level or in a particular way in their individual service territories.

For the future, BPA would be willing to reconsider its position on spending levels for the low-income weatherization program if cost effectiveness improved to a level comparable to other BPA-funded energy efficiency activities. To that end, BPA will continue to evaluate and refine the low-income weatherization program to make it as efficient as possible and provide the greatest value to the low-income population of the region.

Concerning a backstop plan for Energy Efficiency acquisition, BPA does not establish "backstop" spending levels in order to achieve program goals but forecasts spending levels based on the expected amount of spending needed. BPA does not budget for the highest possible spending level for any of its programs. However, BPA takes into consideration changes in needed spending in the risk assessment that occurs for the rate case. This risk assessment ensures that potential excursions from expected spending levels are reflected in rate setting.

## 2.6 NON-GENERATION OPERATIONS



### Program Details

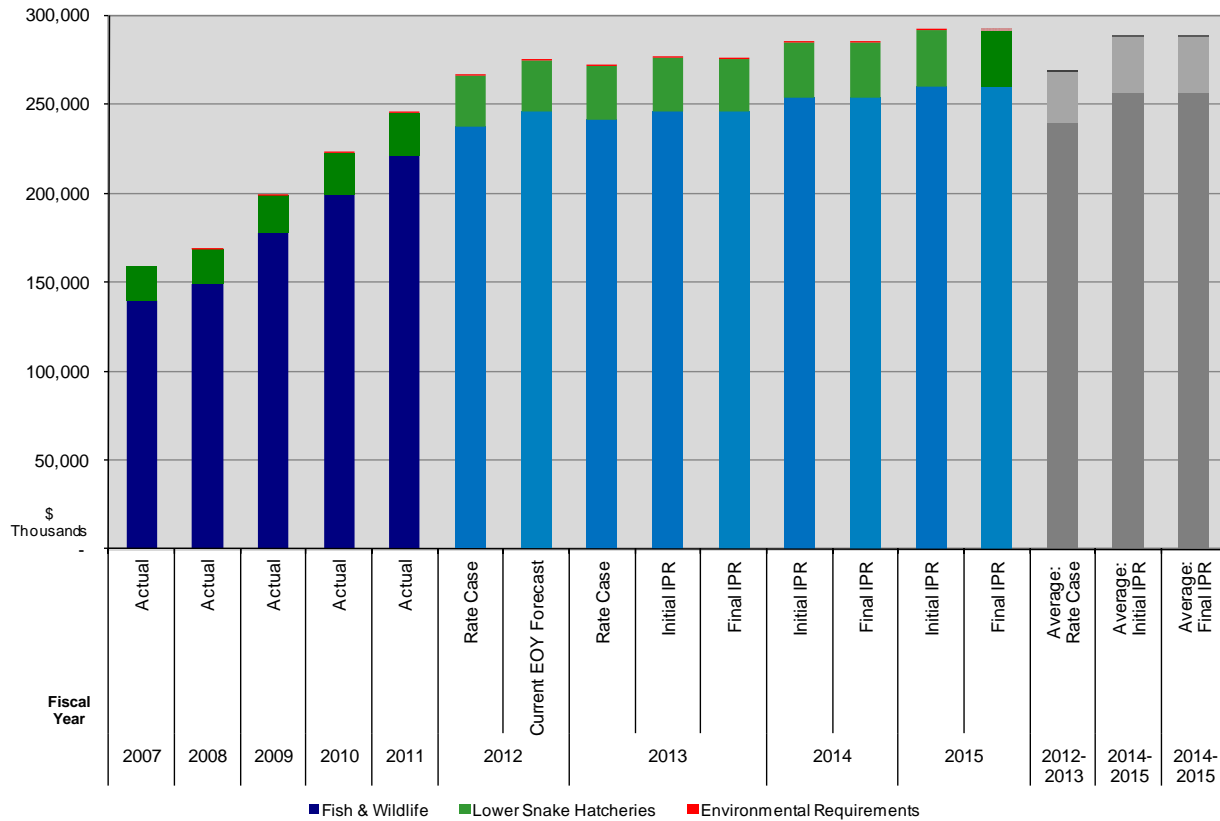
	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	Current EOY Forecast	Delta
Information Technology	7,148	3,480	(3,668)	7,143	8,005	862
Generation Project Coordination	5,413	5,836	422	5,895	5,793	(102)
Slice Implementation	1,778	1,942	164	2,322	1,127	(1,195)
Operations - Scheduling	9,805	7,922	(1,883)	10,041	9,978	(62)
Operations - Planning	6,249	5,755	(494)	6,744	7,578	834
Power R&D Projects	5,030	4,934	(96)	5,622	5,631	10
Sales and Support	20,005	18,060	(1,946)	19,745	18,767	(978)
Strategy, Finance and Risk Management	18,373	14,134	(4,239)	17,907	16,507	(1,400)
Executive & Administrative Services	3,529	3,602	74	3,565	3,191	(375)
Conservation Support	9,569	9,472	(97)	9,478	8,853	(624)
<b>Total</b>	<b>86,901</b>	<b>75,137</b>	<b>(11,764)</b>	<b>88,460</b>	<b>85,429</b>	<b>(3,031)</b>

	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
Information Technology	7,316	7,498	7,502	4	6,606	6,602	(4)	6,739	6,735	(4)
Generation Project Coordination	5,919	6,587	6,587	-	6,826	6,826	-	6,968	6,968	-
Slice Implementation	2,394	1,099	1,099	-	1,099	1,099	-	1,126	1,126	-
Operations - Scheduling	10,010	10,312	10,312	-	10,398	10,398	-	10,621	10,621	-
Operations - Planning	6,709	7,255	7,255	-	7,641	7,641	-	7,948	7,948	-
Power R&D Projects	5,939	5,939	5,940	2	5,820	5,816	(3)	5,939	5,936	(3)
Sales and Support	20,130	19,548	19,539	(8)	20,951	20,951	-	21,339	21,339	-
Strategy, Finance and Risk Management	18,289	18,470	17,612	(858)	19,263	19,263	-	20,359	20,360	-
Executive & Administrative Services	3,636	4,131	4,163	33	4,355	4,166	(189)	4,560	4,369	(191)
Conservation Support	9,608	9,272	9,272	-	9,094	9,094	-	9,309	9,309	-
<b>Total</b>	<b>89,950</b>	<b>90,110</b>	<b>89,282</b>	<b>(829)</b>	<b>92,052</b>	<b>91,856</b>	<b>(196)</b>	<b>94,908</b>	<b>94,710</b>	<b>(198)</b>

### Changes from Initial IPR Levels

The final IPR spending estimates remain the same as the initial IPR spending estimates in the IPR Initial Publication except for the reduction in awards discussed in [Section 1.3](#) of this report. Those reductions are reflected in this section.

## 2.7 FISH AND WILDLIFE, LOWER SNAKE RIVER COMP PLAN (LSRCP) AND ENVIRONMENTAL REQUIREMENTS



### Program Details

	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	Current EOY Forecast	Delta
Fish & Wildlife	225,000	221,048	(3,952)	237,422	245,950	8,528
Lower Snake Hatcheries	24,480	24,466	(14)	28,800	28,800	-
Environmental Requirements	300	96	(204)	302	302	-
<b>Total</b>	<b>249,780</b>	<b>245,609</b>	<b>(4,171)</b>	<b>266,525</b>	<b>275,052</b>	<b>8,528</b>

	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
Fish & Wildlife	241,384	245,950	245,929	(21)	254,000	254,000	-	260,000	260,000	-
Lower Snake Hatcheries	29,900	29,880	29,880	-	30,670	30,670	-	31,670	31,670	-
Environmental Requirements	305	300	300	-	300	300	-	300	300	-
<b>Total</b>	<b>271,589</b>	<b>276,130</b>	<b>276,109</b>	<b>(21)</b>	<b>284,970</b>	<b>284,970</b>	<b>-</b>	<b>291,970</b>	<b>291,970</b>	<b>-</b>

### Changes From Initial IPR Levels

The final IPR spending estimates for FY 2014-2015 remain the same as the initial IPR spending estimates in the IPR Initial Publication. Some of the near term challenges facing the Fish and Wildlife program include increased funding for BiOp estuary projects, unpredictable timing for large land acquisitions and hatchery projects that

can skew spending, and the cost-shifting provisions of the Fish Accords that allow certain unspent funds from the early ramp up of the Accords to be spent in later years. Active budget oversight is being used to manage these challenges within budget to the fullest extent possible while fulfilling our commitments. As noted in the 2010 Final IPR Close-Out Report these challenges and the reduction of \$13 million per year for FY 2012 and 2013 expenses in the 2010 IPR could result in spending temporarily exceeding spending estimates to meet binding legal obligations and other commitments. As noted in the 2012 IPR Initial Publication and to better ensure the ability to meet commitments, FY 2012 and 2013 spending estimates have been increased by a total of \$13 million, restoring in total half of the amount reduced in the 2010 IPR. This increase is being split such that the total spending for each year is expected to be \$245.95 million; however, the program will manage to a two-year total over the two-year period. For that reason, the FY 2013 SOY budget for Fish and Wildlife cannot be determined until FY 2012 has concluded, but BPA remains committed to managing the Program to levels within the two-year total for the rate period.

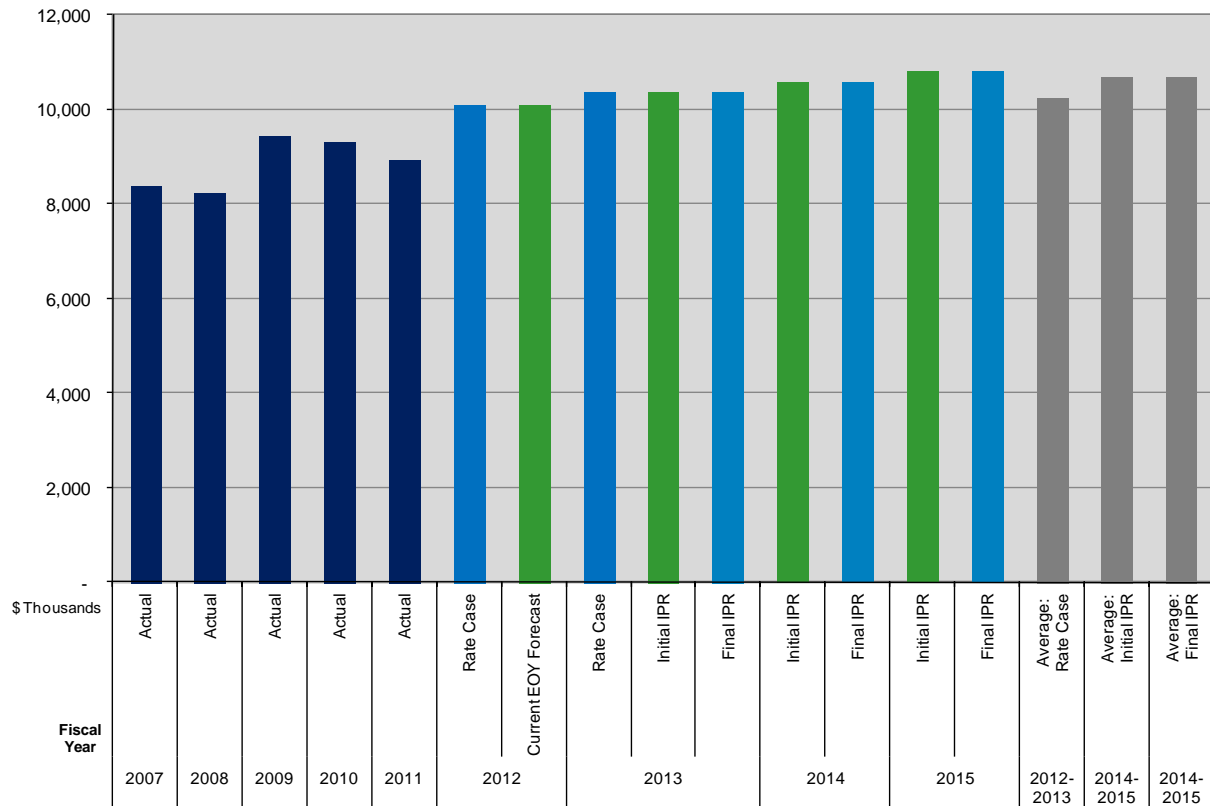
Participants commented that BPA should reduce the Research, Monitoring, and Evaluation (RM&E) funding and reallocate that funding to other Fish and Wildlife mitigation projects. BPA, working with the Northwest Power and Conservation Council, identified approximately \$5 million in project savings during the RM&E Categorical Review. BPA continues to review all projects, including RM&E, based on the programmatic recommendations of the Categorical Reviews to identify efficiencies, eliminate duplication, and strengthen project linkage to FCRPS management decisions.

During the Fish and Wildlife workshop and in written comments, participants provided input on modifications that they felt should be made to the Total Annual Average Cost of BPA Fish and Wildlife Actions graphic. Due to the polarized recommendations from participants, BPA convened a team of internal stakeholders to review the proposed modifications. The result is that the data in the graphic will remain unchanged, however, a footnote will be added that will direct the reader to where the data will be posted that provides the 4(h)(10)(C) credits and the split between forgone revenues and power purchases. While BPA already posts this data, it has been in several different publications. Going forward, the data will be posted in one location and will be much more user friendly and transparent to the region as to what costs pertain to BPA's fish and wildlife actions.

BPA will continue to manage the program to fulfill the requirements of the Fish Accords, BiOps, and other agreements. While the Program reached full implementation in the 2012-2013 rate period, the inherent uncertainty of the work funded through the Program (due to weather, permitting, and/or landowner willingness, for example) does involve risk that annual spending may either fall below or exceed annual spending levels reflected in the Final IPR Close Out Report. Also, spending provisions in the Accords allow funds to be shifted in time to reflect when the actual work is performed. Hence, reduced Accord spending in one year may result in a comparable increase in funding in a future year. BPA is putting management tools into place to increase its ability to actively manage funding levels across fiscal years, but recognizes the potential need for short-term flexibility to Final IPR Program spending estimates should BiOp or Fish Accord requirements exceed expectations.



## 2.8 NORTHWEST POWER AND CONSERVATION COUNCIL (NWPCC)



### Program Details

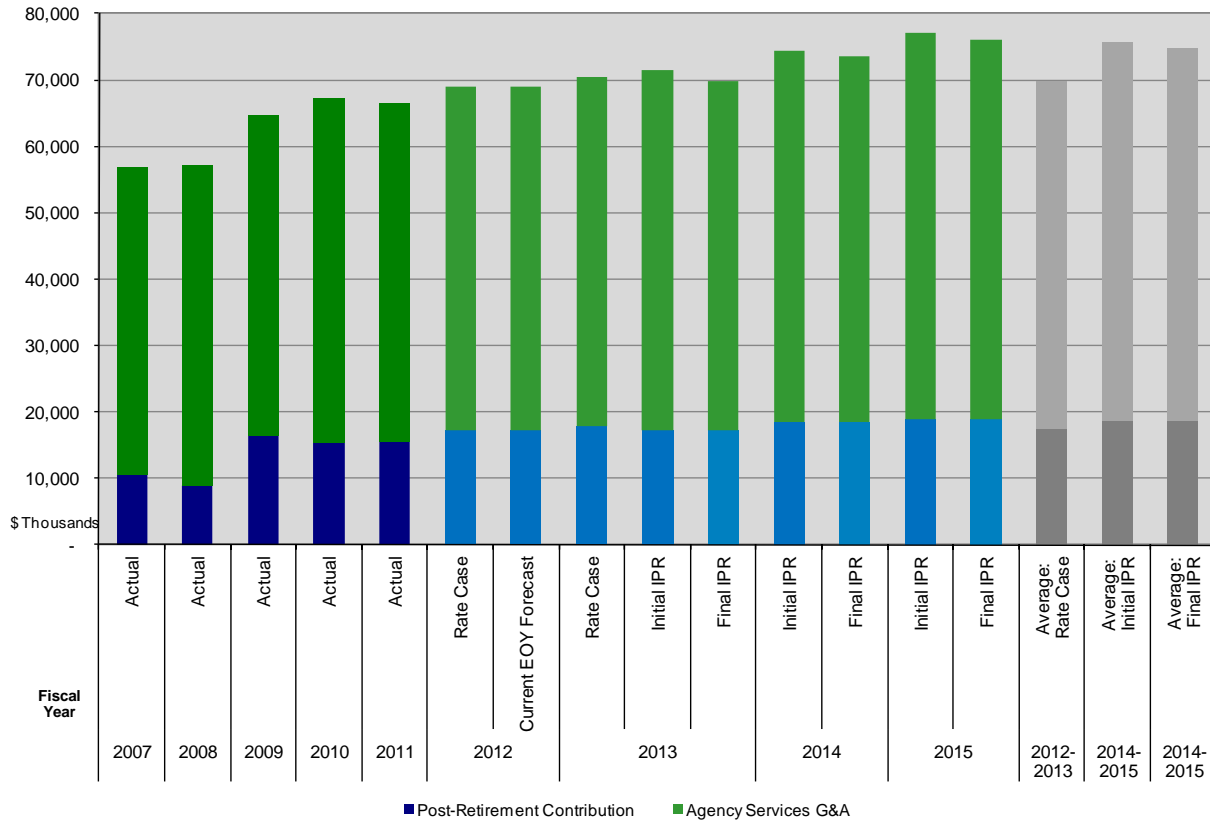
	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	Current EOY Forecast	Delta
NW Power Planning Council (\$\$\$)	9,934	8,930	(1,004)	10,114	10,114	-

	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
NW Power Planning Council (\$\$\$)	10,355	10,355	10,355	-	10,568	10,568	-	10,799	10,799	-

### Changes from Initial IPR Levels

The final IPR spending estimates remain the same as the initial IPR spending estimates in the IPR Initial Publication.

## 2.9 POWER INTERNAL SUPPORT



### Program Details

#### Corporate Programs Recovered Directly Through Power Services

	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	Start of Year	Delta
Post-Retirement Benefits (\$\$\$)	15,579	15,579	-	17,243	17,243	-
Agency Services G&A Allocations	47,886	50,861	2,976	51,735	51,787	52
<b>Total</b>	<b>63,464</b>	<b>66,440</b>	<b>2,976</b>	<b>68,978</b>	<b>69,030</b>	<b>52</b>

	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
Post-Retirement Benefits (\$\$\$)	17,821	17,243	17,243	-	18,501	18,501	-	18,819	18,819	-
Agency Services G&A Allocations	52,662	54,235	52,586	(1,649)	55,946	55,102	(843)	58,206	57,215	(991)
<b>Total</b>	<b>70,483</b>	<b>71,478</b>	<b>69,829</b>	<b>(1,649)</b>	<b>74,447</b>	<b>73,603</b>	<b>(843)</b>	<b>77,025</b>	<b>76,034</b>	<b>(991)</b>

### Changes from Initial IPR Levels

The final IPR spending estimates remain the same as the initial IPR spending estimates in the IPR Initial Publication except for the reduction in awards discussed in [Section 1.3](#) of this report. Those reductions are reflected in this section.

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### 3 TRANSMISSION SERVICES

#### 3.1 TRANSMISSION OVERVIEW

FY 2014-15 is a time of great promise for the Federal Columbia River Transmission System (FCRTS). A new generation of technological improvements, such as the Western Interconnection Synchrophasor Program (WISP), promises unprecedented levels of precision in real-time Transmission system operations, and the potential to optimize both available Transmission capacity and system reliability.

At the same time, a series of challenges is driving the costs of planning, operating and maintaining one of the world’s largest and most sophisticated integrated Transmission networks upward:

- The swiftly-evolving mandatory reliability standards compliance landscape is significantly increasing BPA workload and costs
- Rapid growth in the volume of renewable energy connecting to the FCRTS has dramatically increased wind integration costs and demand for balancing services
- Compliance requirements include significant mandatory physical upgrades to an aging FCRTS, driving maintenance costs upward.

Despite these pressures, in FY 2011, Transmission Services’ actual IPR operating expenses came in \$26 million below start-of-year budget levels, thanks to dedicated cost management strategies.

No public comments were received pertaining to the Transmission expense programs. BPA has not identified any major changes to the initial IPR spending estimates from the IPR Initial Publication based on public comments. Minor adjustments reflect reallocation of spending levels between the Transmission departments to better reflect where actual work will be performed. Transmission expense spending levels are forecast to increase at a compound annual growth rate of 5.1 percent from 2011 actuals to FY 2015 Final IPR.

BPA determined that an improved way to budget for emergency work is to use the expected spending level. Taking this approach will reduce maintenance costs by approximately \$2 million from the initial IPR forecast. This adjustment hasn't been incorporated in the initial rate proposal transmission revenue requirement due to timing but will be reflected in the final proposal.

