

BPA Policy 210-1

Interest Rate

Table of Contents

1. Purpose & Background	2
2. Policy Owner	2
3. Applicability	2
4. Terms & Definitions	2
5. Policy.....	2
5.1 General	2
5.2 Creating and Establishing a New Interest Rate Methodology or Changing an Existing Interest Rate Methodology.....	3
6. Policy Exceptions	3
7. Responsibilities	3
8. Standards & Procedures	3
9. Performance & Monitoring	3
10. Authorities & References	3
11. Review	4
12. Revision History	4
Appendix A. List of Interest Rates	5



1. Purpose & Background

Bonneville Power Administration (BPA) applies different interest rates for different purposes in its operations with customers and stakeholders which are established through a variety of methods. Finance has an inherent responsibility to maintain, inform, and guide users on the appropriate application of interest rates for various operations.

This document provides BPA's policy for the use of interest rates in operations, negotiations, contractual arrangements, memorandums of understanding, and forecasts to ensure consistency. It also describes the various types of interest rates most commonly applied.

2. Policy Owner

The Executive Vice President (EVP) & Chief Financial Officer owns this policy, and assigns responsibility for its implementation and maintenance to the manager of Revenue Requirement, Repayment & Financial Strategy (FTR).

Any unforeseen circumstances regarding use of interest rates not addressed in this policy must be brought before the Manager of Financial Strategy and Operations (FT) for decision.

3. Applicability

This policy applies to all organizations within BPA for any agency function that requires an interest rate for borrowing, contracting, or fee collection needs.

4. Terms & Definitions

- A. **Discount:** Any time an owing party is permitted to pay less than the face value to satisfy a debt owed. The conditions and parameters of a discount are included in the written terms of a debt instrument.

5. Policy

5.1 General

- A. All operational uses of interest rates shall be consistent with the rates defined in Appendix A.
- B. BPA does not pay interest on customer funds held in the Bonneville Fund unless required by Federal statute or regulation, or by contractual provisions that include interest payment components.
- C. The manager of FT shall be consulted and must provide approval before any discount for early payment or prepayment of amounts owed to BPA is offered.

Organization Revenue Requirement, Repayment & Financial Strategy (FTR)		Title Interest Rate	Unique ID 210-1	
Author William Hendricks (FTR)	Approved by Michelle Manary, EVP & Chief Financial Officer	Date 1/18/2019	Version 1.0	Page 2

5.2 Establishing or Changing an Interest Rate Methodology

- A. Prior to establishing a new interest rate or changing an existing interest rate that is currently in use at BPA, the manager of FT shall be consulted and must provide approval before that new or changed interest rate methodology is incorporated into a BPA contract or financial process. This includes rates set by parties outside of BPA (such as the Federal Energy Regulatory Commission (FERC) or the Western Systems Power Pool (WSPP)) and applicable to BPA, but excludes rates set by Treasury (i.e. for appropriations) to comply with BPA statutory authority (see Section 10, *Authorities & References*).
- B. As sources and methodologies for particular interest rates change, Appendix A will be updated to reflect any changes. The manager of FTR group shall be consulted before any updates are made.

6. Policy Exceptions

Any and all exceptions to this policy are at the discretion of the manager of FT.

7. Responsibilities

- A. The staff of the FTR group is responsible for updating Appendix A of this policy as needed, with approval from the manager.
- B. The Director, Customer Support Services, is responsible for ensuring customer contract interest rates conform with this policy.
- C. BPA managers are responsible to ensure this policy is followed by their organizations.
- D. BPA staff must follow this policy.

8. Standards & Procedures

None. See Section 7 above.

9. Performance & Monitoring

All BPA managers are responsible for monitoring their operations to ensure that the Interest Rate Policy is followed or an exemption is granted.

10. Authorities & References

- A. 16 USC, Chapter 12g, *Bonneville Power Administration Refinancing Section of the Omnibus Consolidated Rescissions and Appropriations Act of 1996*
- B. BPA Policy 212-9, *Allowance for Funds Used During Construction (AFUDC)*

Organization Revenue Requirement, Repayment & Financial Strategy (FTR)		Title Interest Rate	Unique ID 210-1	
Author William Hendricks (FTR)	Approved by Michelle Manary, EVP & Chief Financial Officer	Date 1/18/2019	Version 1.0	Page 3

11. Review

The manager of the FTR group shall ensure that this policy is reviewed at least every five years.

The manager of the FTR group shall ensure that staff update Appendix A as information changes.

12. Revision History

Version	Issue Date	Brief Description of Change or Review
1.0	1/18/2019	Initial policy

Organization Revenue Requirement, Repayment & Financial Strategy (FTR)	Title Interest Rate	Unique ID 210-1		
Author William Hendricks (FTR)	Approved by Michelle Manary, EVP & Chief Financial Officer	Date 1/18/2019	Version 1.0	Page 4

Appendix A: List of Interest Rates

Below is a list of all interest rates used across BPA with a brief description and their source.

