

# Integrated Program Review

Closeout Report, October 2022



## **BP-24 IPR closeout letter**

The Bonneville Power Administration has concluded the BP-24 Integrated Program Review, forecasting program costs for the next rate period covering fiscal years 2024 and 2025. These forecast IPR costs will serve as one input into the development of power and transmission rates.

I appreciate the engagement and feedback from our customers, stakeholders and tribes throughout the IPR process. Following the release of our initial forecast costs in June, we received 25 formal comments, which we considered thoroughly in developing these final cost projections.

In general, comments supported our projected costs and urged us to remain focused on cost-management. However, a few key themes emerged in the comments, which led me to adopt three adjustments in our final IPR forecast costs.

The most significant change is the addition of \$31 million in capital funding for the Columbia Generating Station nuclear plant's proposed Extended Power Uprate study. Bonneville agrees there may be value in the proposal, and this change to forecast IPR costs reflects our intent to study the uprate. However, this does not represent Bonneville's approval to proceed with an uprate. Additional evaluation is required to better understand the scope of work, costs and schedule, and to clearly articulate the value of the additional power output to BPA's customers.

Also related to the Columbia Generating Station, commenters asked Bonneville to remove contingency amounts of 1.5% from Energy Northwest's operating budgets. Over the years BPA has removed contingency amounts from its expense projections. This change reduces Power's forecast program costs by \$3.4 million, compared to the initial publication.

Other commenters asked Bonneville to further increase forecast Fish and Wildlife program costs. The initial IPR publication forecast an 8.7% increase in Fish and Wildlife spending to support wildlife mitigation efforts, which equates to an additional \$21.7 million over the rate period. This is the largest percentage increase in projected F&W program costs since BP-10. The increase reflects inflationary pressure on the cost of materials, equipment and staffing across the F&W program, new fish and wildlife obligations, and necessary investments in existing mitigation assets. Bonneville believes this is the right level for forecast costs, with one modification. In response to comments, we have increased the Lower Snake Compensation Plan forecast costs by \$500,000, an amount that will allow Bonneville to fulfill its mitigation responsibilities.

One other theme that emerged during comments centered on the projected Transmission expenses included in the initial publication, which increased by \$80 million, or 7.8%, compared to BP-22. I understand and appreciate comments about the impact of these costs on transmission rates. However, there is not a one-to-one association – IPR costs are only one of several inputs into the rate calculation. For BP-24, Bonneville is working toward proposing a rate settlement that would extend the BP-22 rates. Recognizing the increase in costs, we will continue to work with customers in our partnership of minimizing costs for the region. Regardless of the potential for a rate settlement, these costs are necessary. Following several years of intentionally limiting discretionary spending, these projected costs will support critical investments in wildfire mitigation, cybersecurity and IT systems, as well as rising hourly labor costs.

Even with these increases, since BP-18 and through the upcoming BP-24 rate period, we have managed IPR costs for the agency below the inflationary cost management target by a cumulative total of \$372 million. We remain committed to minimizing the impacts of growing cost pressures as we deliver on our statutory mission, advance our strategic priorities and strive to deliver the most value to the region.

Thank you again for your engagement in our Integrated Program Review, and I look forward to working with you as we work to maintain competitive rates and remain the provider of choice for our customers.

Sincerely,

A handwritten signature in black ink, appearing to read "John Hairston". The signature is fluid and cursive, with a prominent initial "J" and a long, sweeping underline.

John Hairston  
BPA Administrator and CEO

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# 1 Introduction

BPA conducts the Integrated Program Review (IPR) every two years, before each rate case, to provide an opportunity for interested parties to review and comment on the projected estimates of program expenses and capital cost forecasts. The IPR cost estimates are just one component of assumptions and factors that will be used to develop the power and transmission rates for fiscal years (FY) 2024 and 2025. All other costs considered in the rate-setting process are out of the scope of the IPR such as loads, resources, market prices, risk mitigation and repayment.

The BP-24 Integrated Program Review started in June 2022 with the release of the Bonneville Power Administration’s initial publication on forecast costs for fiscal years 2024 and 2025, followed by a series of workshops and a public comment period. BPA has completed the review and discussion of forecast costs, which are outlined in this document. These final IPR forecasts will be used in the BP-24 Rate Case and make up just one of the many cost components that are included in BPA’s rates. The BP-24 Initial Proposal will include all of the cost components and is expected to be released in December 2022.

During this public review BPA received many thoughtful and thorough comments and we appreciate the region’s engagement in this process. The final forecast costs in this document reflect BPA’s continued commitment to its strategic direction and Financial Plan while recognizing the need to remain flexible and adaptable to the changing conditions. The changes from the initial IPR forecasts are minimal and only impact Power Services expense and non-federal debt.

**Table 1 Final IPR Expense**

(\$ millions)	Average BP-22 Rate Case	Average Initial IPR	Average Final IPR	<i>Delta - Average Final IPR less Average BP-22 Rate Case</i>	<i>Delta - Average Final IPR less Average Initial IPR</i>
	<b>2022 - 2023</b>	<b>2024 - 2025</b>	<b>2024 - 2025</b>	<i>Increase (Decrease)</i>	<i>Increase (Decrease)</i>
Power	1,304.2	1,402.7	1,400.8	96.5	(1.9)
Transmission	514.5	594.5	594.5	80.0	0.0
<b>Total</b>	<b>1,818.7</b>	<b>1,997.2</b>	<b>1,995.3</b>	<b>176.5</b>	<b>(1.9)</b>

## 2 Power Services

Power Services is deeply committed to BPA's strategic direction, including its cost-management and competitiveness objectives. This commitment is further demonstrated with Power's final forecast costs being below the rate of forecast inflation compared to BP-22.

There are two changes from the [initial IPR publication](#). In the initial IPR, BPA erroneously understated the U.S. Army Corps of Engineers (USACE) expense forecast by \$500,000 in both fiscal years. In the final IPR closeout report, the USACE forecast expense has been updated to reflect their projected costs, which are higher than the initial publication IPR numbers by \$500,000 for FY 2024 and \$500,000 for FY 2025.

The second change relates to Columbia Generating Station. In response to customer comments, BPA asked Energy Northwest to remove the risk reserves expense amounts of \$2,769,000 from FY 2024 and \$4,000,000 from FY 2025 from CGS's operations and maintenance projected costs. Over the years, BPA has removed contingency amounts from its expense projections. This change reduces Columbia Generating Station's forecast program costs by an average of \$3.4 million, compared to the initial publication.