**FIGURE 6 Comparison of Forecast Growth Rate in 2010 IPR to 2012 IPR**

Transmission	2010 IPR	2012 Initial IPR	2012 Final IPR
	FY 2009 Actuals to FY 2013 Final IPR	FY 2011 Actuals to FY 2015 Initial IPR	FY 2011 Actuals to FY 2015 Final IPR
Overall 5-Year Change	26.4%	21.6%	22.1%
Compound Annual Growth Rate	6.0%	5.0%	5.1%

FIGURE 7

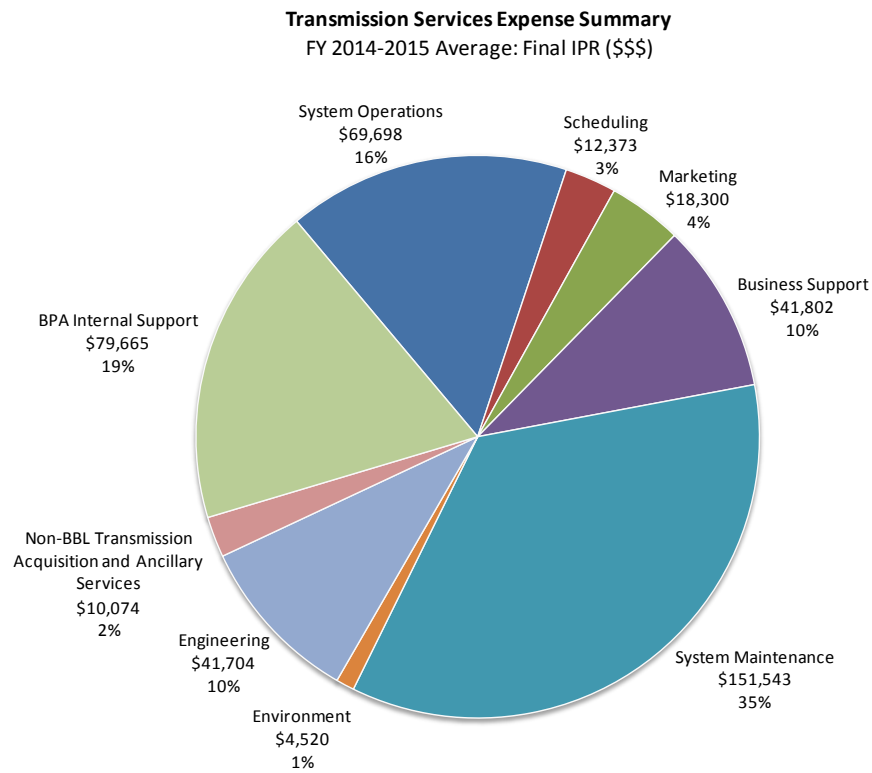
<u>Expenses</u>	A Change from 12/13 Final Proposal to 14/15 Initial IPR		C Change from 12/13 Final Proposal to 14/15 Final IPR	
	\$ in Millions	% Change in Rates	\$ in Millions	% Change in Rates
1 Operations	11	1%	11	1%
2 Maintenance	9	1%	9	1%
3 Other <sup>2/</sup>	7	1%	11	1%
4 Internal Operations	2	0%	1	0%
5 <b>Expense Sub-Total</b>	<b>29</b>	<b>3%</b>	<b>32</b>	<b>4%</b>
6 Capital Related Costs	50	6%	42	5%
7 No Use of Reserves for Rate Relief <sup>1/</sup>	35	4%	35	4%
8 <b>Total Change<sup>3/</sup></b>	<b>114</b>	<b>13%</b>	<b>109</b>	<b>13%</b>

<sup>1/</sup> Reserves were used for rate relief for FY 12-13 but use of reserves were not assumed in FY 14-15

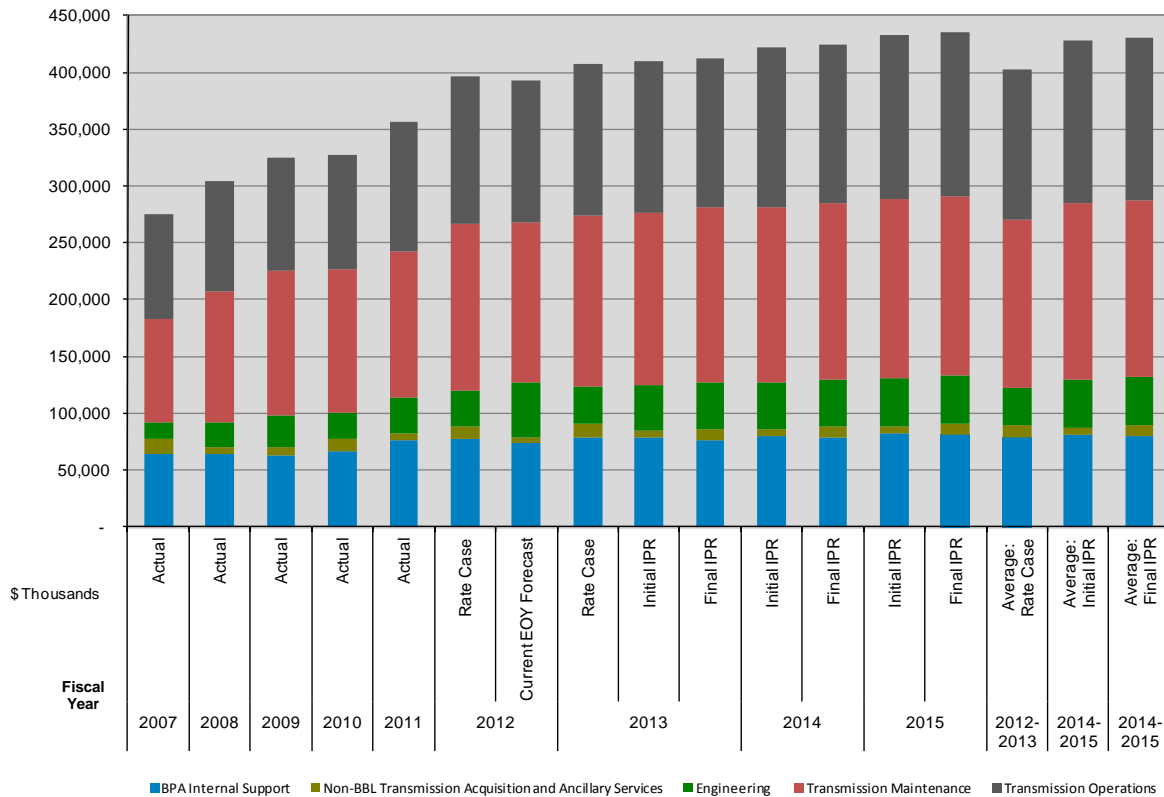
<sup>2/</sup> Other includes average annual increase of \$3.5 million for Ancillary Services on-going parallel capacity support.

<sup>3/</sup> Totals may not add due to rounding

FIGURE 8



**FIGURE 9 Transmission Services IPR Expense Summary**



**FIGURE 10 Transmission Services Summary Statement of IPR Program Expenses**

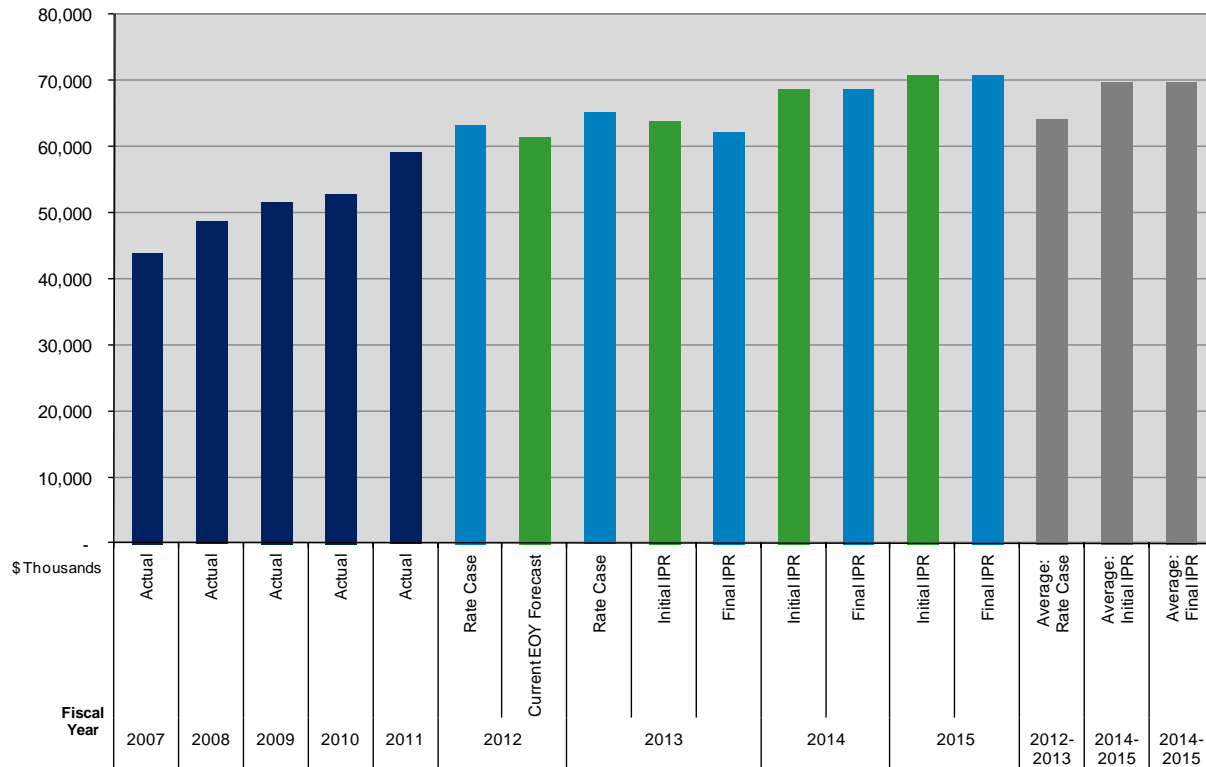
	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	Current EOY Forecast	Delta
<b>Costs Described in IPR</b>						
Operations	128,088	114,010	(14,077)	130,050	124,570	(5,480)
Maintenance	142,151	128,937	(13,214)	146,713	140,916	(5,797)
Engineering	32,033	30,895	(1,138)	31,800	47,986	16,186
Non-Between Business line Acquisitions and Ancillary Services	7,531	6,750	(782)	11,420	5,464	(5,956)
Agency Services G&A	71,888	75,645	3,758	77,100	73,633	(3,467)
<b>Subtotal</b>	<b>381,691</b>	<b>356,237</b>	<b>(25,454)</b>	<b>397,083</b>	<b>392,570</b>	<b>(4,513)</b>
<b>Other Costs <sup>1/2/</sup></b>						
Between Business Line Acquisitions and Ancillary Services	99,356	109,352	9,996	126,953	131,907	4,954
Reimbursables	9,920	13,807	3,887	9,917	20,425	10,508
Undistributed Reduction	-	-	-	-	-	-
<b>Subtotal</b>	<b>109,276</b>	<b>123,159</b>	<b>13,882</b>	<b>136,870</b>	<b>152,332</b>	<b>15,462</b>
<b>Total</b>	<b>490,968</b>	<b>479,396</b>	<b>(11,572)</b>	<b>533,953</b>	<b>544,902</b>	<b>10,949</b>

	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
<b>Costs Described in IPR</b>										
Operations	133,590	133,372	131,248	(2,124)	140,606	140,729	122	144,319	144,346	27
Maintenance	150,831	151,963	153,278	1,314	154,250	154,233	(17)	157,910	157,893	(17)
Engineering	32,803	40,192	41,855	1,663	41,642	41,638	(3)	41,773	41,769	(3)
Non-Between Business line Acquisitions and Ancillary Services	11,590	5,438	9,381	3,943	6,316	10,016	3,700	6,432	10,132	3,700
Agency Services G&A	78,781	78,816	76,177	(2,638)	79,642	78,428	(1,215)	82,218	80,902	(1,317)
<b>Subtotal</b>	<b>407,595</b>	<b>409,781</b>	<b>411,939</b>	<b>2,158</b>	<b>422,457</b>	<b>425,045</b>	<b>2,588</b>	<b>432,652</b>	<b>435,042</b>	<b>2,390</b>
<b>Other Costs <sup>1/2/</sup></b>										
Between Business Line Acquisitions and Ancillary Services	130,489	130,490	138,444	7,953	130,490	130,490	-	130,490	130,490	-
Reimbursables	9,914	10,064	9,682	(382)	10,530	10,530	-	10,745	10,745	-
Undistributed Reduction	-	-	(2,297)	(2,297)	-	-	-	-	-	-
<b>Subtotal</b>	<b>140,403</b>	<b>140,555</b>	<b>145,829</b>	<b>5,274</b>	<b>141,020</b>	<b>141,020</b>	<b>-</b>	<b>141,236</b>	<b>141,236</b>	<b>-</b>
<b>Total</b>	<b>547,998</b>	<b>550,336</b>	<b>557,768</b>	<b>7,432</b>	<b>563,477</b>	<b>566,065</b>	<b>2,588</b>	<b>573,887</b>	<b>576,278</b>	<b>2,390</b>

1/Other Costs are presented but not described in detail during the IPR process.  
 2/ The cost transfer from Transmission to Information Technology is for systems work that is assumed to provide efficiencies to Transmission programs of the FY 2014 - 2015 rate period.

### 3.2 SYSTEM OPERATIONS

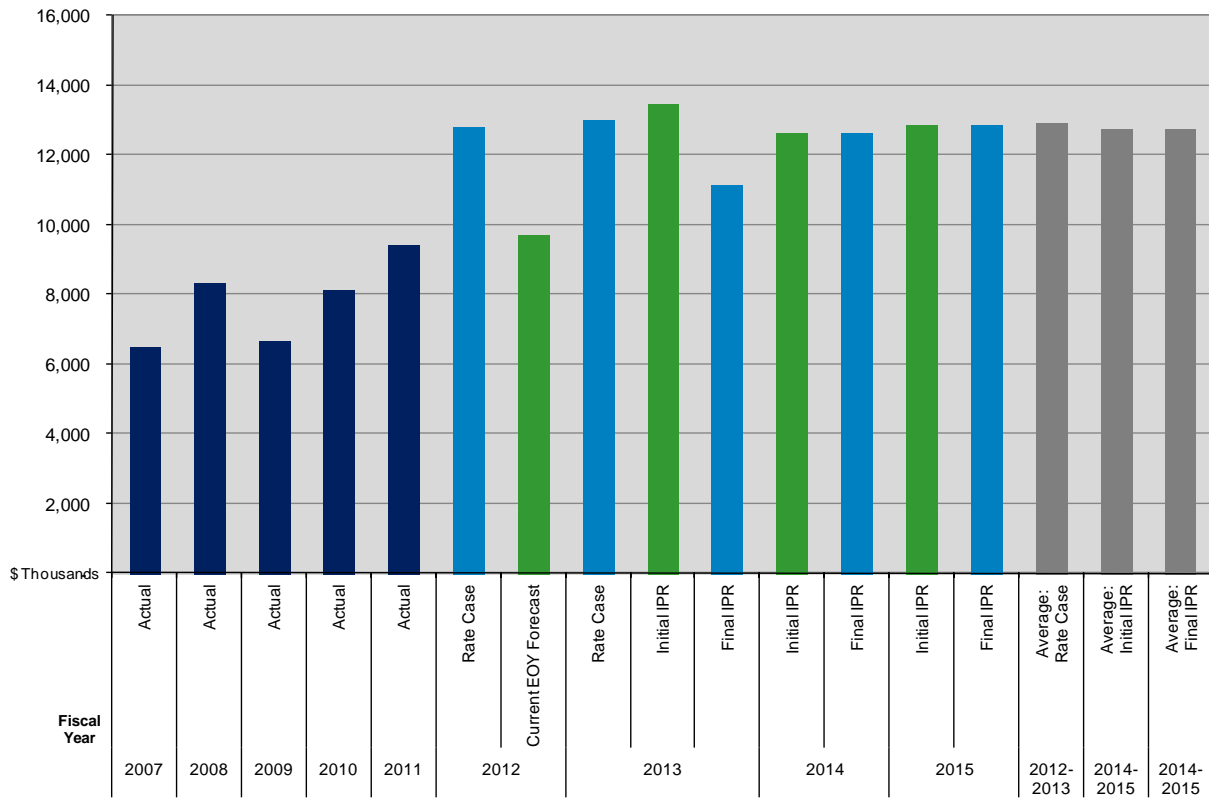


#### Program Details

	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	Current EOY Forecast	Delta
Information Technology	7,468	6,768	(699)	7,349	9,073	1,724
Power System Dispatching	12,285	11,649	(636)	12,336	12,979	643
Control Center Support	15,399	14,753	(646)	14,083	13,302	(781)
Technical Operations	7,092	4,725	(2,367)	8,385	4,688	(3,698)
Substation Operations	21,269	21,286	18	21,065	21,422	357
<b>Total</b>	<b>63,513</b>	<b>59,182</b>	<b>(4,331)</b>	<b>63,218</b>	<b>61,464</b>	<b>(1,754)</b>

	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
Information Technology	7,529	7,298	7,449	151	7,419	7,415	(4)	7,573	7,568	(4)
Power System Dispatching	12,748	12,748	13,486	738	13,589	13,589	-	14,123	14,123	-
Control Center Support	14,498	14,998	14,583	(414)	18,562	18,562	-	19,298	19,298	-
Technical Operations	8,623	7,197	5,029	(2,168)	6,745	6,745	-	6,974	6,974	-
Substation Operations	21,735	21,634	21,634		22,307	22,307	-	22,815	22,815	-
<b>Total</b>	<b>65,133</b>	<b>63,875</b>	<b>62,181</b>	<b>(1,693)</b>	<b>68,622</b>	<b>68,618</b>	<b>(4)</b>	<b>70,783</b>	<b>70,779</b>	<b>(4)</b>

### 3.3 SCHEDULING



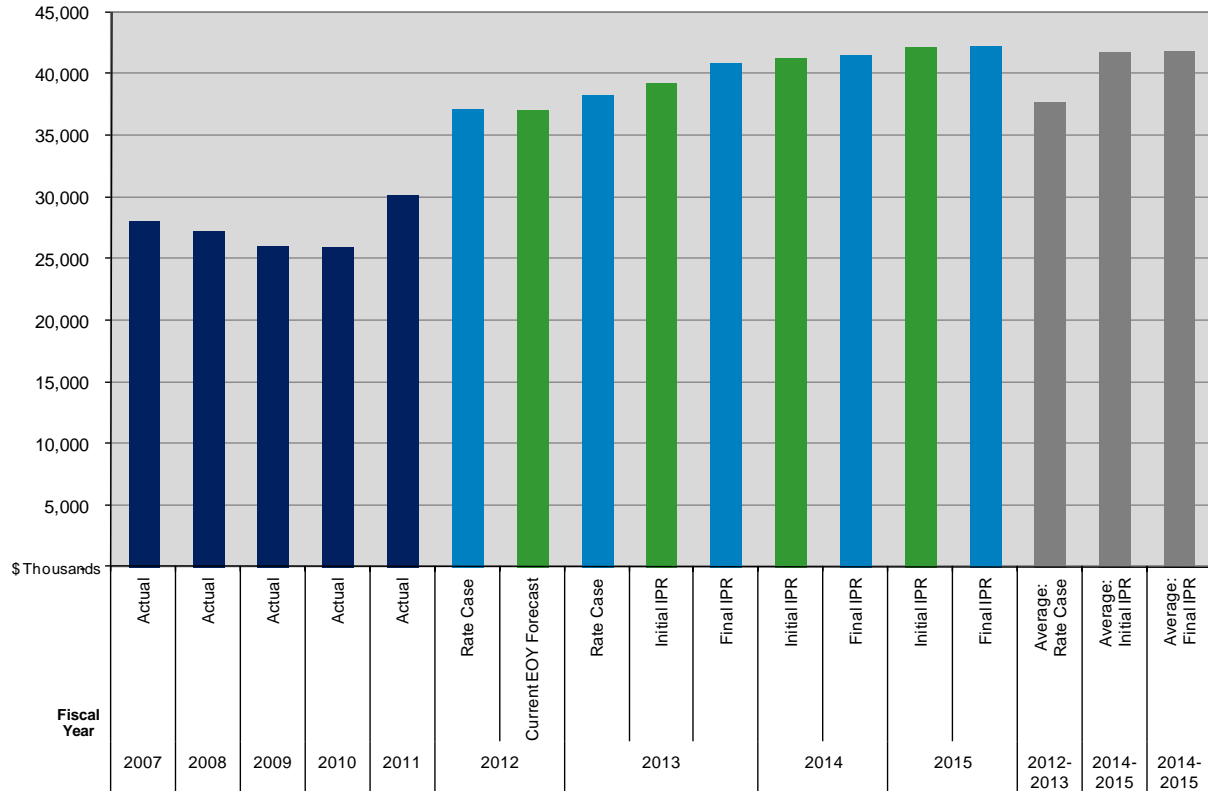
#### Program Details

	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	Current EOY Forecast	Delta
Managing Supervision and Admin.	-	(11)	(11)	-	-	-
Reservations	5,586	3,850	(1,736)	1,088	4,073	2,985
Pre-Scheduling	229	240	11	477	207	(269)
Real-Time Scheduling	4,208	3,950	(258)	5,090	4,139	(951)
Technical Support	2,531	1,226	(1,305)	5,665	1,077	(4,588)
After-the-Fact Scheduling	293	156	(137)	453	210	(243)
<b>Total</b>	<b>12,847</b>	<b>9,412</b>	<b>(3,435)</b>	<b>12,772</b>	<b>9,706</b>	<b>(3,066)</b>