1. Allowance for Funds Used During Construction (AFUDC) FERC Rate

DESCRIPTION: BPA uses the FERC formula for AFUDC as defined in Title 18 CFR Part 101 Electric Plant Instruction 3(A)(17). Please see BPA Policy 212-9 for details.

SOURCE: Email the current manager of the Debt & Liquidity Management (FTL) group for current rates.

2. Appropriations Rate

DESCRIPTION: Provided by the Office of Debt Management and published in the Official Interest Rate and Inflation Forecast.

SOURCE:

<https://finance.bud.bpa.gov/FT/FTR/Common%20Agency%20Assumptions/Forms/AllItems.aspx>

NOTE: Choose the most recent Interest Rate and Inflation Forecast and review the table of contents to find the Appropriations table.

3. BPA Total Weighted Average Cost of Borrowing

DESCRIPTION: Equal to the weighted average interest rate of outstanding BPA debt. This can include but is not limited to subsets for all types of debt (e.g. Federal, non-Federal, Bond, Appropriation, Asset Class, etc.)

SOURCE: Email the current manager of the Debt & Liquidity Management (FTL) group for current rates.

4. Consumer Price Index (CPI)

DESCRIPTION: The rate representing changes in prices paid by all urban consumers.

SOURCE: <https://www.bls.gov/cpi/latest-numbers.htm>

NOTE: The “CPI-U, US City Average, All Items” links are to be employed for general use but others may be used if they are more relevant.

Organization Revenue Requirement, Repayment & Financial Strategy (FTR)	Title Interest Rate	Unique ID 210-1
Author William Hendricks (FTR)	Approved by Michelle Manary, EVP & Chief Financial Officer	Date 1/18/2019
		Version 1.0
		Page 5

5. Discount Rates

DESCRIPTION: This rate is used to discount projected cashflows, both risk adjusted and risk free discount rates are available at the listed source.

SOURCE: <https://portal.bud.bpa.gov/sites/CASAT/Pages/AssetManagementVersion-DiscountRates.aspx>

6. Disputed Payment Refund, Tariff contracts

DESCRIPTION: Used by tariff transmission contracts.

SOURCE: See FERC Rate, Appendix A, Item 9, of this policy.

7. Disputed Payment Refund, Non-Tariff contracts

DESCRIPTION: Prime Rate divided by 365, used by power and non-tariff transmission contracts.

SOURCE: See Prime Rate, Appendix A, Item 17, of this policy.

8. Disputed Payment Refund, WSPP

DESCRIPTION: 1% per month or highest rate allowed by law.

SOURCE: 12% Per Annum or highest rate allowed. See latest version of the WSPP contract in [Power's Customer Contract Management System \(CCMS\)](#) for rate information. Contact the CCM Help Desk if locating a contract is difficult: call extension 4226, or email ccm_support@bpa.gov.

9. FERC Rate

DESCRIPTION: The Commission, on a quarterly basis, publishes interest rates for oil, natural gas, and electricity for determination of refund purposes.

SOURCE: <https://www.ferc.gov/enforcement/acct-matts/interest-rates.asp>

10. Government Agency Rate

DESCRIPTION: Rate at which BPA borrows from the U.S. Treasury.

SOURCE: Email the current manager of the Debt & Liquidity Management (FTL) group.

11. Late Payment Charge

DESCRIPTION: 1% per month or highest rate allowed by law. (Used on any WSPP Transactions)

Organization Revenue Requirement, Repayment & Financial Strategy (FTR)	Title Interest Rate	Unique ID 210-1
Author William Hendricks (FTR)	Approved by Michelle Manary, EVP & Chief Financial Officer	Date 1/18/2019
		Version 1.0
		Page 6

SOURCE: 12% Per Annum or highest rate allowed. See latest version of the WSPP contract in [Power's CCMS](#) SharePoint site for rate information. Contact the CCM Help Desk if locating a contract is difficult: call extension 4226, or email ccm_support@bpa.gov.

12. Late Payment Interest owed to BPA, Power

DESCRIPTION: Unless otherwise stated in the BPA Power contract, all late payment charges are subject to BPA's Wholesale Power Rates General Rate Schedule Provisions (GRSP), as revised, replaced or extended by a successor rate schedule. Late payment interest shall be calculated from the due date of the bill to the date that BPA receives the invoiced amount.

SOURCE: See current Average Power Rates schedule at:

<https://www.bpa.gov/Finance/RateInformation/Pages/Current-Power-Rates.aspx>

NOTE: For more information, click the "Power Rate Schedules and General Rate Schedule Provisions" link.