Enterprise Services G&A increased by \$435 thousand to Power Services due to forecast costs being reallocated to the Program Management Office in the Chief Administrative Office organization and offset by reductions in Workplace Services, Supply Chain, Safety and Security departments. The Program Management Office's costs have a higher allocation to Power Services compared to the other departments which have a higher Transmission allocation. The Chief Administrative Office collectively did not change but the allocation to Power Services increased and Transmission Services decreased.

BPA also received a couple of comments regarding the initial publication's forecast costs for Energy Efficiency. After careful review, BPA will keep the Energy Efficiency program forecast costs for the final closeout report consistent with the initial publication. The publication of the Northwest Power and Conservation Council's 2021 Power Plan and the subsequent refresh of the BPA Resource Program have some degree of uncertainty. Nonetheless, BPA anticipates that it will be able to deliver on our conservation goals.

Table 2 Power Services Summary

(\$ thousands)	Final IPR		Average BP-22 Rate Case	Average Initial IPR	Average Final IPR	Delta - Average Final IPR less Average BP-22 Rate Case	Delta - Average Final IPR less Average Initial IPR
	2024	2025	2022 - 2023	2024 - 2025	2024 - 2025	Increase (Decrease)	Increase (Decrease)
<b>Costs Described in IPR</b>							
Columbia Generating Station	296,477	351,133	291,695	327,189	323,805	32,109	(3,385)
Corps of Engineers	259,891	269,892	252,557	264,392	264,892	12,334	500
Fish & Wildlife	269,235	268,865	247,352	269,050	269,050	21,698	0
Bureau of Reclamation	154,364	157,218	152,616	155,791	155,791	3,175	0
Lower Snake Hatcheries	32,765	32,765	31,000	32,265	32,765	1,765	500
COE CRFM Studies	5,255	5,255	5,442	5,255	5,255	(187)	0
<b>Asset Management Total</b>	<b>1,017,986</b>	<b>1,085,128</b>	<b>980,662</b>	<b>1,053,942</b>	<b>1,051,557</b>	<b>70,895</b>	<b>(2,385)</b>
Conservation Purchases	69,027	69,027	67,357	69,027	69,027	1,670	0
<b>Commercial Activities Program Total</b>	<b>69,027</b>	<b>69,027</b>	<b>67,357</b>	<b>69,027</b>	<b>69,027</b>	<b>1,670</b>	<b>0</b>
Renewables	25,967	26,767	31,943	26,367	26,367	(5,576)	0
Conservation Infrastructure	26,044	26,106	27,300	26,075	26,075	(1,225)	0
Market Transformation	11,800	11,800	11,800	11,800	11,800	0	0
Low-Income and Tribal Weatherization	6,005	6,005	6,005	6,005	6,005	0	0
Distributed Energy Resources	215	215	215	215	215	0	0
NW Power & Conservation Council	11,942	11,942	12,187	11,942	11,942	(245)	0
<b>Operations Program Total</b>	<b>81,973</b>	<b>82,835</b>	<b>89,449</b>	<b>82,404</b>	<b>82,404</b>	<b>(7,045)</b>	<b>0</b>
Asset Management	6,955	7,184	8,200	7,070	7,070	(1,131)	0
Commercial Activities	30,557	31,900	27,839	31,228	31,228	3,389	0
Operations	53,933	53,958	49,560	53,946	53,946	4,385	0
<b>Non-Generation Operations Total</b>	<b>91,445</b>	<b>93,042</b>	<b>85,600</b>	<b>92,244</b>	<b>92,244</b>	<b>6,644</b>	<b>0</b>
Enterprise Services G&A	84,662	87,248	65,136	85,520	85,955	20,819	435
Post-retirement benefits	19,310	19,844	19,010	19,577	19,577	567	0
<b>Enterprise Services G&amp;A Total</b>	<b>103,972</b>	<b>107,092</b>	<b>84,146</b>	<b>105,096</b>	<b>105,532</b>	<b>21,386</b>	<b>435</b>
<b>Undistributed reduction</b>	<b>0</b>	<b>0</b>	<b>(2,971)</b>	<b>0</b>	<b>0</b>	<b>2,971</b>	<b>0</b>
<b>Costs Described in IPR Total</b>	<b>1,364,403</b>	<b>1,437,125</b>	<b>1,304,242</b>	<b>1,402,713</b>	<b>1,400,764</b>	<b>96,522</b>	<b>(1,949)</b>
<b>Capital</b>							
Corps of Engineers	201,075	228,060	222,791	214,568	214,568	(8,223)	0
Columbia Generating Station	121,917	184,756	114,578	137,837	153,337	38,758	15,500
Bureau of Reclamation	68,925	47,615	49,899	58,270	58,270	8,371	0
Fish and Wildlife	41,335	41,300	43,000	41,318	41,318	(1,682)	0
AFUDC	10,500	10,500	11,055	10,500	10,500	(555)	0
Power IT	2,500	1,000	3,450	1,750	1,750	(1,700)	0
<b>Capital Total</b>	<b>446,252</b>	<b>513,231</b>	<b>444,773</b>	<b>464,241</b>	<b>479,741</b>	<b>34,969</b>	<b>15,500</b>

### 3 Transmission Services

Transmission Services is committed to modernizing assets and operations, meeting customer needs efficiently and responsively and sustaining financial health. With these three main principles in mind, Transmission Services ensures forecast costs are necessary to support safety, compliance, reliability and market transformation activities. Transmission's final IPR projections in total have not been changed from initial IPR, but programmatic shifts were made to better align historical trend of actuals to forecast costs and to finish implementing the program based executive and administrative changes from Commercial Activities to Asset Management.

Some commenters recommended that BPA adopt a more modest increase in Transmission IPR expense forecasts. BPA has decided to keep the initial publication's IPR forecasts. In FY 2022 BPA is experiencing inflation particularly in personnel, which makes up a large majority BPA's forecast expense costs.

Enterprise Services G&S costs decreased \$18 thousand to Transmission Services due to forecast costs being reallocated to the Program Management Office in the Chief Administrative Office organization and offset by reductions in Workplace Services, Supply Chain, Safety and Security departments. The Program Management Office's costs have a higher allocation to Power Services, compared to the other departments which have a higher Transmission allocation. The Chief Administrative Office collectively did not change but the allocation to Power Services increased and Transmission Services decreased.