	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
Managing Supervision and Admin.	-	-	-	-	-	-	-	-	-	-
Reservations	1,109	1,134	5,466	4,332	5,697	5,697	-	5,816	5,816	-
Pre-Scheduling	486	486	245	(241)	246	246	-	252	252	-
Real-Time Scheduling	5,185	5,627	4,757	(870)	5,436	5,436	-	5,537	5,537	-
Technical Support	5,749	5,749	402	(5,346)	1,007	1,007	-	1,031	1,031	-
After-the-Fact Scheduling	462	462	257	(205)	224	224	-	229	229	-
<b>Total</b>	<b>12,991</b>	<b>13,458</b>	<b>11,129</b>	<b>(2,329)</b>	<b>12,611</b>	<b>12,611</b>	<b>-</b>	<b>12,865</b>	<b>12,865</b>	<b>-</b>



### 3.4 BUSINESS SUPPORT



#### Program Details

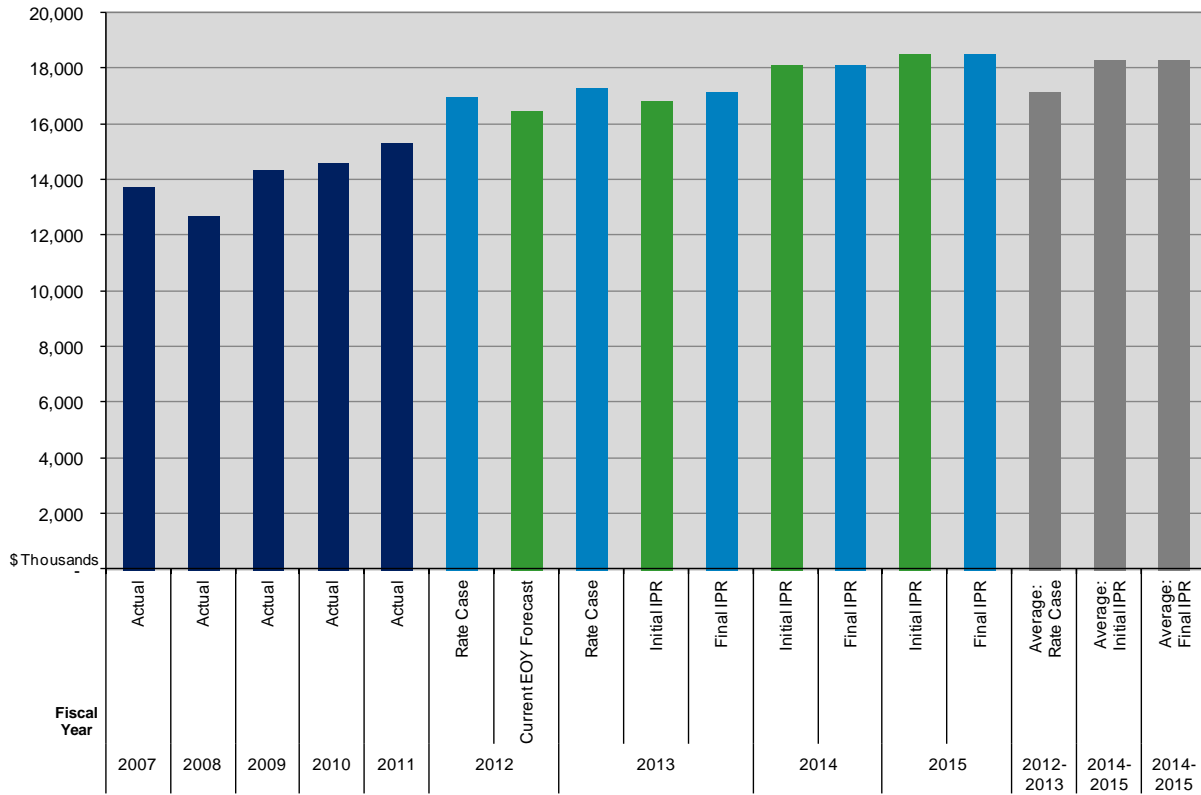
	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	Current EOY Forecast	Delta
(\$\$\$)						
Executive and Administrative Services	13,983	12,179	(1,804)	13,401	13,223	(178)
Legal Support	3,269	2,609	(660)	2,984	2,948	(36)
General Administrative	10,213	10,191	(22)	11,714	13,643	1,929
Aircraft Services	2,147	1,121	(1,026)	2,372	2,037	(336)
Logistic Services	5,490	3,532	(1,957)	5,644	4,294	(1,350)
Security Enhancements	645	482	(163)	977	787	(190)
<b>Total</b>	<b>35,747</b>	<b>30,116</b>	<b>(5,632)</b>	<b>37,092</b>	<b>36,931</b>	<b>(161)</b>

	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
(\$\$\$)										
Executive and Administrative Services	13,764	12,810	13,330	520	13,774	13,774	-	14,106	14,106	-
Legal Support	3,227	4,057	4,057	-	3,877	3,877	-	3,951	3,951	-
General Administrative	11,949	13,849	14,456	607	16,673	15,743	(930)	16,967	16,025	(942)
Aircraft Services	2,438	2,321	2,287	(34)	2,030	2,030	-	2,294	2,294	-
Logistic Services	5,792	5,214	5,636	422	4,549	5,014	464	4,471	4,947	476
Security Enhancements	1,001	1,001	1,001	-	373	966	593	380	878	498
<b>Total</b>	<b>38,170</b>	<b>39,251</b>	<b>40,767</b>	<b>1,516</b>	<b>41,276</b>	<b>41,402</b>	<b>127</b>	<b>42,169</b>	<b>42,201</b>	<b>32</b>

#### Changes from Initial IPR Levels

- The Security Enhancements program shows an increase of \$593,000 in FY 2014 and \$498,000 in FY 2015. This reflects a reallocation of the Office of Security and Continuity of Operations budget from Agency Services G&A to the Security Enhancements program. There was no net increase in costs.
- The Logistic Services program shows an increase of \$464,000 in FY 2014 and \$476,000 in FY 2015. The initial proposal erroneously did not include costs related to Supply Chain Purchasing, which has been added to the final program level.

### 3.5 MARKETING

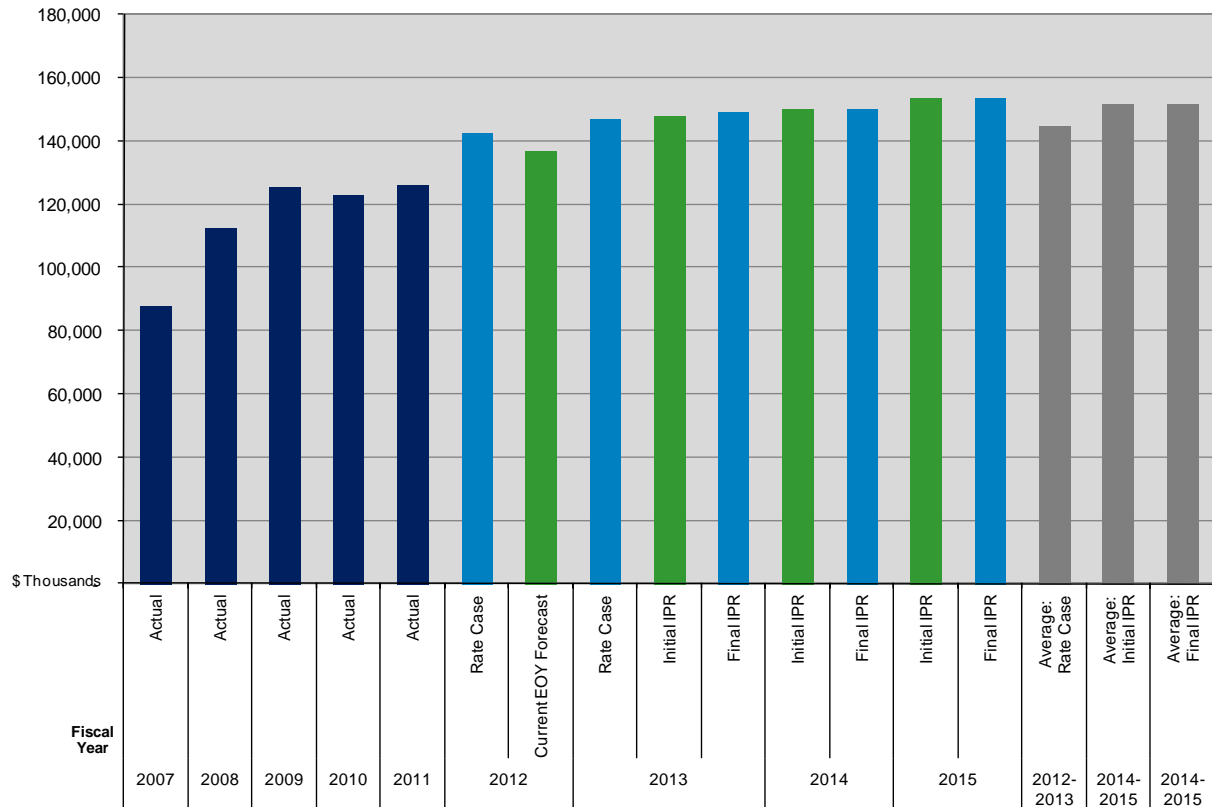


#### Program Details

	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	Current EOY Forecast	Delta
Transmission Finance	296	270	(26)	303	303	-
Contract Management	4,623	4,058	(565)	4,479	4,482	3
Transmission Billing	2,424	2,226	(198)	2,333	2,412	79
Business Strategy and Assessment	6,170	6,426	256	6,553	6,592	39
Transmission Sales	2,467	2,319	(149)	3,301	2,681	(620)
Internal Operations	-	2	2	-	-	-
<b>Total</b>	<b>15,980</b>	<b>15,301</b>	<b>(679)</b>	<b>16,969</b>	<b>16,470</b>	<b>(499)</b>

	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
Transmission Finance	310	-	-	-	-	-	-	-	-	-
Contract Management	4,572	4,484	4,699	215	5,291	5,291	-	5,405	5,405	-
Transmission Billing	2,382	2,801	2,790	(12)	2,858	2,858	-	2,930	2,930	-
Business Strategy and Assessment	6,670	6,140	6,593	453	6,955	6,955	-	7,103	7,103	-
Transmission Sales	3,362	3,362	3,089	(274)	2,994	2,994	-	3,062	3,062	-
Internal Operations	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>17,296</b>	<b>16,788</b>	<b>17,171</b>	<b>383</b>	<b>18,098</b>	<b>18,098</b>	<b>-</b>	<b>18,501</b>	<b>18,501</b>	<b>-</b>

### 3.6 MAINTENANCE

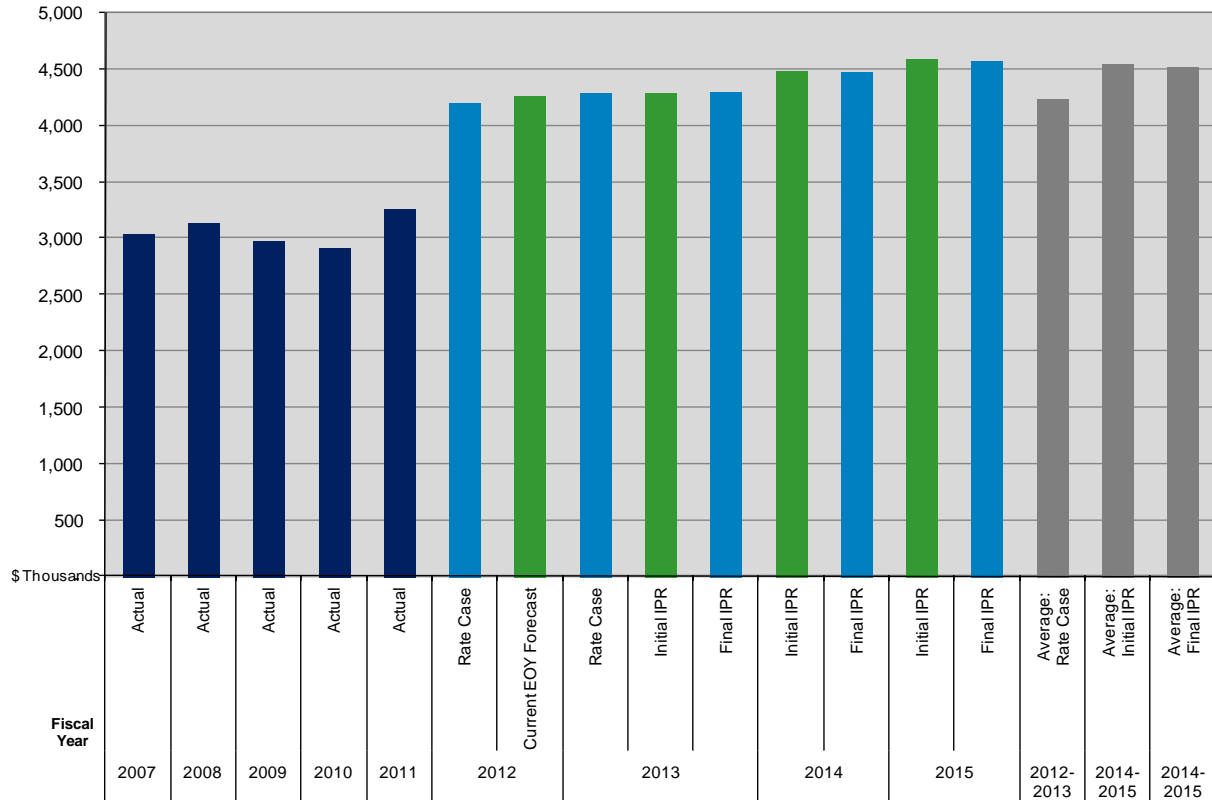


#### Program Details

	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	Current EOY Forecast	Delta
(\$\$\$)						
Non-Electric Maintenance	24,935	23,548	(1,387)	26,412	26,323	(89)
Substation Maintenance	26,665	25,522	(1,143)	29,961	27,971	(1,990)
Transmission line Maintenance	24,629	22,921	(1,708)	25,882	25,356	(526)
System Protection Controls	13,278	11,388	(1,890)	12,802	11,623	(1,179)
Power System Control Maintenance	13,497	11,958	(1,539)	13,423	12,421	(1,002)
Joint Cost Maintenance	155	58	(96)	206	1	(205)
System Maintenance Management	8,126	5,292	(2,834)	6,320	4,166	(2,154)
Right-of-Way Maintenance	23,824	10,386	(13,438)	24,631	8,133	(16,498)
Heavy Mobile Equipment Management	-	379	379	(17)	926	943
Technical Training	2,830	2,530	(299)	2,894	3,170	276
Vegetation Management	-	11,696	11,696	-	16,565	16,565
<b>Total</b>	<b>137,939</b>	<b>125,680</b>	<b>(12,259)</b>	<b>142,513</b>	<b>136,655</b>	<b>(5,858)</b>

	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
(\$\$\$)										
Non-Electric Maintenance	27,033	26,823	26,917	94	27,303	27,303	-	27,853	27,853	-
Substation Maintenance	30,825	30,791	30,791	-	31,121	31,121	-	31,777	31,777	-
Transmission line Maintenance	26,664	26,198	26,198	-	26,139	26,139	-	26,820	26,820	-
System Protection Controls	13,215	12,852	12,852	-	13,096	13,096	-	13,381	13,381	-
Power System Control Maintenance	13,850	16,256	16,326	71	16,904	16,904	-	17,582	17,582	-
Joint Cost Maintenance	212	212	212	-	1	1	-	1	1	-
System Maintenance Management	6,516	6,399	7,544	1,145	6,434	6,434	-	6,574	6,574	-
Right-of-Way Maintenance	25,256	8,438	8,438	-	8,428	8,428	-	8,597	8,597	-
Heavy Mobile Equipment Management	(19)	-	-	-	-	-	-	-	-	-
Technical Training	2,991	2,888	2,888	-	3,201	3,201	-	3,269	3,269	-
Vegetation Management	-	16,818	16,818	-	17,135	17,135	-	17,471	17,471	-
<b>Total</b>	<b>146,545</b>	<b>147,674</b>	<b>148,984</b>	<b>1,309</b>	<b>149,763</b>	<b>149,763</b>	<b>-</b>	<b>153,324</b>	<b>153,324</b>	<b>-</b>

### 3.7 ENVIRONMENT – POLLUTION PREVENTION AND ABATEMENT

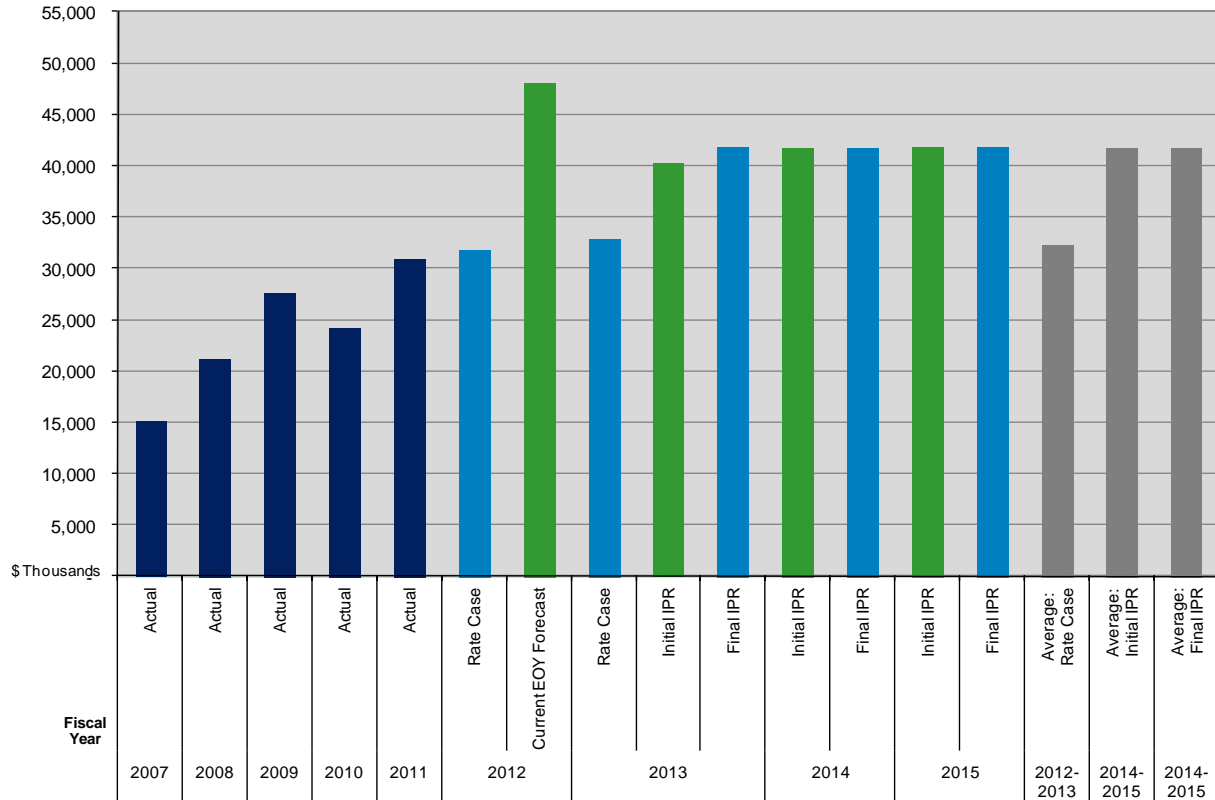


#### Program Details

	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	Current EOY Forecast	Delta
Environmental Analysis	80	21	(59)	81	81	-
Pollution Prevention and Abatement	4,133	3,236	(896)	4,119	4,180	61
<b>Total</b>	<b>4,213</b>	<b>3,258</b>	<b>(955)</b>	<b>4,199</b>	<b>4,261</b>	<b>61</b>