13. Late Payment Interest owed to BPA, Transmission

DESCRIPTION: All late payment charges will be calculated in accordance with Section 7.2 of Transmission Policy, Open Access Transmission Tariff (OATT), dated April 26, 2016. Late payment interest shall be calculated from the due date of the bill to the date that BPA receives the invoiced amount.

SOURCE: <https://www.bpa.gov/transmission/Doing%20Business/Tariff/Pages/default.aspx>.

NOTE: The "OATT Interest Rates" link at the site above provides all technical data; however, the main page provides much more context and publications.

14. Late Payment Interest owed to BPA, Miscellaneous Receivables

DESCRIPTION: This may include overpayment on travel, relocation advances, or other miscellaneous reasons.

SOURCE: All late payment charges will be calculated in accordance with the agreement or contract. If the agreement or contract is silent, the rate will be the Prime Rate (Appendix Item 17) multiplied by a factor of 1.5, or the Prime Rate plus 4%, whichever is greater, divided by 365.

15. OATT Rate

DESCRIPTION: The OATT defines the terms and conditions of point-to-point and network integration transmission services offered by BPA Transmission Services.

SOURCE: <https://www.bpa.gov/transmission/Doing%20Business/Tariff/Pages/default.aspx>

Organization Revenue Requirement, Repayment & Financial Strategy (FTR)		Title Interest Rate	Unique ID 210-1	
Author William Hendricks (FTR)	Approved by Michelle Manary, EVP & Chief Financial Officer	Date 1/18/2019	Version 1.0	Page 7

NOTE: The “OATT Interest Rates” link at the site above provides all technical data, however, the main page provides much more context and publications.

16. Prime Rate

DESCRIPTION: The most common interest rate is called the prime rate. It is listed in the Money Rates section of The Wall Street Journal and represents the base rate on corporate loans posted by at least 75% of the nation’s 30 largest banks.

SOURCE: Wall Street Journal http://www.wsj.com/mdc/public/page/2_3020-moneyrate.html

NOTE: The Prime Rate is listed under the “International Rates” header.

17. Projected Borrowing Rates

DESCRIPTION: Future interest rate assumptions for Appropriations, Agency, Taxable, and Tax Exempt rates. The forecast is updated annually in October and communicated through a memo.

SOURCE:
<https://finance.bud.bpa.gov/FT/FTR/Common%20Agency%20Assumptions/Forms/AllItems.aspx>

18. Projected Inflation Rates

DESCRIPTION: Future inflation rates and Gross Domestic Product deflators. The forecast is updated annually in October and communicated through a memo.

SOURCE:
<https://finance.bud.bpa.gov/FT/FTR/Common%20Agency%20Assumptions/Forms/AllItems.aspx>

19. Prompt Payment Act Interest Rates

DESCRIPTION: The Prompt Payment Act, 31 USC Chapter 39, gives guidance for assessing late interest penalties against agencies that pay vendors after a payment due date. This rate was established under the Contract Disputes Act and is referred to as the "Renegotiation Board Interest Rate," the "Contract Disputes Act Interest Rate," and the "Prompt Payment Act Interest Rate."

SOURCE:
https://www.fiscal.treasury.gov/fsservices/gov/pmt/promptPayment/promptPayment_home.htm

NOTE: The “Current and historical rates for paying interest” link at the site above provides all technical data, however, the main page provides much more context and publications.

Organization Revenue Requirement, Repayment & Financial Strategy (FTR)		Title Interest Rate	Unique ID 210-1	
Author William Hendricks (FTR)	Approved by Michelle Manary, EVP & Chief Financial Officer	Date 1/18/2019	Version 1.0	Page 8

20. Residential Exchange Interest, Calculation for Deemer Balances

DESCRIPTION: CPI (Corporate) incremental change to the CPI is multiplied by the previous month's Deemer balance to determine the incremental interest component of a given month's Deemer balance. The tracking of Deemer balances currently only applies to Idaho Power Company.

SOURCE: <https://www.bls.gov/cpi/latest-numbers.htm>

NOTE: The "CPI-U, US City Average, All Items" is to be used in this case.

21. Treasury Current Value of Funds Rate

DESCRIPTION: Rate applied to overpayment of travel, relocation advances, payroll, or other Federal Government receivables.

SOURCE: https://www.fiscal.treasury.gov/fsreports/rpt/cvfr/cvfr_home.htm

Organization Revenue Requirement, Repayment & Financial Strategy (FTR)	Title Interest Rate	Unique ID 210-1		
Author William Hendricks (FTR)	Approved by Michelle Manary, EVP & Chief Financial Officer	Date 1/18/2019	Version 1.0	Page 9