As a reminder, the IPR expense and capital projection is just one component of assumptions that will be used to develop the power and transmission rates for fiscal years 2024 and 2025. Rate projections also include loads, resources, market prices, risk mitigation, repayment and other rate case modeling assumptions.



**Table 3 Transmission Services Summary**

(\$ thousands)	Final IPR		Average BP-22 Rate Case	Average Initial IPR	Average Final IPR	Delta - Average Final IPR less Average BP-22 Rate Case	Delta - Average Final IPR less Average Initial IPR
	2024	2025	2022 - 2023	2024 - 2025	2024 - 2025	Increase (Decrease)	Increase (Decrease)
<b>Costs Described in IPR</b>							
Asset Management	333,026	341,961	288,616	329,443	337,493	48,878	8,051
Commercial Activities	41,921	43,288	57,005	50,201	42,605	(14,400)	(7,597)
Operations	74,691	78,150	64,941	76,857	76,421	11,480	(436)
Enterprise Services G&A	136,027	139,935	103,938	137,999	137,981	34,043	(18)
<b>Costs Described in IPR Total</b>	<b>585,665</b>	<b>603,335</b>	<b>514,500</b>	<b>594,501</b>	<b>594,500</b>	<b>80,000</b>	<b>0</b>
<b>Capital</b>							
Transmission Asset Category	344,700	346,500	319,500	345,600	345,600	26,100	0
Other Asset Categories Within Transmission	148,000	130,610	85,885	139,305	139,305	53,420	0
Transmission Indirects	59,432	59,788	53,731	59,610	59,610	5,879	0
Corporate Indirects	54,868	56,606	46,189	55,689	55,737	9,548	48
PFIA	37,800	45,000	47,500	41,400	41,400	(6,100)	0
AFUDC	16,500	16,500	15,891	16,500	16,500	609	0
<b>Capital Total</b>	<b>661,300</b>	<b>655,004</b>	<b>568,695</b>	<b>658,104</b>	<b>658,152</b>	<b>89,457</b>	<b>48</b>

\*The Initial IPR number for corporate indirects was inaccurately reflected in the Initial Publication. The accurate number is reflected above in the Average Initial IPR column.

## 4 Enterprise Services

The final IPR forecast costs for Enterprise Services reflect the costs necessary to operate the agency and the core functions located within the Chief Administrative Office and Corporate organizations. Within the Chief Administrative Office, there was a shift of forecast costs to the Program Management Office with offsetting reductions in the other departments. In total, these changes offset one another such that total forecast costs remain unchanged but they are minor adjustments to better align programmatic needs.

A few commenters expressed concern with the level of cost management discipline in Enterprise Services. Like the other business units, Enterprise Services has experienced inflation in key areas like personnel and Information Technology service contracts. When BPA started planning this IPR process, it set organizational priorities to guide top-down cost targets and program expense estimates that enable BPA to assure its mission deliverables while meeting other priorities. One of BPA's cost priorities was investing and adequately funding BPA's workforce.

BPA is elevating its focus on strategic execution, organizational culture and work environment to ensure it is effectively planning and executing its strategies; retaining and attracting highly skilled employees; providing a work environment that drives employee satisfaction and productivity; and advancing efforts to become a more diverse and inclusive organization. All of these are essential to BPA's ability to perform its public service mission, meet its responsibilities and provide excellent customer service.

**Table 4 Enterprise Services Summary**

(\$ thousands)	Final IPR		Average BP-22 Rate Case	Average Initial IPR	Average Final IPR	Delta - Average Final IPR less Average BP-22 Rate Case	Delta - Average Final IPR less Average Initial IPR
	2024	2025	2022 - 2023	2024 - 2025	2024 - 2025	Increase (Decrease)	Increase (Decrease)
Information Technology	121,033	125,973	100,994	123,503	123,503	22,509	0
Workplace Services	61,330	62,021	51,254	61,783	61,676	10,421	(108)
Supply Chain Services	39,015	40,371	38,098	40,158	39,693	1,595	(465)
Security & Continuity Of Ops	17,735	18,122	12,058	18,004	17,928	5,871	(76)
Safety	6,428	6,659	6,402	6,637	6,543	141	(94)
Program Management Office	2,901	2,989	3,253	2,202	2,945	(308)	743
Undistributed Reduction	0	0	(3,400)	0	0	3,400	0
<b>Chief Administrative Office Subtotal</b>	<b>248,442</b>	<b>256,134</b>	<b>208,658</b>	<b>252,288</b>	<b>252,288</b>	<b>43,629</b>	<b>0</b>
Business Transformation Office	4,617	4,816	16,887	4,717	4,717	(12,170)	0
Compliance & Risk Management	20,956	21,763	16,984	21,359	21,359	4,375	0
Finance	17,861	18,666	13,968	18,263	18,263	4,296	0
Chief Workforce & Strategy Office	35,452	36,762	26,731	36,107	36,107	9,377	0
Chief Operating Office	12,517	12,962	13,250	12,739	12,739	(511)	0
General Counsel	13,205	13,205	11,274	13,205	13,205	1,931	0
Administrator	5,288	5,288	4,175	5,288	5,288	1,113	0
<b>Enterprise Services' Grand Total</b>	<b>358,338</b>	<b>369,596</b>	<b>311,927</b>	<b>363,967</b>	<b>363,967</b>	<b>52,040</b>	<b>0</b>

## 5 Environment, Fish & Wildlife

Environment, Fish & Wildlife will continue to support BPA’s responsibility to comply with all applicable environmental laws and regulations. This includes its responsibility to protect, mitigate and enhance fish and wildlife to the extent they are affected by the development and operation of the Federal Columbia River Power System, in a manner consistent with the Northwest Power and Conservation Council’s fish and wildlife program and the purposes of the 1980 Pacific Northwest Electric Power Planning and Conservation Act.

BPA is projecting an 8.7% increase in fish and wildlife costs for BP-24. This is the largest percentage increase in projected Fish and Wildlife program costs since BP-10. The estimated cost increase stems from inflationary pressure on the cost of materials, equipment and staffing across the Fish and Wildlife program, new fish and wildlife obligations, and necessary investments in existing mitigation assets. While some commenters asked Bonneville to further increase forecast Fish and Wildlife program costs, BPA is confident that the current cost estimates will fully meet our mitigation compliance responsibilities. For a full response to comments, please see Appendix A. In BP-24, BPA will continue to work collaboratively with the Northwest Power and Conservation Council, states, Tribes and other partners to identify opportunities to prioritize and implement projects that directly benefit fish and wildlife in a cost-effective manner.