	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
Environmental Analysis	82	82	82	-	83	83	-	85	85	-
Pollution Prevention and Abatement	4,204	4,207	4,212	5	4,404	4,387	(17)	4,501	4,484	(17)
<b>Total</b>	<b>4,286</b>	<b>4,289</b>	<b>4,294</b>	<b>5</b>	<b>4,488</b>	<b>4,471</b>	<b>(17)</b>	<b>4,586</b>	<b>4,569</b>	<b>(17)</b>

### 3.8 ENGINEERING



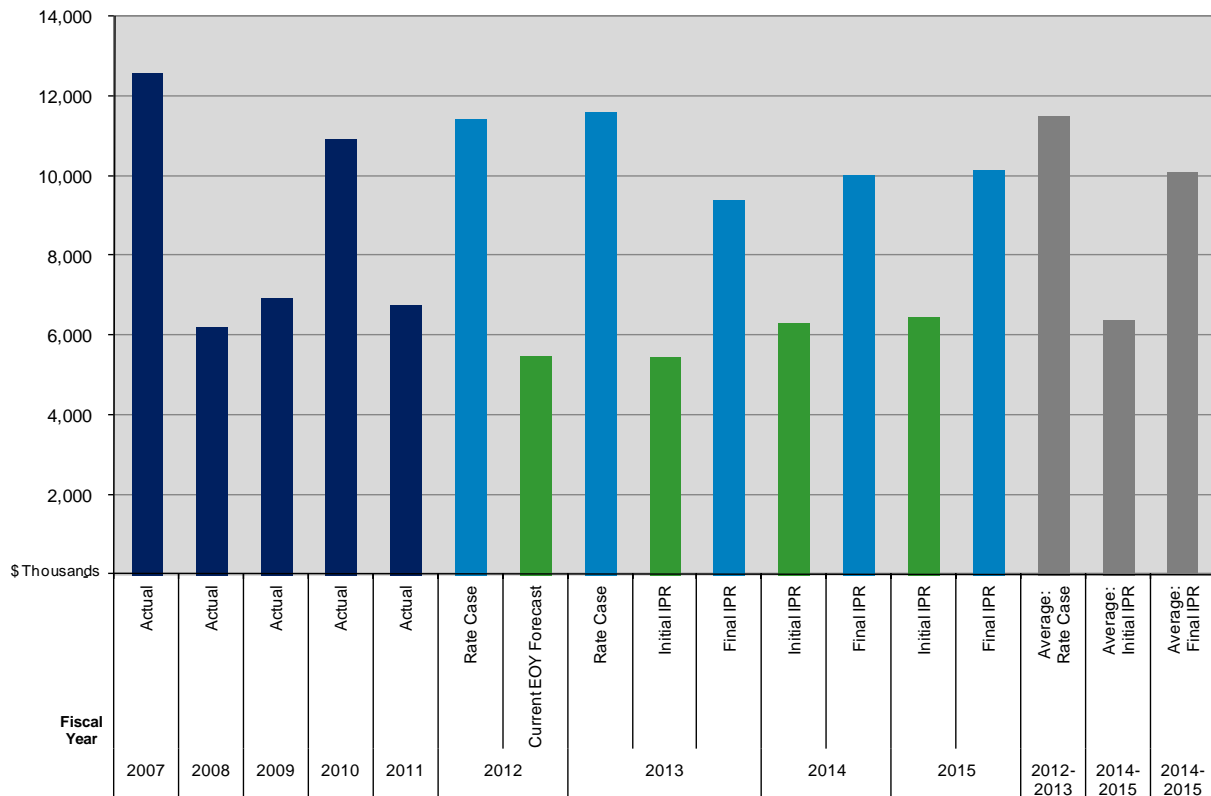
#### Program Details

	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	Current EOY Forecast	Delta
Research and Development	6,604	6,656	52	7,583	7,204	(379)
TSD Planning and Analysis	12,110	10,801	(1,309)	11,531	12,516	984
Capital to Expense Transfers	4,000	3,826	(174)	4,032	14,696	10,664
Regulatory Costs	7,551	8,403	852	6,858	10,106	3,249
Engineering Line Rating	-	-	-	-	2,332	2,332
Environmental Policy and Planning	1,768	1,208	(559)	1,797	1,132	(665)
<b>Total</b>	<b>32,033</b>	<b>30,895</b>	<b>(1,138)</b>	<b>31,800</b>	<b>47,986</b>	<b>16,186</b>

	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
Research and Development	8,000	7,991	7,990	(1)	7,785	7,782	(3)	7,943	7,940	(3)
TSD Planning and Analysis	11,895	15,880	14,699	(1,182)	14,013	14,013	-	13,289	13,289	-
Capital to Expense Transfers	4,072	4,072	4,072	-	4,124	4,124	-	4,202	4,202	-
Regulatory Costs	7,008	10,091	12,936	2,845	12,015	12,015	-	12,561	12,561	-
Engineering Line Rating	-	382	382	-	2,539	2,539	-	2,589	2,589	-
Environmental Policy and Planning	1,828	1,776	1,776	-	1,166	1,166	-	1,189	1,189	-
<b>Total</b>	<b>32,803</b>	<b>40,192</b>	<b>41,855</b>	<b>1,663</b>	<b>41,642</b>	<b>41,638</b>	<b>(3)</b>	<b>41,773</b>	<b>41,769</b>	<b>(3)</b>

The Engineering Research and Development Program has two funding sources: 1) Technology Innovation funding direct charged to Transmission shown on page 67 in the Corporate Strategy section of Agency Services expenses and 2) from the Business Support Allocation to Transmission for the other Corporate Strategy organizations.

### 3.9 NON-BETWEEN BUSINESS LINE (NON-BBL) TRANSMISSION ACQUISITION AND ANCILLARY SERVICES



#### Program Details

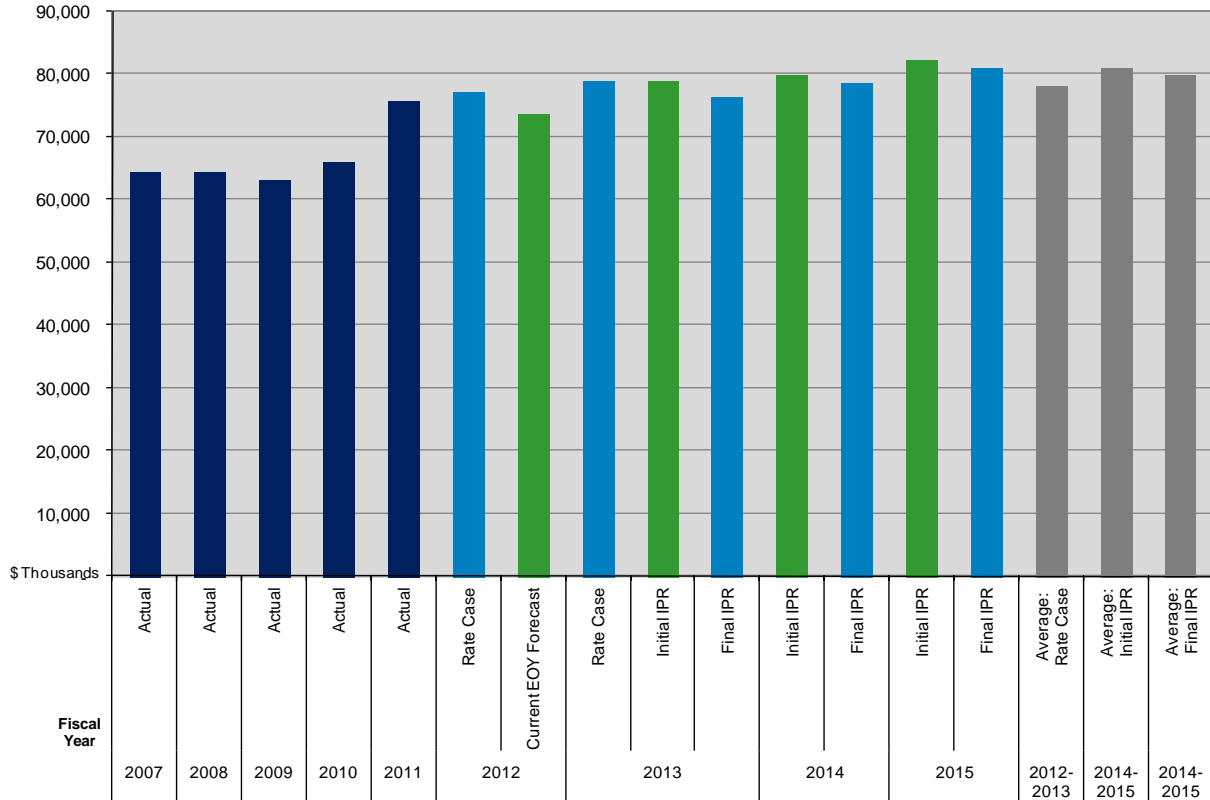
	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	Current EOY Forecast	Delta
(\$\$\$)						
Leased Facilities	1,489	4,257	2,768	4,127	4,130	3
Settlement Agreements	356	1,381	1,024	504	618	114
Non-Between Business Lines Ancillary Services	5,686	428	(5,258)	6,789	191	(6,598)
Transmission Renewables	-	684	684	-	525	525
<b>Total</b>	<b>7,531</b>	<b>6,750</b>	<b>(782)</b>	<b>11,420</b>	<b>5,464</b>	<b>(5,956)</b>

	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
(\$\$\$)										
Leased Facilities	4,224	4,424	4,200	(224)	4,258	4,258	-	4,338	4,338	-
Settlement Agreements	509	509	500	(9)	516	516	-	525	525	-
Non-Between Business Lines Ancillary Services	6,857	505	4,120	3,615	505	4,205	3,700	505	4,205	3,700
Transmission Renewables	-	-	561	561	1,037	1,037	-	1,063	1,063	-
<b>Total</b>	<b>11,590</b>	<b>5,438</b>	<b>9,381</b>	<b>3,943</b>	<b>6,316</b>	<b>10,016</b>	<b>3,700</b>	<b>6,432</b>	<b>10,132</b>	<b>3,700</b>

#### Changes from Initial IPR Levels

The Ancillary Services program has been increased in FY 2014 and 2015 to include the on-going parallel capacity support of approximately \$3.7 million per year. This item was not in the initial IPR spending levels.

### 3.10 TRANSMISSION INTERNAL SUPPORT



#### Program Details

Corporate Programs Recovered Directly Through Transmission Services.

	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	Current EOY Forecast	Delta
Post-Retirement Benefits	15,579	15,579	-	17,243	17,243	-
Agency Services G&A Allocations	56,309	60,067	3,757	59,857	56,390	(3,467)
<b>Total</b>	<b>71,888</b>	<b>75,645</b>	<b>3,757</b>	<b>77,100</b>	<b>73,633</b>	<b>(3,467)</b>

	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
Post-Retirement Benefits	17,821	17,821	17,821	-	18,501	18,501	-	18,819	18,819	-
Agency Services G&A Allocations	60,961	60,995	58,357	(2,638)	61,141	59,927	(1,215)	63,399	62,083	(1,317)
<b>Total</b>	<b>78,781</b>	<b>78,816</b>	<b>76,177</b>	<b>(2,638)</b>	<b>79,642</b>	<b>78,428</b>	<b>(1,215)</b>	<b>82,218</b>	<b>80,902</b>	<b>(1,317)</b>

# AGENCY SERVICES





## 4.1 AGENCY SERVICES OVERVIEW

Agency Services is the term used to refer to all of the corporate organizations. These organizations provide benefits to Power and Transmission and their costs are ultimately covered by the Power and Transmission rates. As described earlier, corporate organizations can directly charge into Power and Transmission operations and maintenance programs, if there is a direct benefit to the program. However, other costs are shared costs and are allocated to Power and Transmission Services via the Agency Services G&A and Business Support cost pools.

Very few public comments were received pertaining to the Agency Services cost levels. BPA has not identified any major changes to the initial IPR spending estimates from the IPR Initial Publication based on public comments. Minor adjustments reflect reductions across the organizations for the awards program. Agency Services spending levels are forecast to increase at a compound annual growth rate of 5.6 percent from 2011 actuals to FY 2015 Final IPR.

In FY 2011, the Agency Services budget was \$239.9 million. Actual expenses for the year were \$239.6 million, 100 percent of the budget.

FIGURE 11

### Agency Services

	2010 IPR	2012 Initial IPR	2012 Final IPR
	FY 2009 Actuals to FY 2013 Final IPR	FY 2011 Actuals to FY 2015 Initial IPR	FY 2011 Actuals to FY 2015 Final IPR
Overall 5-Year Change	27.6%	25.1%	24.5%
Compound Annual Growth Rate	6.3%	5.8%	5.6%

### Agency Services with HMEM Removed

	2012 Initial IPR <sup>1/</sup>	2012 Final IPR <sup>1/</sup>
	FY 2011 Actuals to FY 2015 Initial IPR	FY 2011 Actuals to FY 2015 Final IPR
Overall 5-Year Change	21.7%	21.1%
Compound Annual Growth Rate	5.0%	4.9%

1/ This data has been revised to exclude Heavy Mobile Equipment Management (HMEM). Since the 2010 IPR, the Supply Chain organization was reorganized to include management of heavy mobile equipment. This increases the Supply Chain budget without an overall programmatic increases, since these costs are offset by a credit in Transmission. Removing this increase more accurately reflects the growth rate in Agency Services as shown in the revised table.

FIGURE 12

**Agency Services Expense Summary**  
 FY 2014-2015 Average: Final IPR (\$\$\$)

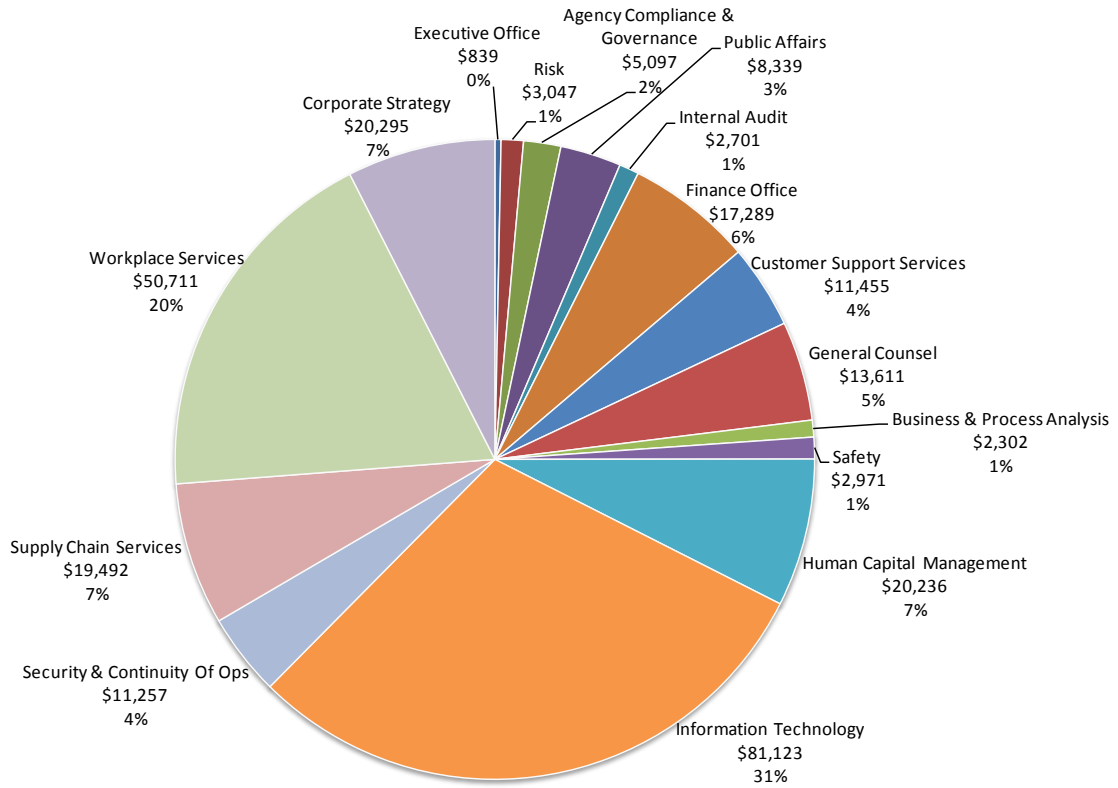


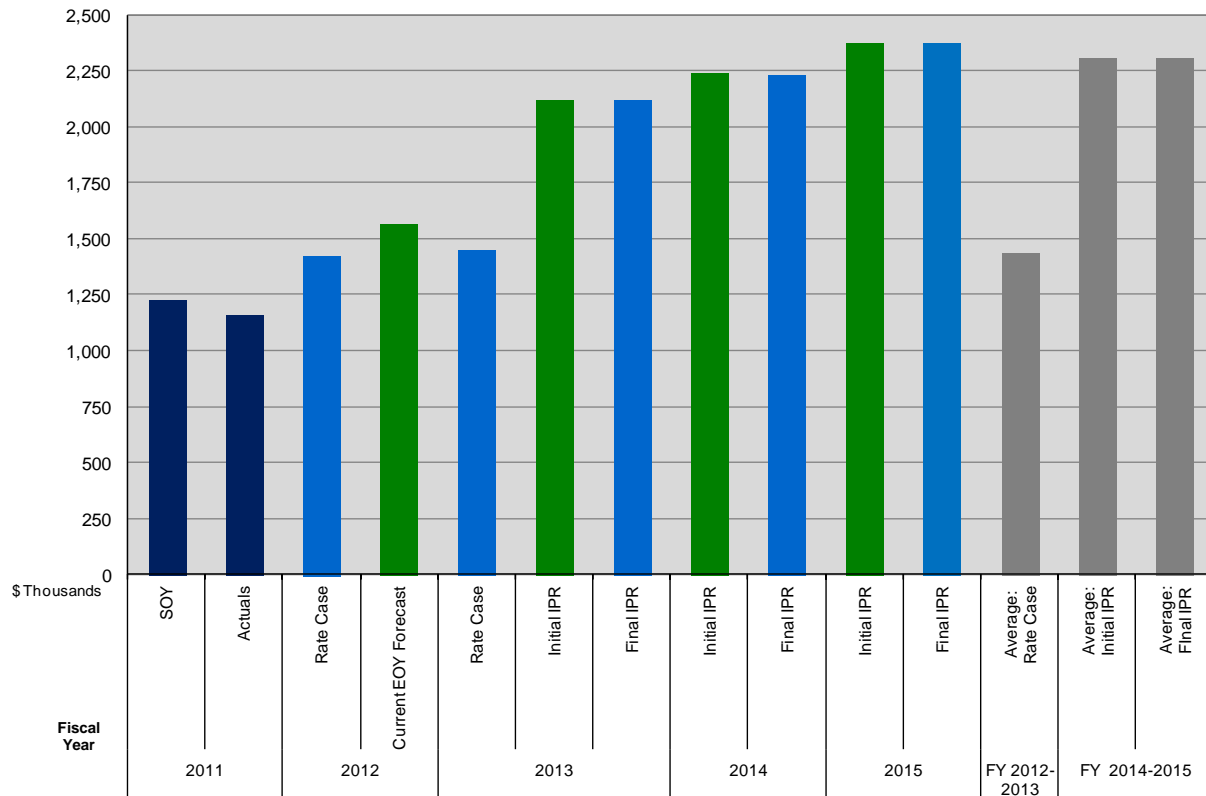
FIGURE 13

Agency Services Summary Statement of IPR Program Expenses

	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	Current EOY Forecast	Delta
<b>Administrator's Office</b>	<b>802</b>	<b>581</b>	<b>(221)</b>	<b>820</b>	<b>705</b>	<b>(115)</b>
Deputy Administrator's Office	231	185	(46)	237	233	(4)
Governance & Compliance	5,035	4,157	(877)	5,031	4,711	(320)
Internal Audit	2,538	2,384	(154)	2,384	2,538	154
Risk	3,903	3,316	(587)	4,008	3,147	(861)
Public Affairs	7,997	7,527	(470)	7,961	7,943	(18)
<b>Deputy Administrator's Total</b>	<b>19,703</b>	<b>17,569</b>	<b>(2,134)</b>	<b>19,621</b>	<b>18,573</b>	<b>(1,048)</b>
Chief Operating Officer	828	326	(502)	783	771	(12)
Customer Support Services	10,313	9,950	(363)	10,535	10,614	79
<b>Chief Operating Officer Total</b>	<b>11,140</b>	<b>10,276</b>	<b>(865)</b>	<b>11,318</b>	<b>11,385</b>	<b>67</b>
<b>Corporate Strategy</b>	<b>20,296</b>	<b>17,638</b>	<b>(2,658)</b>	<b>23,695</b>	<b>19,071</b>	<b>(4,624)</b>
<b>Finance</b>	<b>14,984</b>	<b>15,072</b>	<b>88</b>	<b>15,561</b>	<b>16,169</b>	<b>608</b>
<b>General Counsel</b>	<b>11,478</b>	<b>10,681</b>	<b>(797)</b>	<b>10,977</b>	<b>12,130</b>	<b>1,152</b>
Internal Business Services	840	552	(288)	855	849	(6)
Business & Process Analysis	1,227	1,155	(72)	1,423	1,564	140
Human Capital Management	18,081	18,216	135	18,460	19,131	672
Information Technology	67,861	69,024	1,163	68,679	71,257	2,577
Safety	2,589	2,340	(249)	2,641	2,503	(137)
Security & Continuity of Operations	8,515	8,460	(54)	8,834	10,075	1,241
Supply Chain	21,139	21,789	649	21,788	17,440	(4,349)
Workplace Services	49,124	46,269	(2,855)	49,880	48,438	(1,442)
<b>Total Internal Business Services</b>	<b>169,376</b>	<b>167,805</b>	<b>(1,571)</b>	<b>172,561</b>	<b>171,257</b>	<b>(1,304)</b>
Undistributed Reduction	(7,872)	-	7,872	(211)	-	211
<b>Total</b>	<b>239,907</b>	<b>239,623</b>	<b>(285)</b>	<b>254,342</b>	<b>249,290</b>	<b>(5,052)</b>

