BPA responses to Quarterly Business Review and Technical Workshop questions
Fiscal Year 2024, Fourth Quarter

Presentation materials are posted to BPA's Quarterly Business Review's webpage.

Quarterly Business Review, Nov. 12, 2024, 10 a.m.

Submitter: Sidney Villanueva, Blue Skies Law

1. Question: Can you provide more details regarding the record hiring and lower staffing levels than planned that Marcus mentioned? Was that agency-wide or specific to TS?

   BPA response: The record hiring of more than 160 new federal positions is for actual hiring agency wide. BPA budgeted for 284 new federal positions. The difference is one of the main drivers for lower IPR expenses than budgeted in the IPR cost target due to lower staffing costs from Enterprise Services programs.

Submitter: Sidney Villanueva, Blue Skies Law

2. Question: Will there be more discussion in any public proceedings about the CRT (Columbia River Treaty)?

   BPA response: The U.S. negotiating team for the Treaty is led by the U.S. Department of State and includes representatives from BPA, the U.S. Army Corps of Engineers Northwestern Division, the Department of the Interior's Bureau of Reclamation, and the Department of Commerce's National Oceanic and Atmospheric Administration. Public engagement and involvement efforts are also led by the State Department. Please visit https://www.state.gov/columbia-river-treaty/ for updates on these efforts and any upcoming additional public outreach.

Quarterly Business Review's Technical Workshop, Nov. 12, 2024, 1 p.m.

Submitter: Sidney Villanueva, Blue Skies Law

3. Question: Can you confirm know how much of the 1 billion increases in non-IPR expenses was during the Jan cold snap?

   BPA response: For the month of January, BPA purchased $530 million worth of power purchases. We do not have financial data specific to the cold snap.

Submitter: Scott Levy, Red Fish Blue Fish Film

4. Question: I would like to know the amount of the January Cold Snap losses will receive Section 401 Power Act Fish Credits to reduce debt due to the US Treasury. If I do not see a written reply, I'll follow up with my BPA contacts.

   BPA response: BPA received approximately $105 million in 4h10c credits for the month of January. We do not have financial data specific to the cold snap.

Submitter: Sidney Villanueva, Blue Skies Law

5. Question: thanks for the additional staffing info. Does that mean there are matching personnel costs for PS? Do you have the FTE numbers?

   BPA response: Corporate did not meet their staffing budgets. Power and Transmission met their staffing budget for federal personnel, net of corporate allocated personnel expense. Corporate FTE are not allocated, but the corresponding lower costs than planned are in the Power and Transmission income statements as a part of Enterprise Services G&A.

Submitter: Anna Berg, TEA

6. Question: What is the BPA's est'd EIM net revenues for FY2024?

   BPA response: The estimated EIM net revenue for FY24 is approximately negative $13.8 million. These net revenues include the Power (PRSC) revenue (and contra revenue), Transmission's EESC expenses and sub-allocations from Transmission (EESC) to external customers. From the Power (PRSC) perspective, the WEIM net revenues are considered as part of the overall surplus marketing portfolio and are a component of the net secondary revenue. These financial values do not represent the full EIM benefits that result from the overall marketing strategy.

Submitter: Sidney Villanueva, Blue Skies Law

7. Question: Can you confirm which executives were involved in that informal discussion about the RDC recommendation?

   BPA response: Today's presentation shared staff's proposal, which is open for public comment on bpa.gov/comment from Nov. 12 to Nov. 22.

Submitter: Carol Opatrny, ccopat@e-z.net

8. Question: What is the anticipated transmission rate increase? And what impact would the $82 million RDC have to that increase?

BPA response: The initial proposal for BP-26 power and transmission rates was released November 22. The overall average proposed transmission rate increase is approximately 24 percent. The proposal to apply the FY 2024 Transmission RDC to flexible debt reduction has no impact on the proposed rate increase. See BPA's BP-26 Rate Case webpage for more information.

Submitter: Carol Opatrny, ccopat@e-z.net

9. Question: For Transmission Capital Metrics, can you remind me of what Category A and B are, please.

   BPA response: Category A are assets that can easily be counted as individual items. Examples of this would be relays, insulators, or breakers. Category B asset are those that are measured by length. Examples of this would be lines or access roads.

Submitter: Sidney Villanueva, Blue Skies Law

10. Question: How do we know that slide 39 shows more than just more money spent?

    BPA response: The best way to recognize this is by looking at all three slides around Transmission Capital work. The first is the Assets planned slide #40 (category A & B) that shows we had planned to install a certain level of assets for the budget we set aside, and this shows that we far exceeded this asset installation. The next slide #41 shows that we met or exceeded all our project measures which indicates that the money being spent is meeting or exceeding our plans. And lastly is the slide #42 that shows the spend throughout the year and our ability to execute work that exceeded our forecast spend.

Submitter: Sidney Villanueva, Blue Skies Law

11. Question: I see and hear that you are completing projects, which is great, but there is nothing for us to compare to... (?)