The projected costs for the Lower Snake River Compensation Plan increased from the BP-22 levels. Through a direct funding agreement between BPA and the U.S. Fish and Wildlife Service, BPA directly funds the expense operations and maintenance for LSRCP facilities. Based on updated cost estimates provided by the U.S. Fish and Wildlife Service, and subsequent coordination between Bonneville and the Service pursuant to the direct funding agreement, Bonneville has increased its cost projections for this program by \$500 thousand for the BP-24 rate period.

**Table 5 Environment, Fish & Wildlife Summary**

(\$ thousands)	Final IPR		Average BP-22 Rate Case	Average Initial IPR	Average Final IPR	Delta - Average Final IPR less Average BP-22 Rate Case	Delta - Average Final IPR less Average Initial IPR
	2024	2025	2022 - 2023	2024 - 2025	2024 - 2025	Increase (Decrease)	Increase (Decrease)
Transmission Direct Support	8,619	8,879	7,524	8,749	8,749	1,225	0
Power Direct Support	309,013	308,754	284,814	308,383	308,883	24,070	500
<b>Environment, Fish &amp; Wildlife Total</b>	<b>317,633</b>	<b>317,633</b>	<b>292,337</b>	<b>317,133</b>	<b>317,633</b>	<b>25,295</b>	<b>500</b>

## 6 Capital

The IPR final closeout report's forecast costs for capital are \$31 million higher than initial IPR to fund the Extended Power Uprate study that Energy Northwest plans at Columbia Generating Station; the remaining capital asset categories did not change. These final forecast costs for capital are a result of the Strategic Asset Management Plans and balancing the priorities of BPA's mission, strategic and financial plan objectives.

During the IPR process, BPA received several comments specific to capital, which are discussed following Table 6 below.

**Table 6 Capital Summary**

(\$ thousands)	Final IPR		Average BP-22 Rate Case	Average Initial IPR	Average Final IPR	Delta - Average Final IPR less Average BP-22 Rate Case	Delta - Average Final IPR less Average Initial IPR
	2024	2025	2022 - 2023	2024 - 2025	2024 - 2025	Increase (Decrease)	Increase (Decrease)
<b>Asset Category Direct Spending</b>							
Transmission Direct	344,700	346,500	319,500	345,600	345,600	26,100	0
Federal Hydro	270,000	275,675	272,690	272,838	272,838	148	0
Columbia Generating Station	121,917	184,756	114,578	137,837	153,337	38,758	15,500
Facilities	106,000	87,800	54,700	96,900	96,900	42,200	0
Fish & Wildlife	41,335	41,300	43,000	41,318	41,318	(1,682)	0
IT	23,100	22,384	19,878	22,742	22,742	2,864	0
Fleet	14,000	14,200	11,000	14,100	14,100	3,100	0
Security	18,300	21,000	8,100	19,650	19,650	11,550	0
Environment	5,600	5,610	5,585	5,605	5,605	20	0
<b>Asset Category Direct Spending Total</b>	<b>944,952</b>	<b>999,225</b>	<b>849,031</b>	<b>956,589</b>	<b>972,089</b>	<b>123,057</b>	<b>15,500</b>
Transmission Indirects	59,432	59,788	53,731	59,610	59,610	5,879	0
Corporate Indirects	54,868	56,606	46,189	55,689	55,737	9,548	48
PFIA	37,800	45,000	47,500	41,400	41,400	(6,100)	0
AFUDC	27,000	27,000	26,945	27,000	27,000	55	0
<b>Grand Total</b>	<b>1,124,052</b>	<b>1,187,619</b>	<b>1,023,397</b>	<b>1,140,288</b>	<b>1,155,835</b>	<b>132,438</b>	<b>15,548</b>

### Capital Lapse Factor

BPA continued with a 10 percent lapse factor for Transmission direct capital projections for rate making purposes only, as was done in BP-22, and expanded this practice to Fed Hydro direct capital projections for BP-24. While some customers expressed appreciation for including a lapse factor for rate purposes due to historical under execution, some felt the lapse factor was not large enough. BPA has been working to improve capital investment execution for a number of years and with the recent implementation of the Secondary Capacity Model in Transmission, is just starting to see increased execution now that the first projects following SCM are moving from design and into execution. BPA expects to continue to see execution improvement in the next two years leading up to the BP-24 rate

period that will reduce the risk of under execution. Additionally, as capital investments are recovered through rates over a long period, under execution of capital has a very small, if any, impact to near-term rates. Any difference in actuals compared to what was projected in BP-24 rates would be updated in the development of the next rate case in BP-26.

**Vancouver Control Center project**

The final IPR closeout report’s forecast costs include \$48M in capital funding for the building design and technical design work related to the Vancouver Control Center (VCC). No decision has been made on whether to move forward with construction, as that will be decided after the design is complete. This work is being completed under a Progressive Design Build model and we expect to receive a Guaranteed Maximum Price (GMP) estimate once the design of the building is 65% complete at which point BPA will decide whether to fund construction. The project is planned to have a GMP in Q4 of FY23. If approved, BPA anticipates the VCC project forecast cost being budgeted over two to three IPRs.

**Table 7 Capital Outyears**

(\$ thousands)	Capital Outyears							
	2026	2027	2028	2029	2030	2031	2032	2033
<b>Asset Category Direct Spending</b>								
Transmission Direct	355,500	360,000	363,375	353,475	356,850	353,700	354,600	355,707
Federal Hydro	281,620	288,001	294,794	301,833	309,081	316,281	323,532	330,921
Columbia Generating Station	109,663	113,763	91,873	130,998	136,370	188,507	111,570	136,375
Facilities	55,800	31,200	35,500	32,900	31,100	31,400	30,800	32,700
Fish & Wildlife	29,000	15,700	15,000	15,000	15,000	15,000	15,000	15,000
IT	24,400	22,500	23,200	23,665	24,214	24,769	25,323	25,893
Fleet	14,200	14,400	14,400	14,200	14,200	14,200	14,200	14,200
Security	15,375	15,760	16,153	16,556	17,000	17,425	17,860	18,307
Environment	5,619	5,630	5,640	5,650	5,660	5,670	5,680	5,690
<b>Asset Category Direct Spending Total</b>	<b>891,177</b>	<b>866,954</b>	<b>859,935</b>	<b>894,277</b>	<b>909,475</b>	<b>966,952</b>	<b>898,565</b>	<b>934,793</b>
Transmission Indirects	60,147	60,508	60,871	61,236	61,604	61,973	62,345	62,719
Corporate Indirects	57,919	59,269	60,614	61,947	63,252	64,540	65,800	67,066
PPIA	45,000	45,000	45,000	45,000	45,000	31,275	29,700	28,215
AFUDC	27,600	27,600	27,600	27,600	27,600	27,600	27,600	27,600
<b>Grand Total</b>	<b>1,081,843</b>	<b>1,218,409</b>	<b>1,168,357</b>	<b>1,082,328</b>	<b>1,029,480</b>	<b>1,052,640</b>	<b>1,071,717</b>	<b>1,100,256</b>