	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
<b>Administrator's Office</b>	<b>838</b>	<b>806</b>	<b>806</b>	<b>-</b>	<b>831</b>	<b>829</b>	<b>(2)</b>	<b>852</b>	<b>850</b>	<b>(2)</b>
Deputy Administrator's Office	242	250	250	-	241	257	16	247	263	16
Governance & Compliance	5,060	5,355	5,355	-	5,059	5,042	(18)	5,171	5,153	(18)
Internal Audit	2,439	2,628	2,628	-	2,679	2,667	(12)	2,747	2,735	(12)
Risk	4,088	2,926	2,926	-	3,021	3,010	(11)	3,096	3,085	(12)
Public Affairs	8,134	8,134	8,133	(1)	8,268	8,236	(33)	8,476	8,444	(32)
<b>Deputy Administrator's Total</b>	<b>19,963</b>	<b>19,292</b>	<b>19,291</b>	<b>(1)</b>	<b>19,269</b>	<b>19,211</b>	<b>(58)</b>	<b>19,738</b>	<b>19,681</b>	<b>(57)</b>
Chief Operating Officer	796	777	776	(1)	897	896	(1)	917	916	(1)
Customer Support Services	10,759	11,045	11,041	(4)	11,360	11,312	(48)	11,648	11,599	(48)
<b>Chief Operating Officer Total</b>	<b>11,554</b>	<b>11,822</b>	<b>11,818</b>	<b>(5)</b>	<b>12,257</b>	<b>12,208</b>	<b>(49)</b>	<b>12,564</b>	<b>12,515</b>	<b>(49)</b>
<b>Corporate Strategy</b>	<b>24,482</b>	<b>24,482</b>	<b>24,486</b>	<b>4</b>	<b>24,159</b>	<b>24,124</b>	<b>(35)</b>	<b>24,466</b>	<b>24,430</b>	<b>(36)</b>
<b>Finance</b>	<b>15,975</b>	<b>16,835</b>	<b>16,829</b>	<b>(7)</b>	<b>17,158</b>	<b>17,083</b>	<b>(75)</b>	<b>17,570</b>	<b>17,495</b>	<b>(75)</b>
<b>General Counsel</b>	<b>11,625</b>	<b>13,415</b>	<b>13,414</b>	<b>(1)</b>	<b>13,237</b>	<b>13,194</b>	<b>(43)</b>	<b>14,071</b>	<b>14,028</b>	<b>(43)</b>
Internal Business Services	869	870	870	-	1,162	1,160	(2)	1,185	1,183	(2)
Business & Process Analysis	1,449	2,118	2,119	1	2,237	2,233	(4)	2,375	2,371	(4)
Human Capital Management	18,355	18,909	18,449	(460)	20,255	20,208	(47)	20,313	20,265	(47)
Information Technology	70,348	76,916	75,447	(1,470)	79,165	79,023	(142)	83,368	83,224	(144)
Safety	2,695	2,868	2,866	(3)	2,945	2,936	(9)	3,016	3,006	(9)
Security & Continuity of Operations	8,867	10,200	10,200	(1)	11,089	11,075	(14)	11,454	11,440	(14)
Supply Chain	22,377	18,120	18,089	(30)	19,449	19,348	(101)	19,739	19,636	(102)
Workplace Services	50,631	50,911	50,910	(1)	53,621	53,598	(23)	54,682	54,659	(24)
<b>Total Internal Business Services</b>	<b>175,592</b>	<b>180,911</b>	<b>178,948</b>	<b>(1,963)</b>	<b>189,924</b>	<b>189,581</b>	<b>(342)</b>	<b>196,131</b>	<b>195,785</b>	<b>(346)</b>
Undistributed Reduction	(174)	(300)	(2,300)	(2,000)	-	(770)	(770)	-	(875)	(875)
<b>Total</b>	<b>259,855</b>	<b>267,264</b>	<b>263,293</b>	<b>(3,972)</b>	<b>276,834</b>	<b>275,461</b>	<b>(1,373)</b>	<b>285,394</b>	<b>283,910</b>	<b>(1,484)</b>

## 4.2 BUSINESS PROCESS AND CONTINUOUS IMPROVEMENT



### Program Details

	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	Current EOY Forecast	Delta
Agency Services G&A Allocations (\$\$\$)	1,227	1,155	(72)	1,423	1,564	140

	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
Agency Services G&A Allocations (\$\$\$)	1,449	2,118	2,119	1	2,237	2,233	(4)	2,375	2,371	(4)

### Changes from Initial IPR Levels

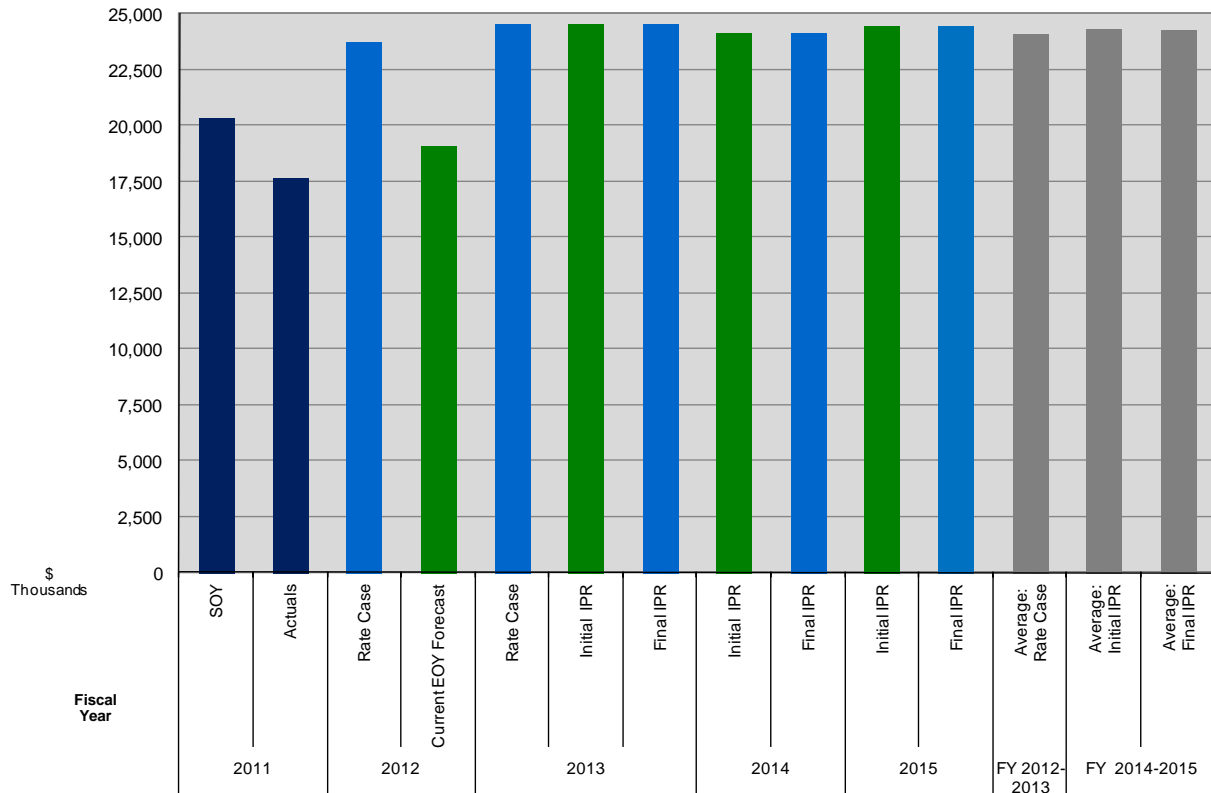
The final IPR spending estimates remain the same as the initial IPR spending estimates in the IPR Initial Publication. In response to IPR comments and to reflect efficiencies gained through this program, BPA will be including an undistributed reduction in the amount equivalent to the requested increases.

IPR Participants commented that there was a lack of justification for the increase in this program.

This organization provides the tools and training for programs across the Agency to increase compliance with OMB A-123 requirements, improve customer satisfaction, reduce costs through operational improvements

and enhance coordination within BPA to reduce redundancies. Examples of continuous improvement and operational excellence are presented regularly at the Quarterly Business Review, for details visit the [QBR website](#). BPA feels this program is very important for implementation of Operational Excellence throughout the Agency and believes these efforts will result in efficiencies over multiple years as the program progresses.

### 4.3 CORPORATE STRATEGY

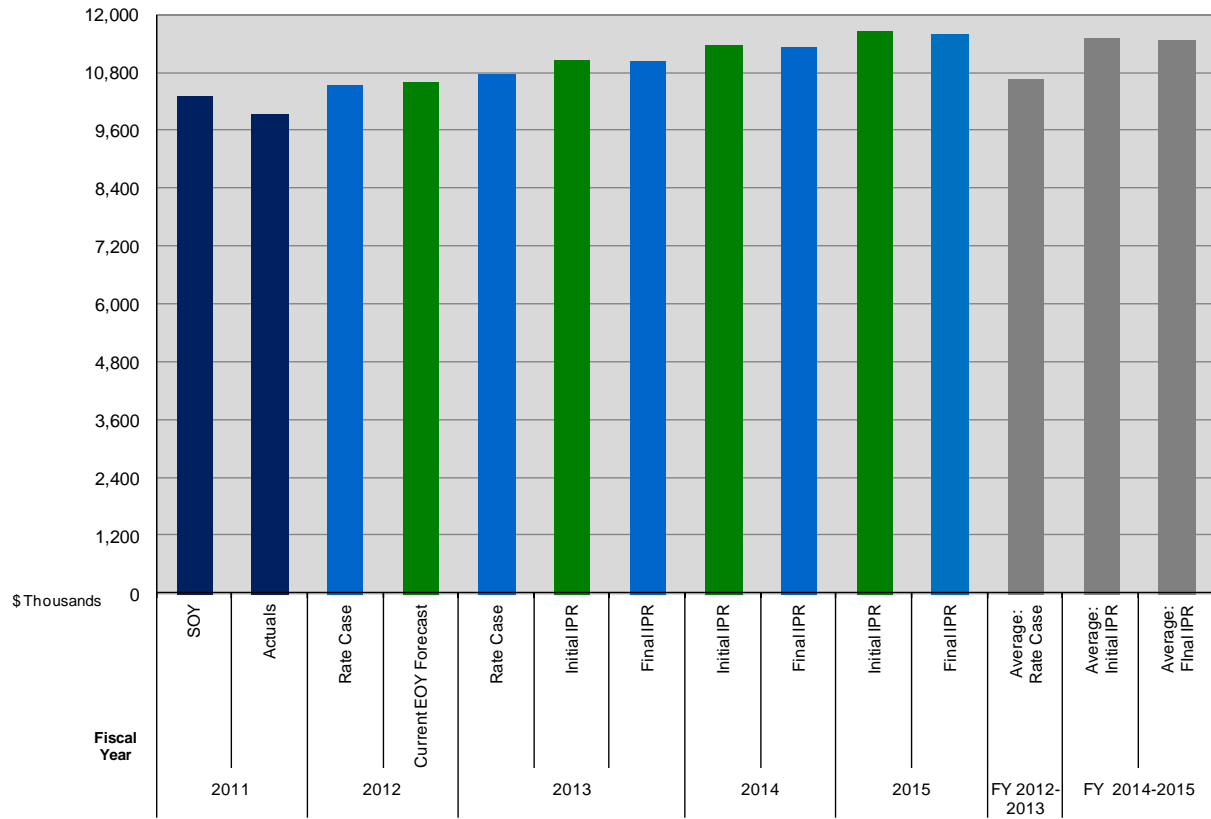


#### Program Details

	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	Current EOY Forecast	Delta
(\$\$\$)						
A. Services G&A & B Support Allocations	10,368	9,194	(1,175)	12,622	10,407	(2,215)
Power - R&D Project Funding	5,030	4,438	(592)	5,622	5,055	(567)
Transmission - R&D Project Funding	4,897	4,006	(891)	5,451	3,609	(1,842)
<b>Total</b>	<b>20,296</b>	<b>17,638</b>	<b>(2,658)</b>	<b>23,695</b>	<b>19,071</b>	<b>(4,624)</b>

	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
(\$\$\$)										
A. Services G&A & B Support Allocations	12,778	12,778	12,779	1	12,807	12,778	(29)	12,884	12,855	(29)
Power - R&D Project Funding	5,939	5,939	5,940	2	5,820	5,816	(3)	5,939	5,936	(3)
Transmission - R&D Project Funding	5,766	5,766	5,767	2	5,532	5,529	(3)	5,643	5,640	(3)
<b>Total</b>	<b>24,482</b>	<b>24,482</b>	<b>24,486</b>	<b>4</b>	<b>24,159</b>	<b>24,124</b>	<b>(35)</b>	<b>24,466</b>	<b>24,430</b>	<b>(36)</b>

### 4.4 CUSTOMER SUPPORT SERVICES

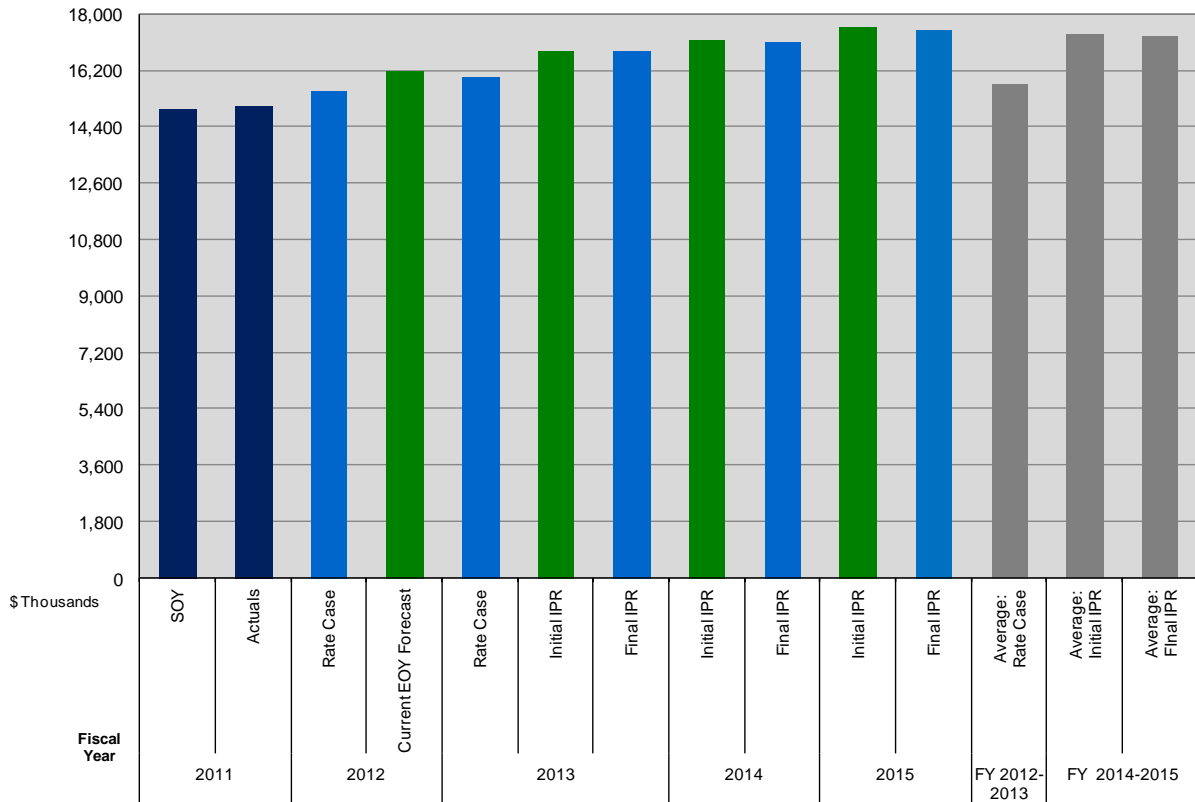


#### Program Details

	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	EOY Forecast	Delta
Business Support Allocations	10,313	9,880	(433)	10,535	10,614	79
Power - Direct Customer Service Support	-	70	70	-	-	-
<b>Total</b>	<b>10,313</b>	<b>9,950</b>	<b>(363)</b>	<b>10,535</b>	<b>10,614</b>	<b>79</b>

	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
Business Support Allocations	10,759	11,045	11,041	(4)	11,360	11,312	(48)	11,648	11,599	(48)
Power - Direct Customer Service Support	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>10,759</b>	<b>11,045</b>	<b>11,041</b>	<b>(4)</b>	<b>11,360</b>	<b>11,312</b>	<b>(48)</b>	<b>11,648</b>	<b>11,599</b>	<b>(48)</b>

## 4.5 FINANCE



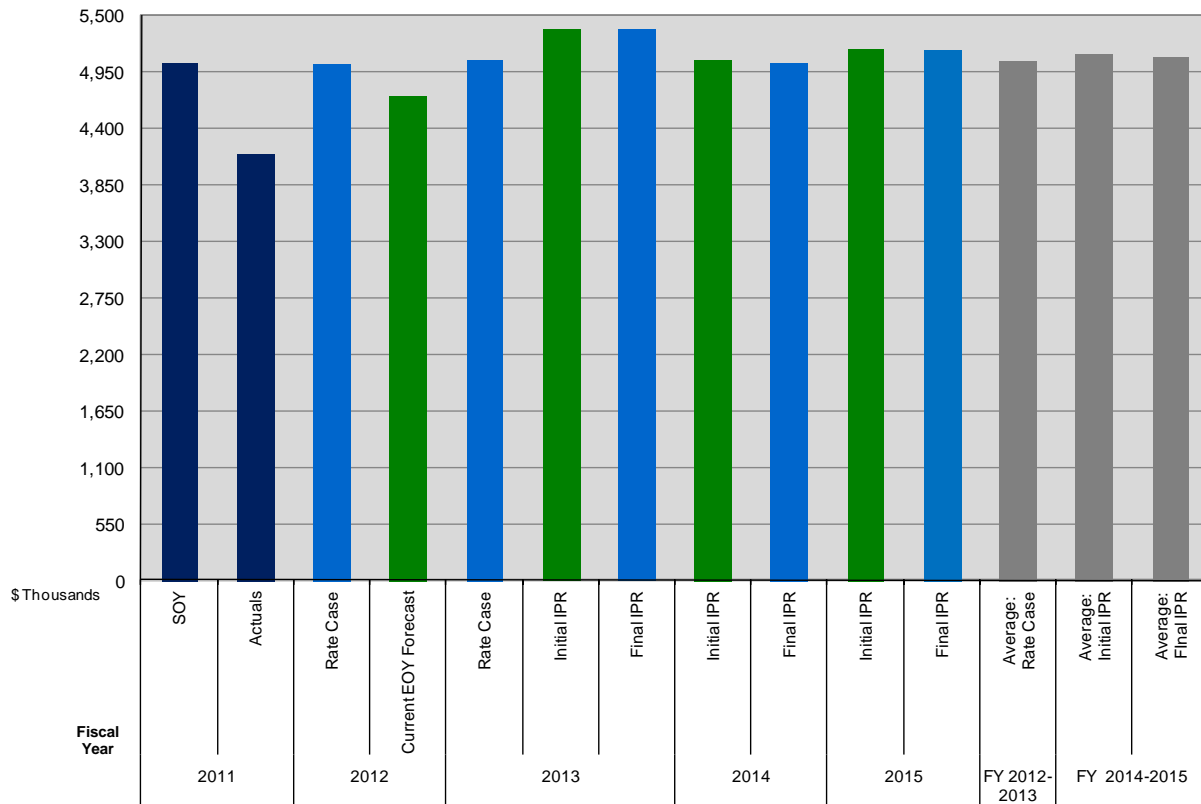
### Program Details

(\$\$\$)	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	Current EOY Forecast	Delta
Agency Services G&A Allocations	13,649	13,401	(248)	14,010	14,768	758
Power - Direct Budget and Finance Support	539	675	136	551	470	(82)
Trans. - Direct Budget and Finance Support	796	996	200	1,000	932	(68)
<b>Total</b>	<b>14,984</b>	<b>15,072</b>	<b>88</b>	<b>15,561</b>	<b>16,169</b>	<b>608</b>