    BPA response: Part 1: These metric slides are meant to show overall projects completed as compared to planned execution. Slide 40 shows the projects planned vs completed. As mentioned in the response to question #10 above, category A is 162% and Category B is 200% of our planned execution in FY24. Slide 41 tracks the status of additional project milestones and slide 42 brings it together to show the costs of completing all capital projects. Part 2: Given Transmission was able to execute more than planned, this helps to explain why Transmission had higher capital costs and provides a comparison to what was planned versus accomplished on both a completed, milestone, and cost perspective. Additionally, Transmission presents these slides every quarter. Therefore, you will see the progression throughout the year for comparison.

Submitter: Eric Espenhorst, eric.espenhorst@seattle.gov)

12. Question: Do you have information that transfers should be a bell curve?

    BPA response: No. The market engine dispatches participating resource capacity in order to minimize the cost of meeting load across the EIM footprint, given the transmission capability made available to the market. The resulting BAA-to-BAA flows are an artifact of (among other things) price-insensitive imbalance and of price-sensitive / economic dispatch. To the extent that prevailing market conditions result in systematic variation in marginal costs of energy generation across the EIM footprint, transfers will, as a general rule, not reflect a normal distribution.

Submitter: Henry Tilghman, Tilghman Associates

13. One of the concerns I have is the lack of any update on the AGC upgrade (the one that is underway now and must be completed before non-federal generation can become participating resources in the EIM). BPA indicates that the AGC modernization is complete as of September 2023. That's probably an artifact of the defined scope of that project, but it seems a little disingenuous given the facts on the ground. Since the project is never mentioned in the QBR, I don't have a sense of the urgency BPA has in completing that project.

    Is there an update on that project (especially the timeline)? And can we get updates for that project included in the QBR in the future? Thanks.

    BPA response: AGC Modernization was part of the goal to modernize assets and system operations in the BPA 2018-2023 Strategic Plan. AGC Modernization was a 5-year effort from 2018 through 2023 that included AGC updates to allow BPA to join and operate in the WEIM. There were several other upgrades to the AGC 2.6 base product as part of that effort, including significant improvements in how BPA holds and deploys reserves and operates FCRPS hydrogeneration resources. The AGC Modernization effort is separate from the current AGC 3.3 Upgrade effort, which was explicitly spelled out to customers when announcing the moratorium on new AGC projects.

    The current AGC Upgrade effort is the upgrade from the AGC 2.6 vendor platform to the AGC 3.3 vendor platform. The upgrade in vendor platforms was postponed during the AGC Modernization effort and has now resulted in a very focused effort to upgrade that AGC platform to the current 3.3 standard product to keep AGC both compliant (cyber security updates) as well as reliable. This has turned out to be a very large scope and complex effort due to the significant differences between vendor platform products. The schedule for the current AGC upgrade to version 3.3 has not been published externally.

Submitter: Henry Tilghman, Tilghman Associates

14. I'm trying to understand the relationship between the information we have for the FY 2023 RDC and the FY 2024 RDC. The justification for part of the FY 2023 decision was that there were $50 million in forecast costs not included in the IPR forecast. The latest information is that IPR expenses were $16 million below target for FY 2024. For the rate period I suppose that means that there were $34 million in expenses above the IPR forecast. But were there really $50 million in extra costs in FY 2023 and $16 million below costs for FY 2024? Or was the estimate of $50 million in additional costs in FY 2023 an overestimate for the rate period (such that the estimate of $50 million back in 2023 proved to only be an actual of $34 million)?

    BPA Response: Of the $130.4 million FY 2023 RDC Amount, $80 million was applied toward flexible debt reduction or revenue financing in FY 2024. BPA applied the remaining $50.4 million of the FY 2023 RDC Amount to be held as financial reserves to reflect forecast costs not included in the IPR process. As discussed in the FY 2023 RDC Response to Comments, the RDC process was not intended to involve a general review of all of BPA's costs and revenues at the time or the depth of study and analysis that precedes a rate case. BPA also did not decide to fund specific costs or uses at particular levels. The approximate cost forecasts reflected critical work contracts, personnel costs, strategic work such as Evolving Grid and new market opportunities, generator interconnection reform implementation and other initiatives. Any difference between actual and forecast costs and revenues contribute to the end of year reserves for risk.

    Also, the December 2023 letter indicated that BPA would deploy $80 million of the FY 2023 TBL RDC "toward debt reduction or revenue financing with BPA retaining the flexibility to forego some or all of the planned debt reduction to preserve BPA's liquidity." How did BPA actually deploy the $80 million? In other words, how much of the $80 million was actually deployed for debt reduction and how much (if any) was retained to preserve liquidity (and would presumably still be in TBL's reserves making up part of the $82.2 million RDC at issue now)?

    BPA Response: The $80 million portion of the FY 2023 RDC amount was used to pay $80 million of additional Transmission-related federal debt in FY 2024, above what was scheduled in the rate case. The note below is an excerpt from [FY 2023 U.S. Treasury payment press release] found on BPA.gov.

    "This year's payment includes $508.3 million in principal and $231.9 million in interest. The principal includes approximately $80 million of additional federal debt payment associated with the fiscal year 2023 Reserves Distribution Clause for Transmission Services. The remaining $52.1 million covers a variety of other costs, including irrigation assistance payments that BPA provides to help irrigators repay their share of certain Bureau of Reclamation projects."