## 7 Disclosures

BPA conducts the IPR process to invite public review and comment on BPA's forecast program costs for the upcoming rate period. Through this public process, the public is afforded an opportunity to engage in meaningful dialogue with BPA regarding BPA's initial forecast program costs. At the conclusion of the IPR process, BPA issues a close-out letter and report in which BPA describes how its forecast program costs were informed by public comments. The projected program costs described in this close-out letter and report reflect BPA's estimate of the appropriate forecast costs to assume in establishing new power and transmission rates.

This close-out of the IPR process does not complete BPA's decision-making process on forecast costs. Adjustments to BPA's cost projections may occur after the conclusion of the IPR.

### **Financial disclosure**

FY 2024–2025 final IPR forecast costs were made publicly available by BPA on October 7, 2022, and reflect information not reported in BPA financial statements.

## 8 Appendix A

### **Responses to IPR Comments on F&W Projections**

Certain comments received through this IPR process have suggested higher fish and wildlife cost levels or a general need for increased fish and wildlife spending compared to what Bonneville projected in its Initial Publication. The following responses address the themes raised by these commenters.

#### **General Assertions to Increase Fish and Wildlife Cost Projections**

First, several commenters made general assertions that Bonneville’s overall fish and wildlife spending levels should or must be higher than the amounts projected in the Initial Publication for the upcoming BP-24 rate period—essentially that projected levels are simply “not enough” or should be inflated to hedge against the possibility of new cost drivers in the future (*e.g.*, changes to Columbia River System (CRS) operations). These general comments, however, do not identify any specific, known cost drivers that the commenters can show are unaddressed in Bonneville’s IPR cost projections.

Many commenters also point to the generally imperiled status of certain fish stocks, regional aspirations for “recovery” or “rebuilding” of “iconic salmon and steelhead populations,” with the implication that increased expenditures by Bonneville are required to address them. While these are worthy goals, the point of the projections provided in this IPR process is to estimate the costs Bonneville anticipates needing to recover over the rate period for *its* obligations. Those obligations are established by statute and do not address all factors that affect salmonid populations. It is well documented that such populations are affected significantly by a host of factors in addition to the federal hydropower impacts that Bonneville has a legal duty to mitigate for,<sup>1</sup> and the recovery or rebuilding of such populations is likewise dependent on appropriately addressing those other factors as well. For purposes of this process, Bonneville is forecasting the costs of its fish and wildlife mitigation spending for the two-year BP-24 rate period. Commenters have not identified flaws in those cost projections, and their request that Bonneville simply increase spending as a matter of policy is neither required by law nor consistent with Bonneville’s statutory directive of operating consistent with sound business principles.<sup>2</sup> If additional fish and wildlife expenditures do arise during the rate period that were not anticipated, Bonneville has extensive risk mitigation mechanisms in place that allow it to address these unexpected costs.<sup>3</sup>

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<sup>1</sup> See BONNEVILLE POWER ADMIN., ADMINISTRATOR’S FINAL RECORD OF DECISION, BP-22-A-02 (July 2021) [hereinafter “BP-22 ROD”] available at [BP-22-A-02 Final ROD Compiled \(bpa.gov\)](#); Letter from Scott Armentrout, Exec. V.P., Bonneville Power Admin. to NW Power and Conservation Council (June 22, 2020) [hereinafter “Bonneville Comments to Council”] available at [Final Council Addendum Pt 1 Cover Ltr and Comments 2020.06.22.pdf \(nwcouncil.org\)](#).

<sup>2</sup> See Transmission System Act, 16 U.S.C. § 838g; Northwest Power 16 U.S.C. § 839e(a)(1); See also 16 USC § 838m(c)(2) (“The Administrator shall (1) engage, in a manner determined by the Administrator, with customers and stakeholders with respect to the financial and cost management efforts of the Administrator through periodic program reviews; and (2) to the maximum extent practicable, implement those policies that would be expected to be consistent with the lowest possible power and transmission rates consistent with sound business principles.”).

<sup>33</sup> See BP-22 ROD.

### Bonneville's Revenue

Some comments note that Bonneville's recent, higher-than-forecasted revenue levels are a basis for increased fish and wildlife funding, and that IPR spending forecasts should therefore reflect such an increase. However, as Bonneville has explained before,<sup>4</sup> revenues and costs are not interdependent, and a change in revenue does not create a corresponding change in the agency's underlying costs. Even if strong revenue returns increases Bonneville's capacity for higher spending levels, that fact does not affect the underlying cost drivers that factor into the agency's IPR forecasts. Therefore, comments focused on Bonneville's revenues do not provide a basis necessitating an increase in the IPR's fish and wildlife cost projections.

### Strategic Plan Cost Goals and the Fish and Wildlife Cost Projections

Several commenters based their assertions of the need for higher projections of fish and wildlife spending levels on disagreement with certain Bonneville policy objectives, such as Bonneville's Strategic Plan<sup>5</sup> goals related to cost-management. In particular, some commenters take exception to Bonneville's agency objective to hold its overall costs, by business line, including for fish and wildlife expenditures, at or below the rate of inflation through 2028. (Some of these comments characterize this as a "flat-funding policy.") The impetus and reasoning for these cost-discipline objectives are discussed in the Strategic Plan itself. The policy goals and objectives described in that document do not supersede the agency's obligations; it is not fundamentally problematic for Bonneville to attempt to adhere to those cost management goals, whenever feasible, in carrying out its fish and wildlife mitigation responsibilities. As noted above, Bonneville remains capable of meeting any fish and wildlife cost obligation, whether forecast or not, through its robust rate risk mechanisms.