(\$\$\$)	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
Agency Services G&A Allocations	14,387	16,835	16,829	(7)	17,158	17,083	(75)	17,570	17,495	(75)
Power - Direct Budget and Finance Support	564	-	-	-	-	-	-	-	-	-
Trans. - Direct Budget and Finance Support	1,024	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>15,975</b>	<b>16,835</b>	<b>16,829</b>	<b>(7)</b>	<b>17,158</b>	<b>17,083</b>	<b>(75)</b>	<b>17,570</b>	<b>17,495</b>	<b>(75)</b>



## 4.6 AGENCY COMPLIANCE AND GOVERNANCE

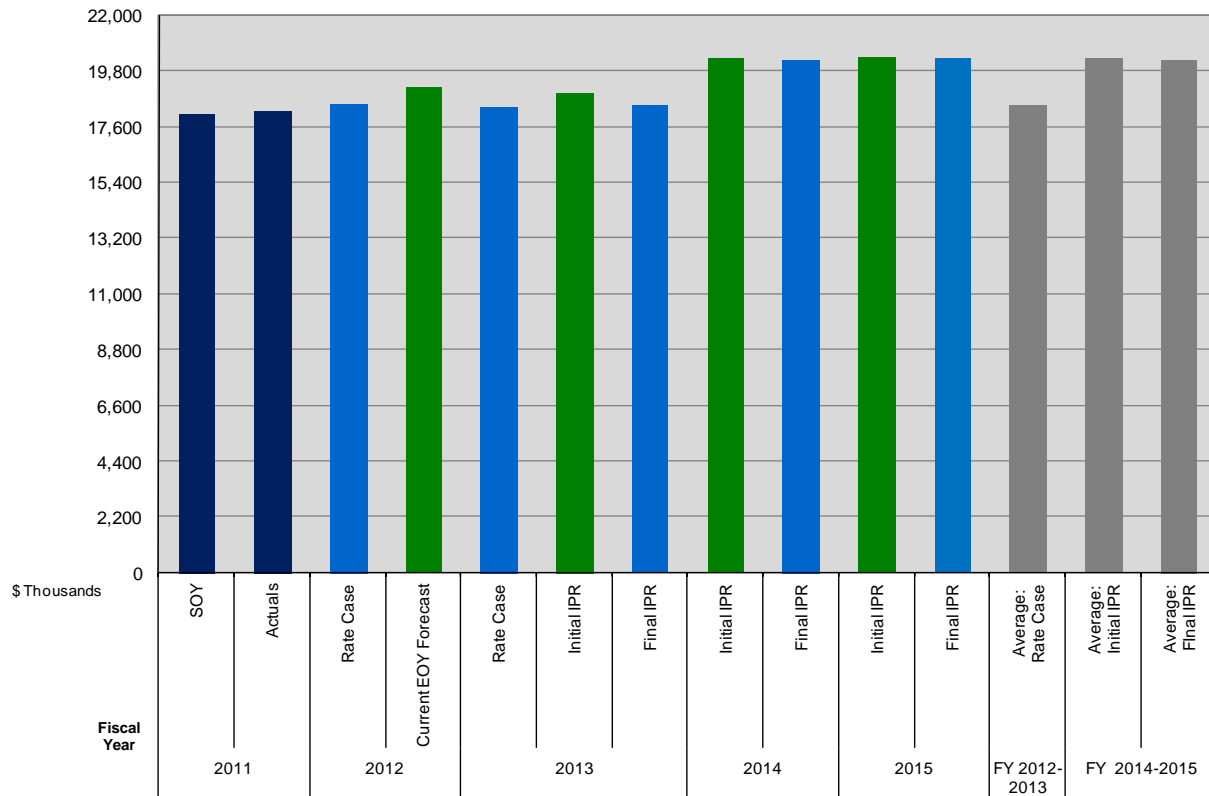


### Program Details

	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	Current EOY Forecast	Delta
Agency Services G&A Allocations (\$\$\$)	5,035	4,157	(877)	5,031	4,711	(320)

	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
Agency Services G&A Allocations (\$\$\$)	5,060	5,355	5,355	-	5,059	5,042	(18)	5,171	5,153	(18)

## 4.7 HUMAN CAPITAL MANAGEMENT (HCM)

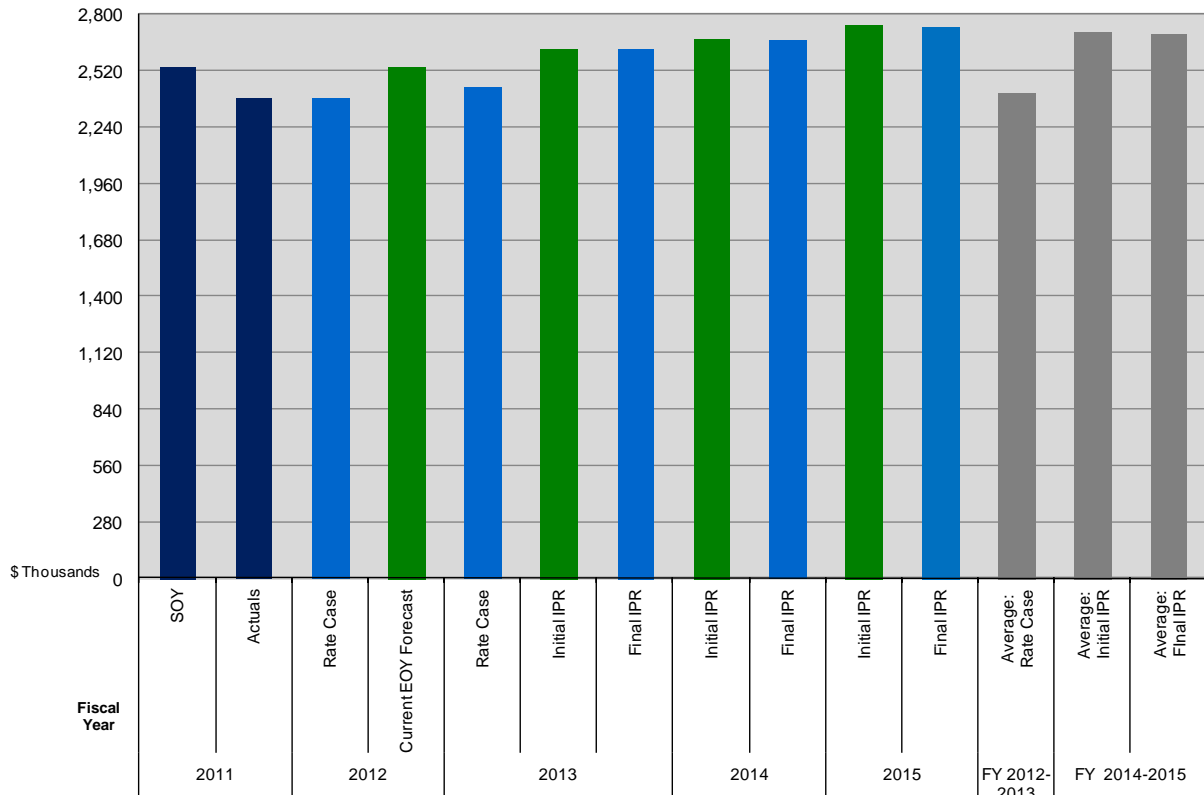


### Program Details

	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	Current EOY Forecast	Delta
Agency Services G&A Allocations	14,431	15,227	796	14,760	15,431	672
Transmission - Workers Compensation	3,650	2,989	(661)	3,700	3,700	-
<b>Total</b>	<b>18,081</b>	<b>18,216</b>	<b>135</b>	<b>18,460</b>	<b>19,131</b>	<b>672</b>

	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
Agency Services G&A Allocations	14,605	15,159	14,699	(460)	16,440	16,393	(47)	16,426	16,379	(47)
Transmission - Workers Compensation	3,750	3,750	3,750	-	3,815	3,815	-	3,886	3,886	-
<b>Total</b>	<b>18,355</b>	<b>18,909</b>	<b>18,449</b>	<b>(460)</b>	<b>20,255</b>	<b>20,208</b>	<b>(47)</b>	<b>20,313</b>	<b>20,265</b>	<b>(47)</b>

## 4.8 INTERNAL AUDIT

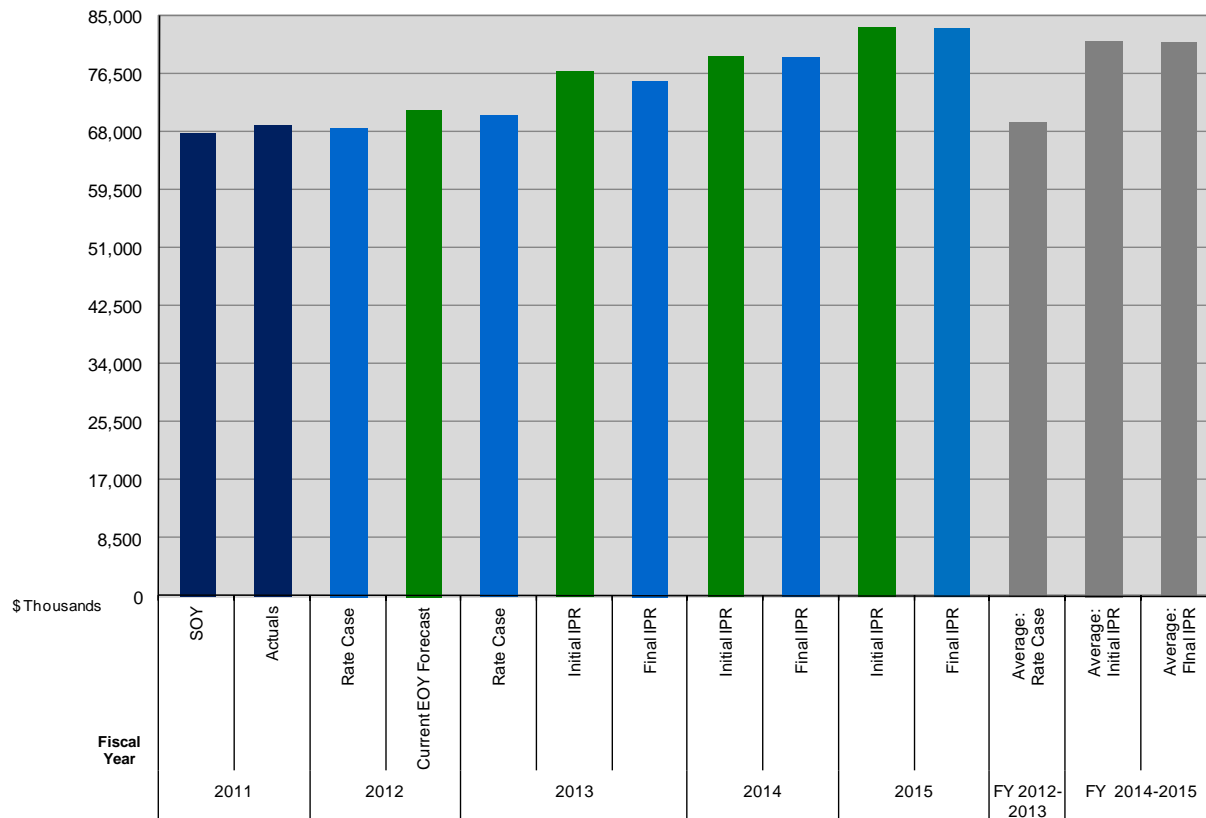


### Program Details

	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	Current EOY Forecast	Delta
Agency Services G&A Allocations (\$\$\$)	2,538	2,384	(154)	2,384	2,538	154

	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
Agency Services G&A Allocations (\$\$\$)	2,439	2,628	2,628	-	2,679	2,667	(12)	2,747	2,735	(12)

## 4.9 INFORMATION TECHNOLOGY



### Program Details

	2011			2012		
	Start of Year (\$\$\$)	Actuals	Delta	Rate Case	Current EOY Forecast	Delta
Agency Services G&A & Business Support Allocations	67,861	69,024	1,163	68,679	71,257	2,577

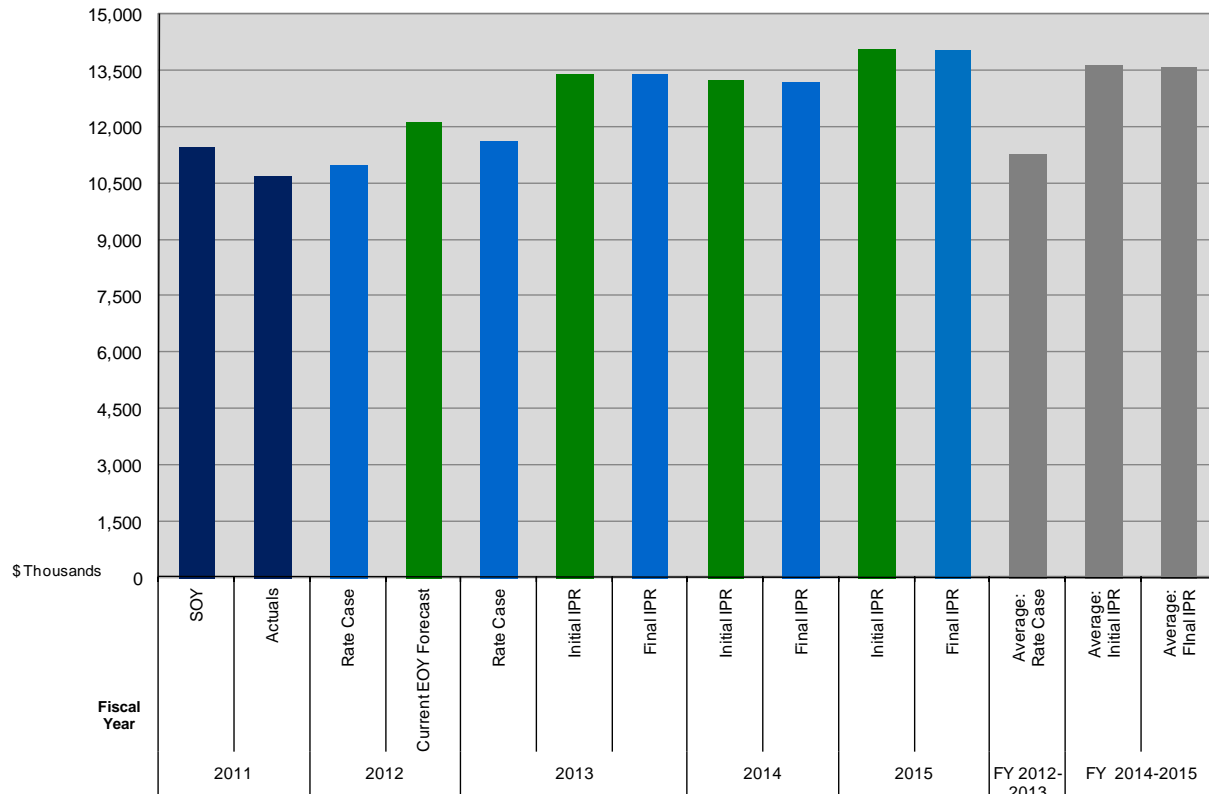
	2013				2014			2015		
	Rate Case (\$\$\$)	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
Agency Services G&A & Business Support Allocations	70,348	76,916	75,447	(1,470)	79,165	79,023	(142)	83,368	83,224	(144)

### Changes from Initial IPR Levels

The final IPR spending estimates remain the same as the initial IPR spending estimates in the IPR Initial Publication. As shared at the August 1 QBR, BPA was not able to present or share the root cause analyses (RCA) for the IT projects: WPSS, EE central, and SLICE at that time. BPA is employing a new RCA process for the purposes of identifying issues and appropriate corrective actions. That process is still maturing and, as a result, the RCA has not yet completed all the internal vetting processes. In addition, BPA needs time to determine how to implement the recommendations. Because of this, BPA postponed the presentation until the RCA process including adopting recommendations is fully completed.

What is important about this postponement is that BPA did take a new more thorough root cause approach to really digging into what happened on these projects and it did take much longer than anticipated --- but it was also much more in-depth than prior approaches. BPA's Executive Team is reviewing the results of the RCA and will be providing the management response which includes how BPA will take action on the recommendations from the RCA.

### 4.10 GENERAL COUNSEL

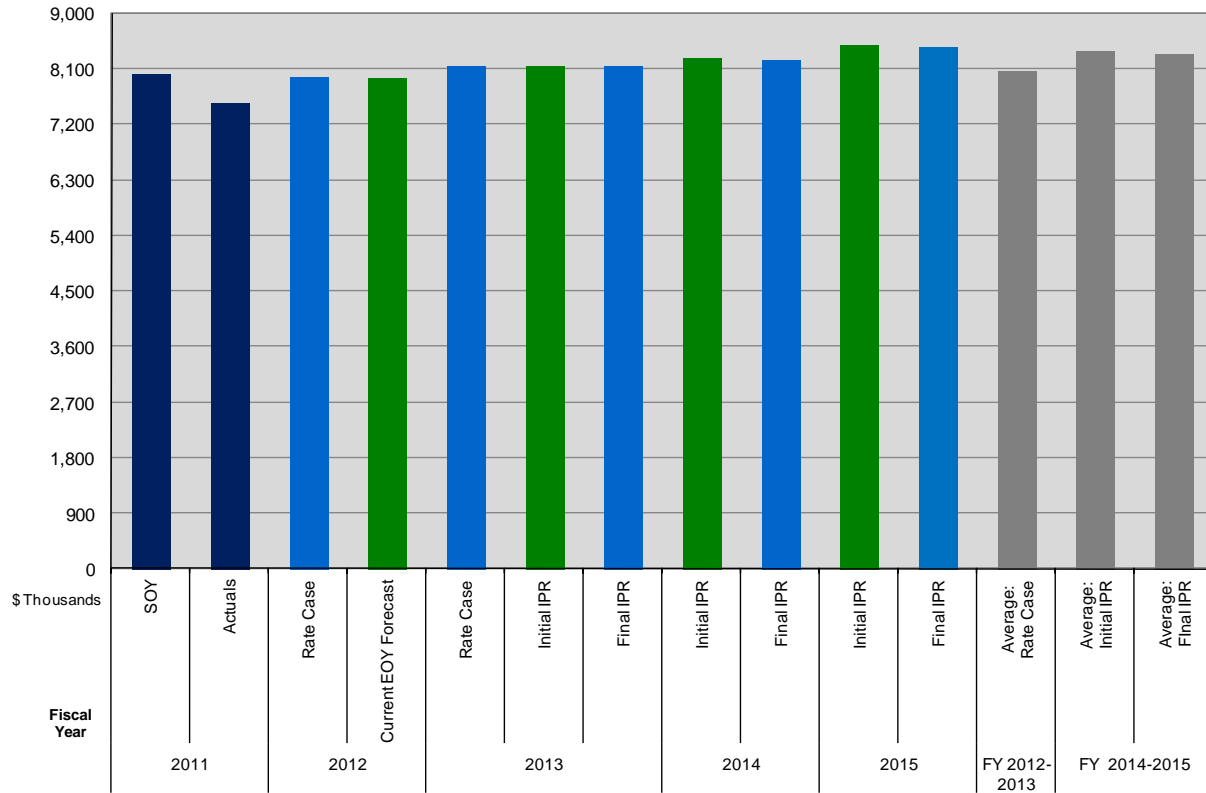


### Program Details

	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	Current EOY Forecast	Delta
Agency Services G&A Allocations	3,114	3,499	385	3,217	4,645	1,428
Power - Direct Legal Support	5,098	3,946	(1,152)	4,791	4,537	(254)
Trans. - Direct Legal Support	3,266	3,236	(29)	2,969	2,948	(21)
<b>Total</b>	<b>11,478</b>	<b>10,681</b>	<b>(797)</b>	<b>10,977</b>	<b>12,130</b>	<b>1,152</b>

	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
Agency Services G&A Allocations	3,322	4,088	4,129	42	4,070	4,027	(43)	4,167	4,124	(43)
Power - Direct Legal Support	5,092	5,286	5,244	(42)	5,290	5,290	-	5,954	5,954	-
Trans. - Direct Legal Support	3,211	4,041	4,041	-	3,877	3,877	-	3,951	3,951	-
<b>Total</b>	<b>11,625</b>	<b>13,415</b>	<b>13,414</b>	<b>-</b>	<b>13,237</b>	<b>13,194</b>	<b>(43)</b>	<b>14,071</b>	<b>14,028</b>	<b>(43)</b>

### 4.11 PUBLIC AFFAIRS

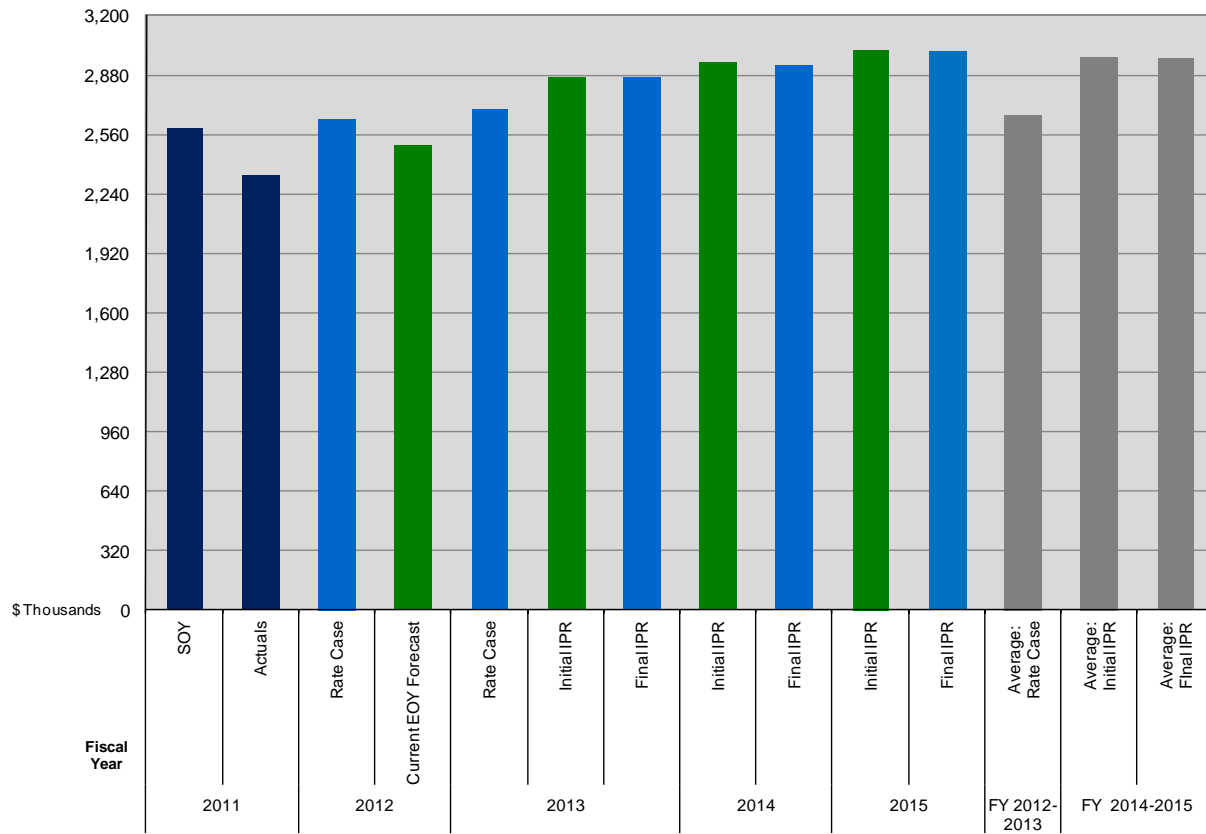


#### Program Details

	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	Current EOY Forecast	Delta
Agency Services G&A Allocations (\$\$\$)	7,997	7,527	(470)	7,961	7,943	(18)

	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
Agency Services G&A Allocations (\$\$\$)	8,134	8,134	8,133	(1)	8,268	8,236	(33)	8,476	8,444	(32)

### 4.12 SAFETY

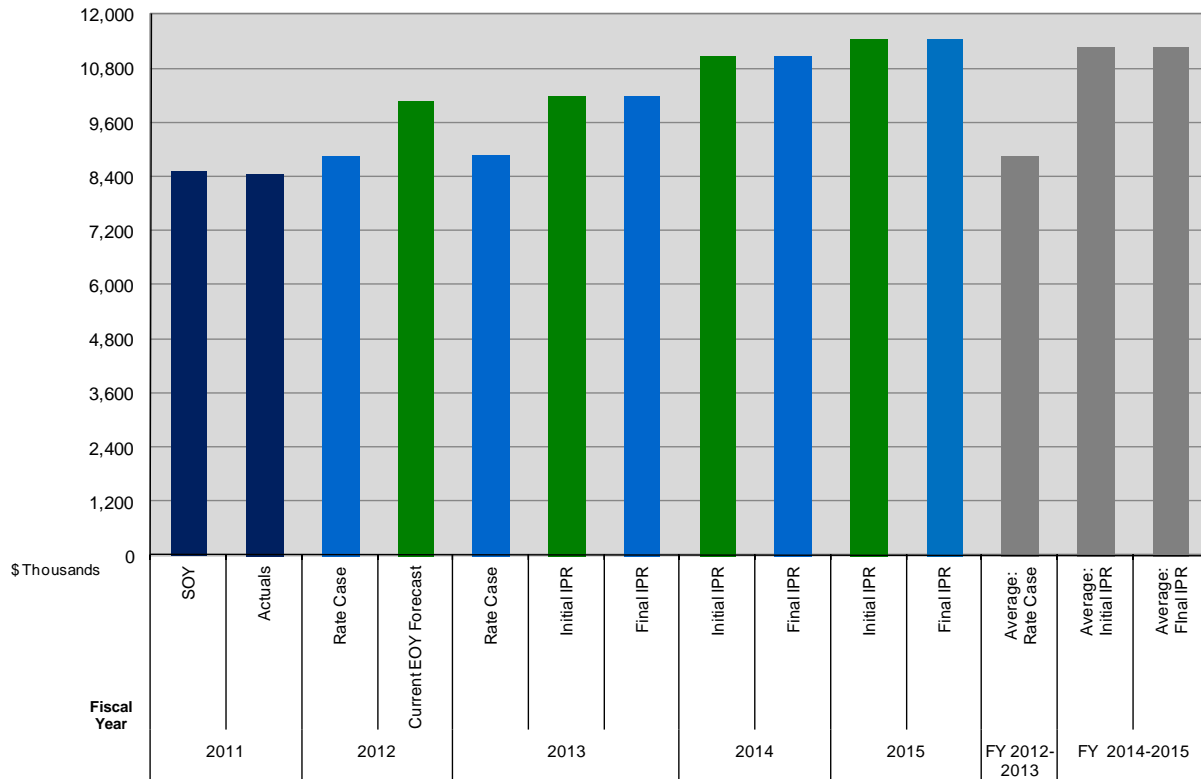


#### Program Details

	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	Current EOY Forecast	Delta
Agency Services G&A Allocations (\$\$\$)	2,589	2,340	(249)	2,641	2,503	(137)

	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
Agency Services G&A Allocations (\$\$\$)	2,695	2,868	2,866	(3)	2,945	2,936	(9)	3,016	3,006	(9)

### 4.13 SECURITY AND CONTINUITY OF OPERATIONS (OSCO)



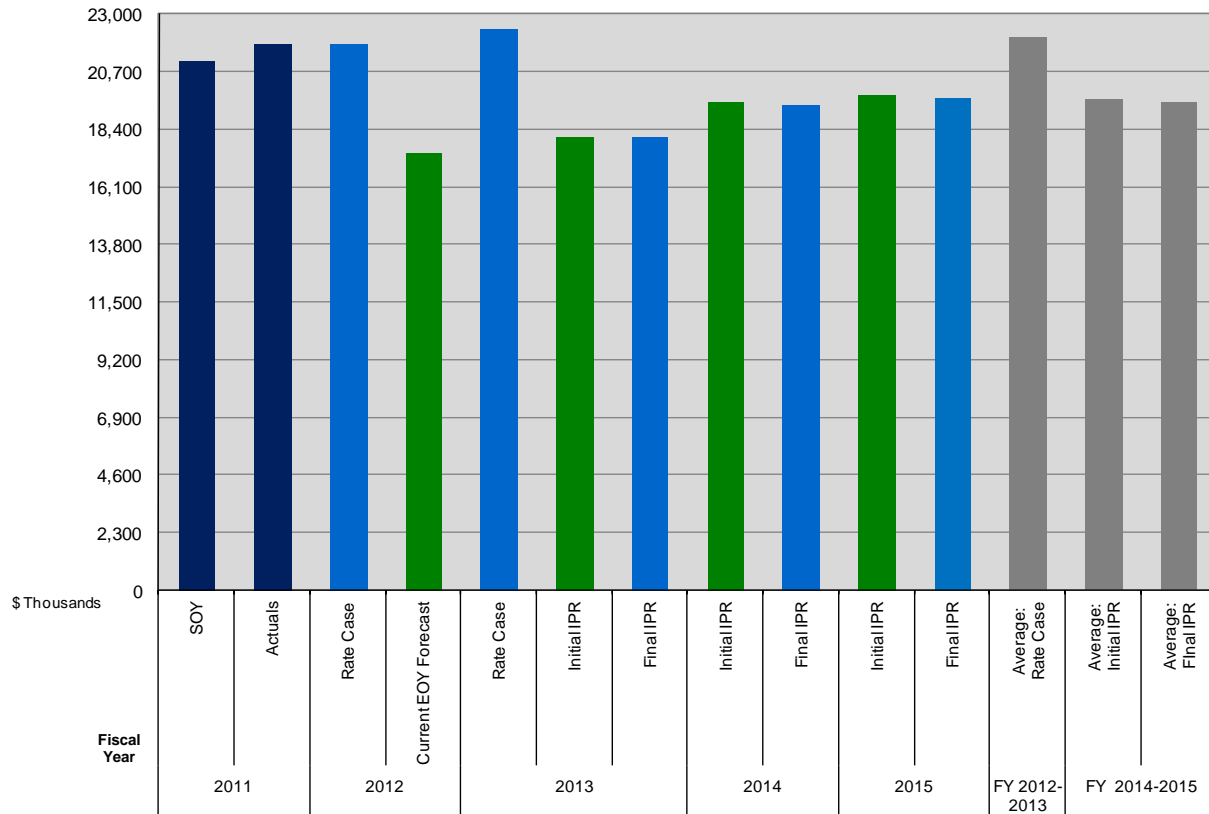
#### Program Detail

	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	Current EOY Forecast	Delta
Agency Services G&A Allocations	8,515	7,933	(582)	8,834	9,650	816
Transmission - Security Support	-	527	527	-	425	425
<b>Total</b>	<b>8,515</b>	<b>8,460</b>	<b>(54)</b>	<b>8,834</b>	<b>10,075</b>	<b>1,241</b>

	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
Agency Services G&A Allocations	8,867	10,200	10,200	(1)	11,089	10,482	(606)	11,454	10,700	(754)
Transmission - Security Support	-	-	-	-	-	593	593	-	740	740
<b>Total</b>	<b>8,867</b>	<b>10,200</b>	<b>10,200</b>	<b>(1)</b>	<b>11,089</b>	<b>11,075</b>	<b>(14)</b>	<b>11,454</b>	<b>11,440</b>	<b>(14)</b>



### 4.14 SUPPLY CHAIN



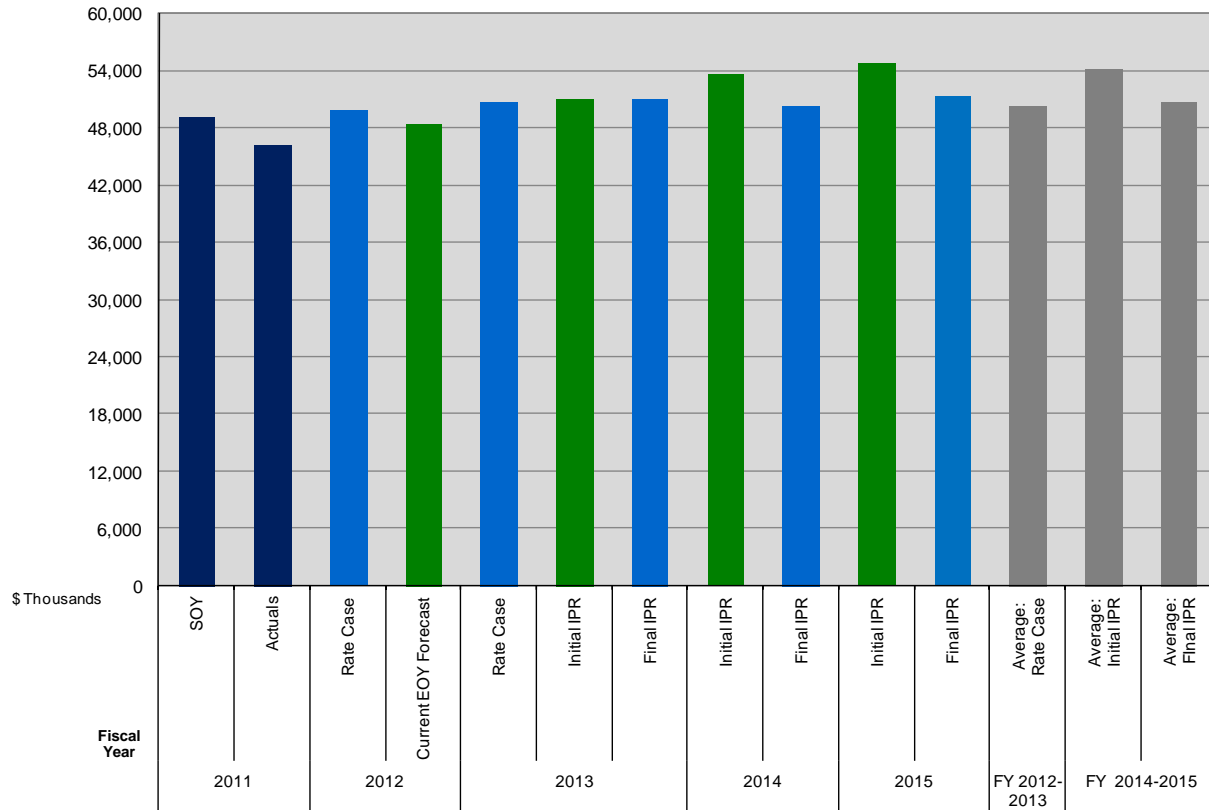
### Program Detail

	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	Current EOY Forecast	Delta
Business Support Allocations	4,870	4,700	(170)	4,942	4,782	(160)
Trans. - Supply Chain Direct Support	16,269	17,088	819	16,847	12,658	(4,189)
<b>Total</b>	<b>21,139</b>	<b>21,789</b>	<b>649</b>	<b>21,788</b>	<b>17,440</b>	<b>(4,349)</b>

	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
Business Support Allocations	5,092	5,161	5,161	-	5,567	5,466	(101)	5,696	5,594	(102)
Trans. - Supply Chain Direct Support	17,285	12,959	12,928	(30)	13,882	13,882	-	14,042	14,042	-
<b>Total</b>	<b>22,377</b>	<b>18,120</b>	<b>18,089</b>	<b>(30)</b>	<b>19,449</b>	<b>19,348</b>	<b>(101)</b>	<b>19,739</b>	<b>19,636</b>	<b>(102)</b>

<sup>1</sup> Supply Chain supports both capital and expense programs. 77% of the Supply Chain costs for Logistics Services are allocated to the capital program and are included in capital program estimates. This is approximately \$14 million per year. 100% of the Fleet Management costs are also budgeted as part of other program costs, both capital and expense, and are allocated based on vehicle and equipment usage.

### 4.15 WORKPLACE SERVICES

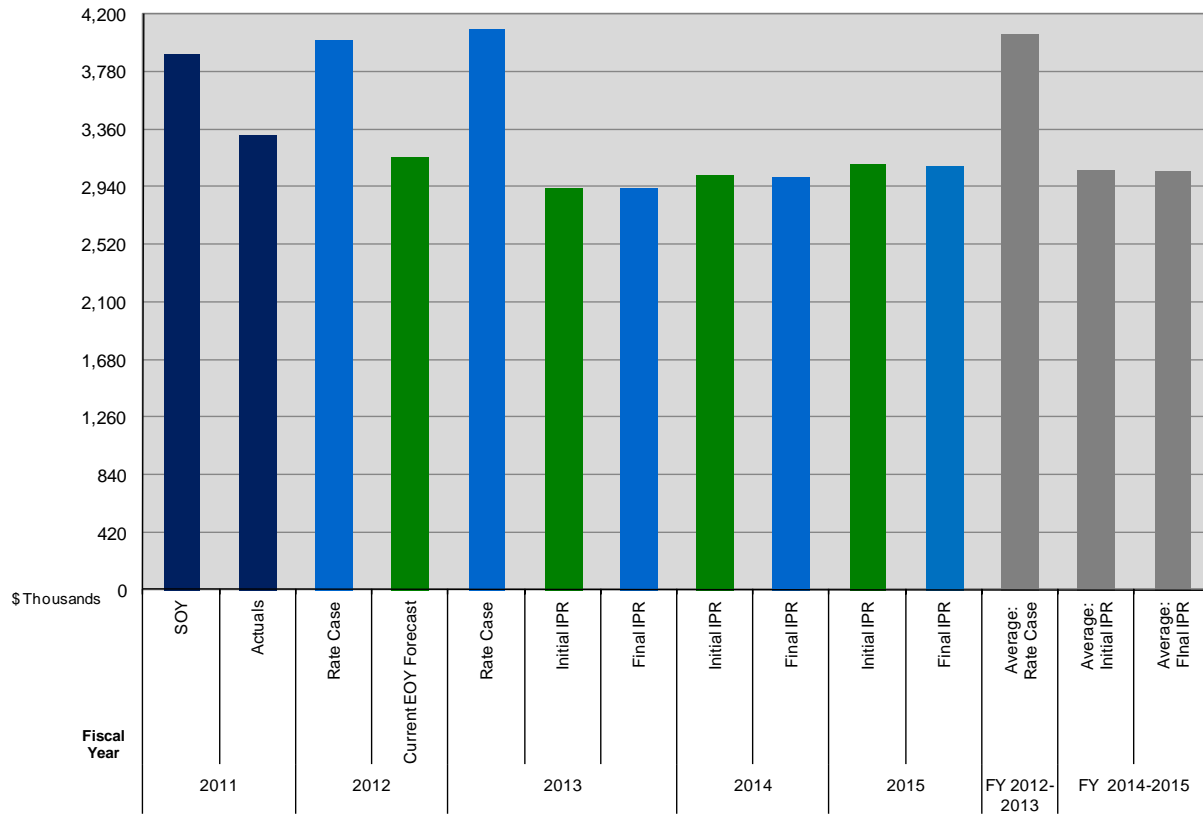


### Program Details

	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	Current EOY Forecast	Delta
Agency Services G&A Allocations	28,857	29,308	451	29,287	29,522	235
Trans. - Facilities and Non-Electric Plant Maint.	20,266	16,960	(3,306)	20,593	18,916	(1,677)
<b>Total</b>	<b>49,124</b>	<b>46,269</b>	<b>(2,855)</b>	<b>49,880</b>	<b>48,438</b>	<b>(1,442)</b>

	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
Agency Services G&A Allocations	29,583	30,072	29,987	(85)	31,740	31,716	(23)	32,376	32,352	(24)
Trans. - Facilities and Non-Electric Plant Maint.	21,049	20,839	20,923	84	21,882	21,882	-	22,306	22,306	-
<b>Total</b>	<b>50,631</b>	<b>50,911</b>	<b>50,910</b>	<b>(1)</b>	<b>53,621</b>	<b>53,598</b>	<b>(23)</b>	<b>54,682</b>	<b>54,659</b>	<b>(24)</b>

### 4.16 RISK



### Program Details

	2011			2012		
	Start of Year	Actuals	Delta	Rate Case	Current EOY Forecast	Delta
Business Support Allocations (\$\$\$)	3,903	3,316	(587)	4,008	3,147	(861)

	2013				2014			2015		
	Rate Case	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
Business Support Allocations (\$\$\$)	4,088	2,926	2,926	-	3,021	3,010	(11)	3,096	3,085	(12)

## 5 ASSET STRATEGIES AND CAPITAL INVESTMENT LEVELS

### 5.1 FIRST LOOK AT CAPITAL FORECASTS

In response to external stakeholder requests BPA created the Capital Investment Review (CIR), a process focused on engaging the region in an in-depth discussion of its strategic long-term capital plan. This process shared draft asset strategies and ten-year capital forecasts for Federal Hydro, Fish and Wildlife, Security, Facilities, Transmission and Information Technology. Feedback from participants found the new CIR process to be informative and beneficial, offering a focused discussion on long-term capital investments prior to discussion of near-term expense and capital forecasts in the IPR. As a result, BPA plans to provide the CIR process every two years before the start of the IPR.