### Inflation

Some comments characterize the effect of inflation as a de-valuation of fish and wildlife budget dollars and a decrease in buying power; these comments contend that Bonneville's projected fish and wildlife spending levels need to be higher than indicated in the IPR Initial Publication to account for, and fully offset, the effect of inflation. A dollar-for-dollar inflationary increase is not warranted because gains from cost-efficiency actions Bonneville routinely pursues to help maintain mitigation output at lower cost levels can dampen the effects of inflation on its forecasts. For example, Bonneville acquires PIT tags in bulk in order to negotiate a lower price per tag. Bonneville also pays for certain hatchery operation and maintenance costs directly, such as fish food and electricity, which can likewise result in lower pricing. Another example is that Bonneville often uses internal expertise to assist with design and project management tasks, which decreases the need to contract for such work externally.

In addition, the general assertion that Bonneville's fish and wildlife spending on the whole must "keep up with" inflation disconnects Bonneville fish and wildlife obligations from the development of a reasonable cost projection. Ultimately, Bonneville's fish and wildlife spending levels are dictated by the

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<sup>4</sup> See *id.* at 44-45.

<sup>5</sup> Available at [2018-strategic-plan.pdf \(bpa.gov\)](https://www.bpa.gov/2018-strategic-plan.pdf).



costs of the mitigation that Bonneville undertakes; those costs can be driven by numerous factors, including inflation, but planning for expenditures to simply follow inflation indices would be an overly simplistic approach to projecting expected spending level. As a case in point, Bonneville increased its projected fish and wildlife spending in the BP-24 IPR Initial Publication, as compared to the expected spending level from the IPR projection from BP-22. This reflects Bonneville's recognition that actual costs of implementing fish and wildlife mitigation will likely increase, in part as a result of inflation. Thus, Bonneville considered the effects of inflation when developing its projected costs for the BP-24 period.

#### Columbia River System Operations Environmental Impact Statement

Commenters suggest that Bonneville's projected fish and wildlife mitigation spending levels in this IPR are inadequate for the agency to implement compliance actions stemming from the selected alternative in the Columbia River System Operations Environmental Impact Statement (CRSO EIS) Record of Decision (ROD) and associated Endangered Species Act (ESA) consultations. Some of these comments focused on the inflation-adjusted range of expected costs discussed in CRSO EIS as compared to this IPR's projected spending levels for the BP-24 rate period and noted that the IPR projections are lower than the cost estimates included in the CRSO EIS. Funding decisions for the Bonneville F&W Program were not made as a part of the CRSO EIS process. However, the CRSO EIS did include an analysis of the estimated cost of actions associated with the selected alternative and associated Endangered Species Act consultations. The range of these costs were estimated to average \$235 to \$282 million annually, which was adjusted for inflation from 2016 to 2019. Through the IPR process, Bonneville has refined the cost estimates for FY2024 and FY2025, and now expects these costs to be approximately \$269M per year. The BP-24 IPR cost estimate for the F&W Program incorporates inflation adjustments to reflect the increased cost of certain work and materials and fully incorporates the expected costs of mitigation actions related to the CRSO EIS ROD and associated ESA consultations that are likely to be ready for implementation through BPA's F&W Program in FY2024 and FY2025.

In addition, the BP-24 IPR cost estimate of \$269M is substantially similar to the range discussed in the CRSO EIS ROD, especially considering the inherent uncertainty involved in forecasting inflation. Finally, Bonneville's IPR cost estimates are advisory, and actual budget levels or spending may diverge from these estimates if needed to meet statutory and other obligations. Bonneville and the other federal Action Agencies (Reclamation and USACE) will also continue to coordinate with USFWS and National Marine Fisheries Service regarding actions that were included in the proposed action and consulted upon under the ESA and report on the implementation of these actions throughout the period of time covered by the 2020 CRS BiOps.

#### Historic Fish and Wildlife Budgets

In asserting a general need for increased fish and wildlife spending, some commenters offer perspective on the appropriateness and effects of historic fish and wildlife funding levels. These commenters observe that not all projects have received the same budget increases, in amount or frequency, (and that some have even been reduced); these comments assert that, as a result, some projects have diminished capacity to maintain or expand an appropriate scope of substantive work or meet certain

objectives. That all of Bonneville's fish and wildlife project budgets do not move up or down in perfect sync is to be expected; each project is unique with different objectives and elements that can change, or even end, over time. And regardless of fish and wildlife project budget levels in prior years—and any constraints, changes to implementation sequencing, or re-prioritization among projects or project work-elements that may have resulted—Bonneville's projected increase in fish and wildlife expenditures in the IPR for the BP-24 rate period acknowledges and responds to the expected higher cost of fish and wildlife work that will occur in the next rate period. In addition to focusing on these expected future costs, Bonneville does not, however, also need to provide a retrospective, dollar-for-dollar reinstatement of past budget adjustments in order to address work expected in the future.

Furthermore, it is important to note that IPR does not establish or anticipate spending levels for individual projects, and that Bonneville's IPR estimates are advisory with actual budget levels or spending diverging from those estimates as appropriate. Fish and wildlife project budgets are developed on an annual basis through a start-of-year budget process and subsequent discussions between Bonneville and project sponsors to determine appropriate scopes of work, work elements, milestones, and deliverables prior to Bonneville and the sponsoring entity's execution of a project contract. Thus, notwithstanding spending projections in this IPR, there remains further opportunity for development of individual project budgets that appropriately account for project needs and Bonneville mitigation responsibilities. (Bonneville also notes that the Fish and Wildlife Program tends to underspend available funding; and given that Bonneville regularly works with its partners to re-allocate certain unspent funds across projects, and sometimes across budget years, to address project priorities, Bonneville is challenged to project an even higher spending level than what's reflected in the IPR Initial Publication.)

#### *Northwest Power and Conservation Council's Columbia River Basin Fish and Wildlife Program*

Some commenters claim that even higher fish and wildlife spending projections than those included in the IPR Initial Publication are needed to address certain provisions of the Northwest Power and Conservation Council's (Council) Columbia River Basin Fish and Wildlife Program (Council Program). In particular, these comments contend that increased fish and wildlife spending is necessary to enable an expansion of mitigation work in the Spokane River area and implementation of phase two of the Upper Columbia United Tribes' plans for passage and reintroduction or the parallel provision of the Council's Program. As to the former, Bonneville has already undertaken a number of steps responsive to the Council Program recommendation to begin a staged expansion of mitigation efforts in the Spokane River area. Examples include an increase in hatchery project funding, supplemental funding for Northern Pike suppression efforts, and substantial investment in new and upgraded project equipment. Some of these increased mitigation efforts have been funded without need for an overall increase to fish and wildlife program spending. In addition, as described above, IPR does not establish spending levels for individual projects, so if Bonneville later determines additional action is warranted on this effort, considering the extent of Bonneville's mitigation responsibilities, such additional actions are in no way precluded by the forecasted fish and wildlife spending levels in the IPR Initial Publication.

Similarly, with respect to passage and reintroduction above Grand Coulee and Chief Joseph dams, the Council has been clear that the breadth of issues implicated by this topic extends well beyond the scope of the Council's Program or Bonneville's responsibility.<sup>6</sup> It also necessarily involves additional key entities, namely the U.S. Army Corps of Engineers and the Bureau of Reclamation, which can be seen in the 2020 Addendum to the Council's Program directing its recommendations to "Bonneville *and others*" to continue to make progress on this front.<sup>7</sup> To that end, these agencies and other elements of the federal government recently committed to take the issue up in a separate process: "Specific to reintroduction, the Administration commits to developing and implementing a plan to explore providing full support for and funding of Phase II reintroduction actions as well as other reintroduction efforts in the Upper Columbia River."<sup>8</sup> Thus, while actions related to this effort are not sufficiently definite to constitute Bonneville-specific cost drivers at this time, such actions are not precluded by Bonneville's current cost forecasts either. As explained above, IPR does not dictate what expenditures Bonneville can or cannot undertake during a rate period, or even set an overall limit. Therefore inclusion of speculative cost projections for these types of potential actions is not necessary to enable Bonneville to participate in such efforts if it later determines that doing so is necessary or appropriate, including during the next rate period.

#### Funding for Mitigation Assets

Certain commenters propose a sharper increase in the pace of funding and implementation of Bonneville's maintenance of existing fish and wildlife mitigation assets. The level of Bonneville's expected asset management expenditures over the next rate period, as reflected in the IPR Initial Publication, already represents an approximate \$2.2M increase in asset management investment compared to prior rate periods, and would likewise allow for an increased pace of implementation for known maintenance needs. The nature of a sound investment strategy for asset management is that it occurs on a rolling basis in response to priority needs. Thus, Bonneville's projected increase in spending for fish and wildlife asset management recognizes the urgency of addressing priority maintenance needs in a timely manner. To the extent that comments on this topic suggest that the projected asset management spending level increases the risk of asset failures, Bonneville notes that the agency retains

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<sup>6</sup> See COUNCIL, COLUMBIA RIVER BASIN FISH AND WILDLIFE PROGRAM 2014, app. S, 301 ("[T]he Council agrees that responsibility for the complete investigation and implementation of passage and reintroduction at these major blockages is ultimately a major policy decision for the region and nation and a shared responsibility that should not fall just on Bonneville and the ratepayers."); *id.* ("Precisely how the provisions are to be implemented, funds made available, and responsibility decided upon and shared were not subjects for the amendment process but for follow-on implementation discussions and decisions. The Council agreed that it is important to proceed carefully, prudently, in a cautious step-wise, and science-based fashion in making decisions to invest program resources in what could be an expensive and difficult reintroduction and passage effort. Congressional authorization and appropriations are always welcome and encouraged, and may be necessary for certain elements and phases (such as major passage modifications to federal dams)."); *id.* ("Bonneville and possibly other federal agencies can fund and begin the reintroduction and passage investigations *in the first phase.*") (emphasis added) available at [2014-12\\_1.pdf \(nwcouncil.org\)](#).

<sup>7</sup> See COUNCIL, 2020 ADDENDUM TO THE COLUMBIA RIVER BASIN FISH AND WILDLIFE PROGRAM, at 39 (emphasis added) available at [2020-9.pdf \(nwcouncil.org\)](#).

<sup>8</sup> Joint Motion to Extend the Stay Litigation, NWF v. NMFS No. 3:01-cv-640-SI (D.Or. Aug. 4, 2022), ECF 2423, Ex. 2.

its ability to reprioritize asset management work based on the most urgent known needs, including as informed by new developments that arise during the upcoming rate period; furthermore, the expected asset management expenditure level reflected in this IPR does not in any way preclude Bonneville from addressing additional costs of maintenance needs that might arise unexpectedly during the next rate period.

#### Equitable Treatment and Scope of Bonneville's Fish and Wildlife Mitigation

Several comments raised issues that Bonneville has already addressed in past processes. For example, to the extent that any submitted comments have suggested that the "equitable treatment" provision of the Northwest Power Act requires Bonneville to increase its fish and wildlife spending projections in this IPR, that suggestion raises a legal issue that Bonneville addressed in the BP-22 Record of Decision.<sup>9</sup> Bonneville's position on that issue remains as stated in that Record of Decision. Other comments suggest that the basis for Bonneville's fish and wildlife mitigation is to redress impacts to entities; however, the basis is tied to mitigation of fish and wildlife resources.<sup>10</sup>

#### Lower Snake River Compensation Plan

Commenters also raise questions about funding for the Lower Snake River Compensation Plan (LSRCP) hatcheries. The funding of LSRCP hatcheries implicates the nature and scope of Bonneville's direct-funding relationship with the U.S. Fish and Wildlife Service, which Bonneville addressed in a prior IPR closeout report.<sup>11</sup>

With respect to projected cost levels for the LSRCP in the timeframe addressed by this IPR, several commenters explained that projected costs included in the Initial Publication were insufficient. Consistent with a memorandum of agreement between Bonneville and the U.S. Fish and Wildlife Service,<sup>12</sup> the U.S. Fish and Wildlife Service and Bonneville developed a projection of anticipated LSRCP costs for fiscal years 2024 and 2025, based on information available to the Service, in preparation for the Initial Publication in this IPR process. Subsequently, the Service notified Bonneville of an updated, itemized, cost estimate for those fiscal years. After considering the information provided by U.S. Fish and Wildlife Service of the projected costs for this rate period, Bonneville agrees an increase to the initial LSCRP line item projection is warranted. Although other commenters asserted even greater LSRCP

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<sup>9</sup> BP-22 ROD, *supra* note 1.

<sup>10</sup> See Bonneville Comments to Council, *supra* note 1, at note 19 and accompanying text (citing Council Memorandum, Questions about Council and about Power Act mitigation re draft Southern Idaho Wildlife Mitigation MOA, Aug. 29, 2014 (explaining Council's legal opinion that mitigation obligations under the Northwest Power Act are "neither state nor regional" (nor tribal, presumably) in response to the question "Are the Power Act obligations tied to specific states and tribes or is it a general obligation to the region?")).