The 2012 CIR was held between March and May, prior to the start of the IPR and included a 9-week comment period. In recognition of the comments received, Claudia Andrews described future actions BPA would be taking to address your concerns about agency-wide capital prioritization, alternative-funding tools, rising investment levels and access to capital constraints in a [letter to the region](#) released June 7. Many participants noted difficulty commenting on capital investment forecasts without fully understanding the status of Access to Capital. BPA recognized this challenge and encouraged participants to submit comments during the IPR process on capital information.

### 5.2 UPDATES IN THE 2012 IPR

In the IPR, BPA provided capital forecasts for FY 2013-2015 based on the asset strategies presented in the CIR. BPA provided a base scenario for each of the asset categories, and a second, preferred alternative scenario was provided for Transmission, Facilities and Security, with explanations of the drivers for the alternative scenario.

After capital forecasts were presented in the CIR, two changes were made to develop the IPR initial capital investment levels for FY 2013-2015 (see [Capital Spending Estimates](#) posted June 18). First, the lapse factor percentages were revised to reflect an increase in program execution over the past few years; a 15 percent lapse is no longer representative of BPA's actual experience. BPA proposed a 5 percent lapse factor for Federal Hydro investments, and for Transmission, 10 percent in FY 2013 and 5 percent in 2014-2015. Facilities and Security will be lapsed to the extent they are included as part of the Transmission business unit capital program. No comments were received expressing concern with this change.

FIGURE 14

Asset Category	CIR Lapse Factor Assumption	Updated 2012 IPR Assumption
Transmission	15%	10% in FY 2013, 5% in FY 2014-2015
Federal Hydro	15%	5% in FY 2013-2015
Facilities / Security	15%	Applied to the extent these are included as part of the Transmission capital program.

The second change consisted of reshaping Transmission over the ten-year budget period, which is described in the Transmission capital section of this report.

### 5.3 FEEDBACK FROM THE REGION

BPA was pleased to receive valuable comments and suggestions concerning initial IPR capital investment levels during the IPR process. As noted in the introduction the majority of commenter's recognize the need for investment in the aging Power and Transmission system, areas of general concern pertaining to specific asset categories have been addressed in the following capital program sections.

Similar to the CIR process, BPA received a considerable number of comments requesting prioritization of capital spending across asset categories. BPA agrees a robust, agency-wide method for prioritizing capital investments is necessary to ensure capital is deployed optimally. Development of a methodology to prioritize investments continues and BPA will maintain an open dialogue with interested parties. Additional information including scheduled public meetings can be found [online](#) and in Section 5.4 below.

Another area of continued interest is the treatment of energy efficiency acquisition as an expense or capital asset. BPA capitalizes energy efficiency costs based solely on the recognition of BPA as a "Rate Regulated Utility" with the ability to capitalize intangible asset costs, since those costs will be recovered in future rates. BPA's policy has been to capitalize and amortize some energy efficiency costs over the composite life of the energy efficiency measures being capitalized. Because cost recovery is sought through future rates, future economic benefit is assumed, and the costs can be capitalized under Generally Accepted Accounting Principles (ASC 980- "Regulated Operations" that specifically addresses regulation created assets).

Access to Capital including the development and implementation of alternative funding tools will remain an on-going priority at BPA and an active topic of discussion with the region. Recommendations to explore additional funding tools could be a topic for future discussions. Participants interested in this issue are encouraged to review BPA's 2012 Draft Access to Capital Strategy now available [online](#).

### 5.4 CAPITAL PRIORITIZATION

BPA's agency asset management team is developing a process and methodology for prioritizing investments other than the "core sustain" investment across asset categories. The team has focused on: refining the scope and definition of projects to be included in this initial prioritization effort; identifying roles and responsibilities in the process; identifying the sequence of steps and the data and information that will be required to evaluate projects; how each project will be evaluated; how the economic value of projects will be determined and ranked; and how the portfolio of projects will be balanced and trade-offs made. The objective is a systematic, transparent, and risk-informed process that optimizes the Agency's investment portfolio within capital, labor, rate, and other constraints. The team has designed a process that they will share with stakeholders in early fall 2012, and a more fully refined methodology is planned to be rolled out in early 2013.

## 5.5 CAPITAL INVESTMENT LEVELS

FIGURE 15

### FY 2013-2015 Capital Investment Levels by Asset Category

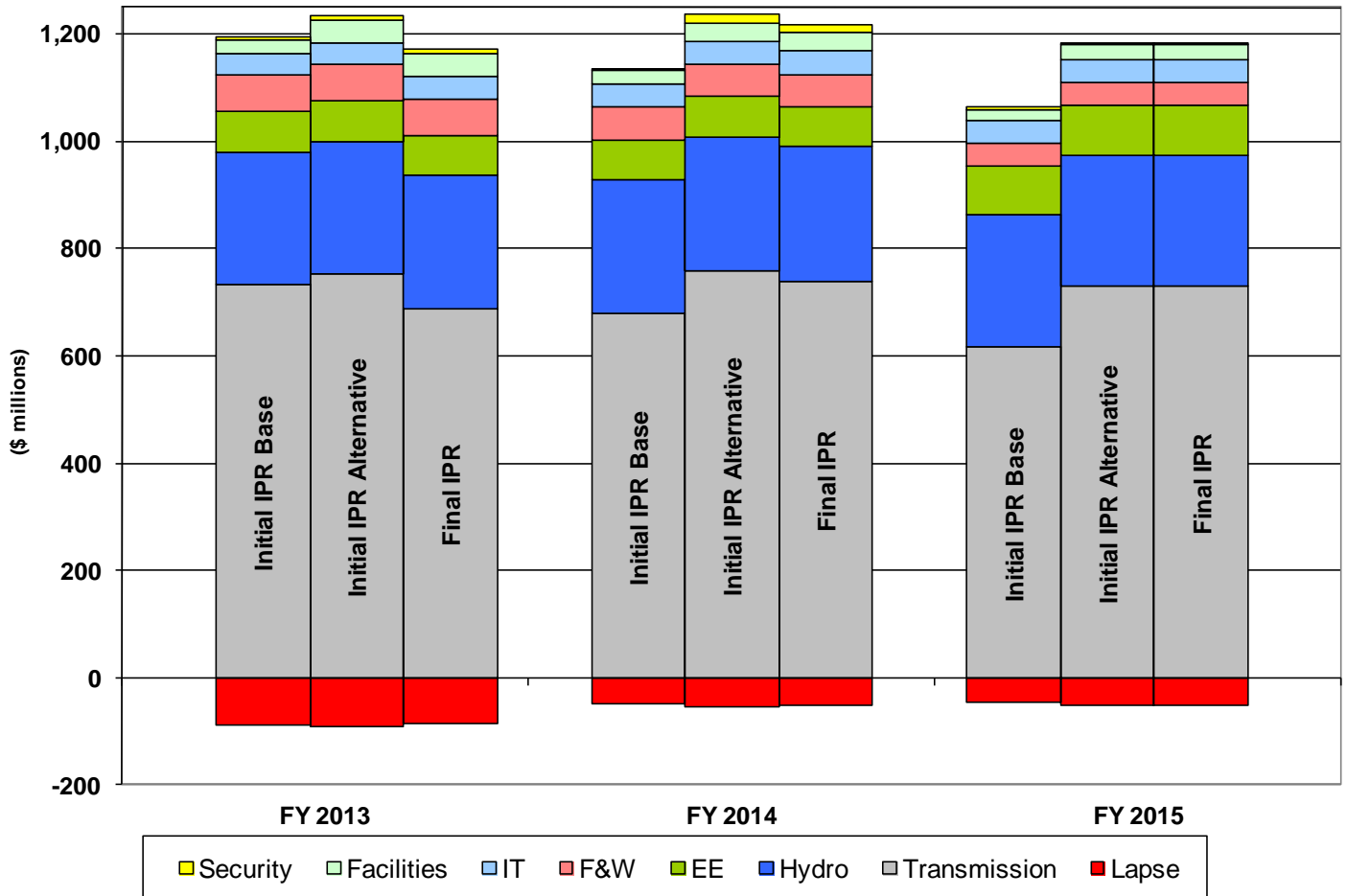


FIGURE 16

### Columbia Generating Station Capital Investment Levels

	2012	2013	2014			2015		
	Current Forecast	Final IPR	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
Columbia Generating Station (\$\$\$)	92,700	53,000	62,000	62,000	-	62,000	62,000	-

FIGURE 17

### Columbia River Fish Mitigation Capital Investment Levels

	2012	2013	2014			2015		
	Current Forecast	Final IPR	Initial IPR	Final IPR	Delta	Initial IPR	Final IPR	Delta
CRFM (\$\$\$)	94,000	145,000	99,000	99,000	-	49,000	49,000	-

FIGURE 18

**Total Lapsed Capital - Initial IPR Base**

(\$ millions)	<b>2012*</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>TOTAL</b>
IT	49	42	43	44	128
Facilities	14	26	26	20	71
Security	4	5	5	5	15
Hydro	231	248	250	245	743
Fish & Wildlife	60	67	60	42	169
Energy Efficiency	89	75	75	92	242
Transmission	<u>606</u>	<u>732</u>	<u>678</u>	<u>617</u>	<u>2,028</u>
<b>Total Agency Unlapsed</b>	<b>1,053</b>	<b>1,195</b>	<b>1,136</b>	<b>1,065</b>	<b>3,396</b>
Lapse Factor	(126)	(87)	(48)	(44)	(179)
<b>Total Agency Lapsed</b>	<b>927</b>	<b>1,108</b>	<b>1,089</b>	<b>1,020</b>	<b>3,217</b>

\*Current Forecast

FIGURE 19

**Total Lapsed Capital - Initial IPR Alternative**

(\$ millions)	<b>2012*</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>TOTAL</b>
IT	49	42	43	44	128
Facilities	14	42	34	28	105
Security	4	8	17	4	29
Hydro	231	248	250	245	743
Fish & Wildlife	60	67	60	42	169
Energy Efficiency	89	75	75	92	242
Transmission	<u>606</u>	<u>752</u>	<u>758</u>	<u>730</u>	<u>2,240</u>
<b>Total Agency Unlapsed</b>	<b>1,053</b>	<b>1,235</b>	<b>1,237</b>	<b>1,185</b>	<b>3,657</b>
Lapse Factor	(126)	(91)	(53)	(51)	(195)
<b>Total Agency Lapsed</b>	<b>927</b>	<b>1,144</b>	<b>1,184</b>	<b>1,134</b>	<b>3,462</b>

\*Current Forecast

FIGURE 20

**Total Lapsed Capital - Final IPR**

(\$ millions)	<b>2012*</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>TOTAL</b>
IT	49	42	43	44	128
Facilities	14	42	34	28	105
Security	4	8	17	4	29
Hydro	231	248	250	245	743
Fish & Wildlife	60	67	60	42	169
Energy Efficiency	89	75	75	92	242
Transmission	606	688	740	730	2,157
<b>Total Agency Unlapsed</b>	<b>1,053</b>	<b>1,171</b>	<b>1,219</b>	<b>1,185</b>	<b>3,574</b>
Lapse Factor	(126)	(85)	(52)	(51)	(188)
<b>Total Agency Lapsed</b>	<b>927</b>	<b>1,086</b>	<b>1,167</b>	<b>1,134</b>	<b>3,387</b>

\*Current Forecast

## 5.6 FEDERAL HYDRO

In general, Public Comments received pertaining to the Federal Hydro Asset Strategy are in support of the initial program levels and the phased approach to refurbish the Keys Plant Projects pending resolution of funding responsibility with Irrigators. BPA has not identified any changes to the initial IPR spending estimates from the [Capital Spending Estimates](#) posted June 18.

## 5.7 FISH AND WILDLIFE

BPA has not identified any changes to the initial IPR spending estimates from the [Capital Spending Estimates](#) posted June 18.

## 5.8 ENERGY EFFICIENCY

BPA has not identified any changes to initial IPR spending estimates from the [Capital Spending Estimates](#) posted June 18. A discussion of the financing tools available and planned for use is included in the draft Access to Capital Strategy.

## 5.9 TRANSMISSION

In general, public comments received support the Transmission Asset Management Strategy and initial investment levels, with a few exceptions regarding construction of the Central Ferry-Lower Monumental project, the forecasts for the I-5 Corridor and Northern Intertie projects, and expansion projects generally. Since the Capital Investment Review process, BPA has identified changes to the initial IPR capital spending estimates based on updated forecasts for the schedules of some of the major expansion projects. This has driven the need to reshape the project timelines while keeping within the total 10-year forecast. In alignment with the customer support shown for maintaining reliability of the critical existing infrastructure, the sustain program levels have been retained with some programs potentially receiving additional funding as program execution rates increase and the need to address critical replacements becomes better known.

One of the public comments recommended that BPA discontinue work on the Central Ferry-Lower Monumental project. In response, BPA explains that it is continuing to discuss the project and timeline with the customers that are involved. As discussions are ongoing, BPA has retained the investment estimates for the project in the 10-year forecast at this time.

A public comment recommended maintaining the initial Capital Investment Review forecasts for the I-5 Corridor Reinforcement and Northern Intertie projects. The schedules for these projects are being driven by environmental study and related public processes. The decision date whether to build the I-5 Corridor project was originally scheduled for 2013 but will likely be delayed due to the number of comments received and complexity of the draft Environmental Impact Statement. As soon as a revised schedule is established, it will be shared with the public and the capital spending forecasts for both projects will be updated accordingly.

Another public comment suggested that it is not within BPA's core mission to invest in expansion facilities to integrate renewable resources that are not expected to serve Pacific Northwest load, and that such investment affects BPA's capital borrowing authority. In response, BPA provides the following background on the drivers for recent commercial transmission expansion efforts.

Over the past few years, one of the primary drivers for commercial transmission expansion has been the 2008, 2009 and 2010 Network Open Season processes. Network Open Season was in large part, a response to



addressing the many issues that BPA faced in managing a Transmission request queue that had, over the years, grown to contain a large number of requests of varying capacity, timing, feasibility, location and probability. These uncertainties made forecasting power flows on the system extremely difficult. Through the 2008, 2009 and 2010 Network Open Season and cluster study processes, BPA was able to determine customer interest at given locations at a given time and compile that information into meaningful system studies that result in projects that meet the customer needs and benefit the overall system by identifying reinforcements for constrained paths. For example, both the McNary- John Day and Big Eddy-Knight projects provide needed system benefits that address longstanding constrained areas, as referenced in the [Transmission Load Services expand program asset management strategy](#).

Another driver of commercial transmission expansion over the past few years has been BPA's generator interconnection process. Under this process, which is part of BPA's open access transmission tariff, interconnecting customers provide the capital necessary for these projects upfront. Under the tariff, BPA provides transmission credits in return for the funding for the network upgrade portion of the facilities. As a result, the impact on borrowing authority is minimal.

## 5.10 FACILITIES

In general, BPA received little comment on the Facilities Asset Strategy and initial spending levels including the alternative investment plan. BPA has assumed the alternative initial IPR spending estimates from the [Capital Spending Estimates](#) as Final IPR investment levels for FY 2013-2015.

## 5.11 SECURITY

BPA received a few comments on the Security Asset Strategy and most supported the alternative investment plan. BPA has assumed the alternative initial IPR spending estimates from the [Capital Spending Estimates](#) as final IPR investment levels for FY 2013-2015.

## 5.12 INFORMATION TECHNOLOGY

A small number of comments were received pertaining to the IT asset strategy and proposed capital investment levels. BPA has identified no changes to the initial IPR spending estimates from the [Capital Spending Estimates](#). BPA understands the region's concerns over the previous IT investments that resulted in write-offs. As noted in the [IT Expense section](#), BPA is employing a new Root Cause Analysis process for the purposes of identifying issues and appropriate corrective actions.

## 5.13 COLUMBIA GENERATING STATION

BPA received no comments on Columbia Generating Station initial IPR spending estimates shown in the [Capital Spending Estimates](#), as a result BPA is assuming the levels presented as final IPR for FY 2013-2015.

## 5.14 COLUMBIA RIVER FISH MITIGATION

BPA received no comments on CRFM initial IPR spending estimates shown in the [Capital Spending Estimates](#), as a result BPA is assuming the levels presented as final IPR for FY 2013-2015.

## 6 DEBT MANAGEMENT ACTIONS

BPA will assume the following debt management actions related to Power Services debt service in the FY 2014-2015 rate case. These actions were discussed in the Debt Management Workshop held June 19, 2012. Since then, the debt issuance related to the depleted uranium enrichment program has been successfully completed as expected. The estimated savings described below for each action is described on an isolated transactional basis and results are not additive. All actions both completed and proposed produce an estimated \$73 million annual average savings for FY 2014-2015 compared to the BP-12 Final Proposal as shown in the [Initial IPR and Final IPR Cost Deltas from BP-12 table](#).

### ***Actions Completed***

#### Energy Northwest Independent Spent Fuel Storage Installation (ISFSI) Settlement:

Energy Northwest recently settled a lawsuit with the Department of Energy for \$48.7 million involving a breach of contract by DOE that led to Energy Northwest making expenditures on an on-site dry cask storage facility. A portion of the settlement funds were restricted to certain uses, including the payment of Energy Northwest debt. The restricted portion of \$32 million of which, \$8 million will be applied in FY 2014-2015 to reduce non-Federal debt service through repayment of certain EN bonds, and/or to fund future capital investment for Columbia Generating Station. The remaining restricted funds will be allocated in future rate periods. The remaining funds that are unrestricted were applied to both debt service and O&M for FY 2013.

#### Energy Northwest Traditional Refinancing for Savings:

Energy Northwest, in conjunction with BPA, routinely takes advantage of refinancing opportunities to lower debt service costs. The most recent refinancing of certain Energy Northwest bonds was completed in April 2012 and will provide approximately \$6 million of interest savings in total for the two year rate period.

#### Northern Wasco Refinancing for Savings:

The outstanding bonds issued by Northern Wasco were refinanced in April 2012 to a lower interest rate, capturing approximately \$1 million of interest savings in total for the two year rate period.

#### Energy Northwest Depleted Uranium Enrichment Program Financing:

A unique financing opportunity to capture ratepayer benefits in regards to fuel financing (and other general expenses) for Columbia Generating Station (CGS) became available in spring 2012. The Energy Northwest depleted uranium enrichment program financing was completed in August 2012 and provided significant ratepayer benefits for FY 2014-2015 of approximately \$44 million in total over the two year rate period. The savings comes from a combination of reduced debt service and reduced fuel purchase.

### ***Actions Slated for Completion During the Rate Period:***

#### Energy Northwest CGS Debt Extension:

With the recent operating license extension on CGS from 2024 to 2044, BPA has proposed to better align the expected new service life of the plant with ratepayer costs and benefits. Extension of ~\$169 million of maturing CGS debt in FY 2014-15 to 2025-2044 to provide rate relief for the upcoming rate period is a prudent and equitable business decision. Energy Northwest Executive Board agreed to this transaction at their August meeting. BPA and EN expect to conduct the financings in the spring of 2014 and 2015.

Lewis County PUD Debt Extension:

Outstanding debt for the Lewis County PUD Cowlitz Falls project can be extended to match the life of the existing power sales agreement of 2032. The bonds currently have a final maturity of 2024, and are refundable in 2013. BPA proposes to extend \$111 million of existing bonds to a final maturity of 2032, and thereby provide ratepayer benefits of approximately \$9-10 million in total over the two-year rate period. This refinancing action is anticipated to take place in summer 2013.