<sup>11</sup> BONNEVILLE POWER ADMIN., Integrated Program Review 2, Closeout Report (April 2021), 10-11, *available at* [20210430-IPR-Close-Out-Letter-Report.pdf \(bpa.gov\)](https://www.bpa.gov/20210430-IPR-Close-Out-Letter-Report.pdf) (explaining the U.S. Fish and Wildlife Service's administration of and responsibilities for the program, the nature and scope of Bonneville's agreement to provide direct funding to the Service, and the types of costs that Bonneville does not direct fund).

<sup>12</sup> Memorandum of Agreement between the Department of Energy acting by and through the BPA and the Department of Interior acting by and through the USFWS for Direct Funding of Operations and Maintenance Costs of the Lower Snake River Compensation Plan Program, 2021 (on file with Bonneville).

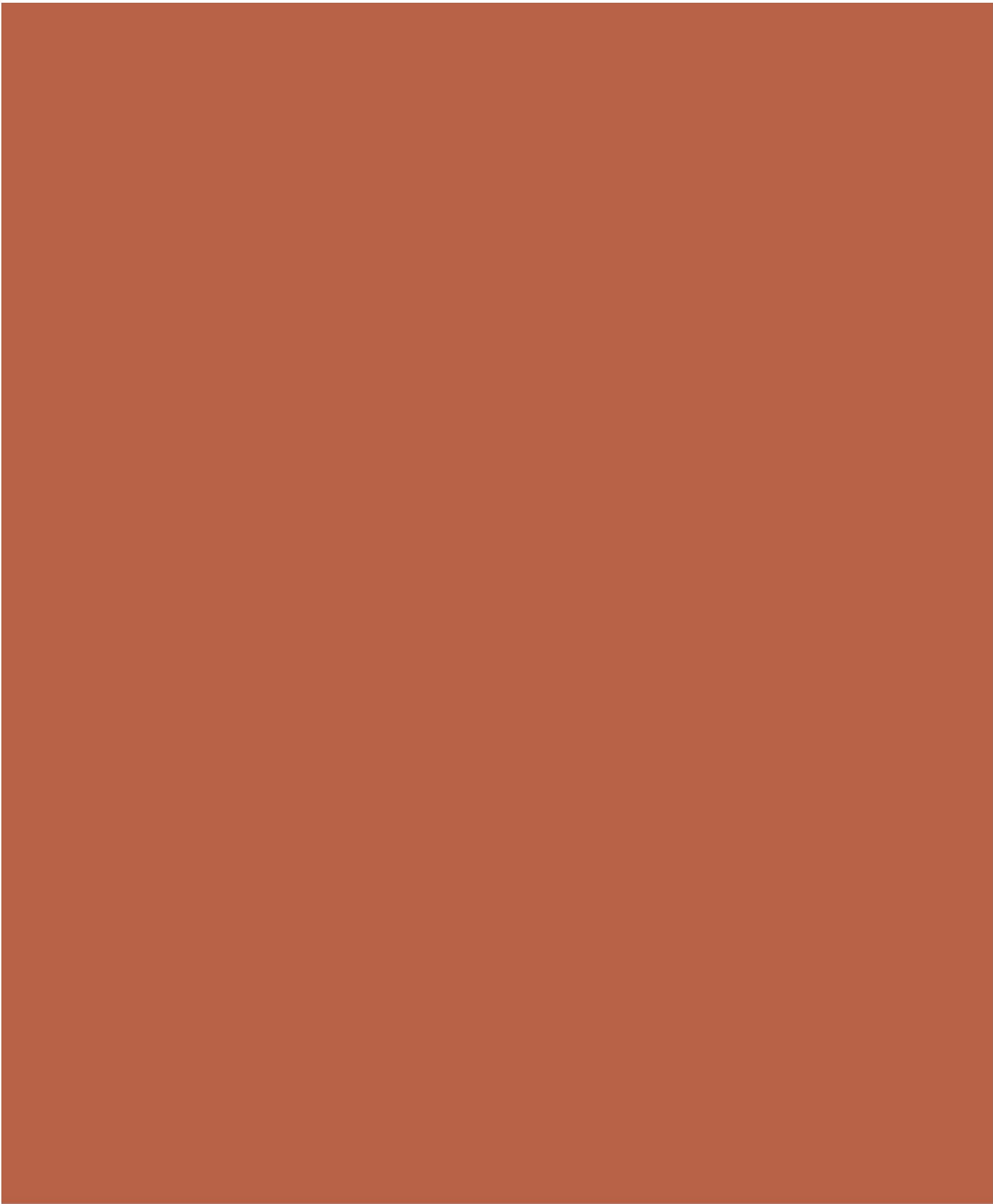
funds are needed, Bonneville coordinates its direct funding for LSRCP with the Fish and Wildlife Service through that agreement.

#### *U.S. Army Corps of Engineers (USACE) Costs*

Finally, certain commenters suggest that Bonneville's IPR cost projections should be increased to account for capital construction and operations and maintenance actions that the commenter expects the USACE to undertake for fish. When Bonneville is responsible for the power-share of such costs, Bonneville either directly funds the USACE for the power-share, or reimburses the U.S. Treasury for the power-share of congressional appropriations for these costs.<sup>13</sup> Either way, the USACE still must seek and receive appropriations for the non-power share of costs, at least, before any work can move forward. Bonneville power-share funds alone do not allow a project to proceed. Therefore, Bonneville need not project direct-funding or reimbursable costs in an IPR process prior to a congressional appropriation for the non-power share of such costs. As the commenter notes, Congress ultimately controls USACE's O&M budgets, which it has yet to decide for fiscal years 2024 and 2025. Further, while Bonneville participates in the advisory committees that recommend certain fish passage operation and maintenance actions to the USACE, this role is purely advisory. The USACE ultimately determines its priorities and associated budget requests for fish passage operations and maintenance. And while the amount of funding that Bonneville makes available through direct-funding is subject to the agency's discretion, the USACE can include the entire amount of funds needed for both capital and O&M actions in its requests through the congressional appropriations process.

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<sup>13</sup> The reimbursement amount when Bonneville repays the U.S. Treasury for the power-share of capital costs is divided over numerous Bonneville rate periods, beginning after the capital work has been placed into service.



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DOE/BP-5200 • October 2022