

To: Rate Case Parties

On April 29, 2019, BPA filed an official notice on the BPA Secure Rate Case Website of a meeting for rate case parties following the [Finance Workshop](#) on May 3, 2019. The BP-20 rate case meeting will directly follow the Finance Workshop with a 15 minute break between the two meetings. The Finance Workshop will address, among other topics, the Columbia Generating Station decommissioning study and the resulting accounting changes that will be reflected in BPA's 2020-21 financial statements.

The rate case meeting will address the effect of these accounting changes on the rate case. To make crosswalks between the rate case forecasts and actual financial performance more straightforward, BPA would like to reflect the accounting changes in the final BP-20 power revenue requirement. Incorporating the new accounting practice into the final study would simplify forecast-to-actual explanations and have no effect on the power rate levels.

BPA could also wait to incorporate the accounting changes until the BP-22 rate case. This, however, is not BPA's preferred alternative. Not reflecting the accounting changes now means that the rate case would have embedded differences when compared to BPA's actual accounting of CGS decommissioning costs. These differences would need to be explained each time BPA reports its quarterly financial results. Regardless of which path is taken, the Slice true-ups in the FY 2020-21 rate period would reflect the accounting changes related to the new study.

The meeting materials, BP-20 Final Proposal: CGS Decommissioning Study, are attached.

### **Objections to reflecting CGS decommissioning accounting changes in BP-20 Final Proposal**

Parties who have objections to reflecting the CGS decommissioning accounting changes in the BP-20 final proposal Power Revenue Requirement Study are asked to email them to Christian Griffen ([cwgriffen@bpa.gov](mailto:cwgriffen@bpa.gov)) no later than COB Thursday, May 9, 2019. BPA will file a Notice of Official Posting on the BP-20 Secure Rate Case website on Friday, May 10, advising if any or no objections were received. Copies of any objections received will be included as attachments to the Notice.

Pursuant to section 1010.5 of Bonneville's Rules of Procedure governing section 7(i) hearings, BPA is hereby providing prior notice of the rate case meeting and noting that matters relevant to issues pending in the BP-20 rate proceeding will be discussed at the May 3, 2019, meeting with rate case parties.

## **Finance Workshop/BP-20 Rate Case Meeting – WebEx/Phone Information – May 3, 2019**

NOTE: The rate case meeting will directly follow the Finance Workshop (scheduled to begin at 9:30 a.m.) after a 15 minute break between the two meetings.

- Where: Rates Hearing Room, 1201 Lloyd Blvd., Suite 200, Portland, OR
- Phone: (415) 527-5035
- WebEx: <https://doe.webex.com/doe/j.php?MTID=md600fa832f8719caf22a6fb79a99570f>
- Meeting number (access code): 903 691 977

## Attachment 1

BP-20 Final Proposal: CGS Decommissioning Study

# **BP-20 Final Proposal: CGS Decommissioning Study**

May 3, 2019



# BP-20 Final Proposal

- The accounting changes related to the CGS decommissioning trust fund discussed in the May 3<sup>rd</sup> Finance Workshop will be reflected in BPA's 2020-2021 financial statements.
- If not included in the BP-20 Final Proposal, the changes to the decommissioning trust fund account will result in more complex forecast-to-actual crosswalks.
- To remove some of this complexity, BPA would like to reflect the accounting change in the final rate case studies and make rate case forecast-to-actual crosswalks more straightforward.
- Incorporating the new accounting practice into the final study would have no net effect on the power revenue requirement or on rate levels.
- The changes due to the decommissioning trust fund accounting will be forecastable, accrued expenses (or credits) that will be included in future revenue requirements.
- Typically, we would not include these types of changes this late in the rate case process.
- There is no time left in the BP-20 schedule for a supplemental proposal.
- We will incorporate the changes in the final proposal if no party objects to their inclusion.
- If there are objections, we will not make changes to the BP-20 final proposal and will wait until BP-22.
  - Regardless of which path is taken, the Slice true-ups in the FY 2020-21 rate period will reflect the accounting changes related to the new study.

# Impact on the Revenue Requirement

- Estimating Expenses for the Final Proposal
  - Amortization of the asset retirement cost (ARC) and accretion of the asset retirement obligation (ARO) liability will follow the schedules calculated by accounting.
  - Interest earnings would be forecast using results for 2010-2018
  - Realized gains/losses would be forecast using actual results for 2010-2018
- Net Impact
  - All of the changes, except for the annual cash contribution to the fund, are non-cash in the sense that BPA does not receive cash (e.g., gains on the fund, interest earnings on the fund) nor does it contribute cash (e.g., amortization of the ARC, accretion of the ARO liability).
  - As a result, the changes to expenses need to be incorporated in the calculation of minimum required net revenues (MRNR). Any net change to expense will result in corresponding changes (in the opposite direction) to MRNR.
  - There is no net change to the total power revenue requirement.

# Changes to Revenue Requirement – Income Statement

Data is from the BP-20 Initial Proposal and is used for illustration purposes only.

|    | (\$000s)   | Status Quo |           | With Changes |           | Differences |          |
|----|--|------------|-----------|--------------|-----------|-------------|----------|
|    |  | A          | B         | C            | D         | E           | F        |
|    |  | 2020       | 2021      | 2020         | 2021      | 2020        | 2021     |
| 1  | OPERATING EXPENSES                                 |            |           |              |           |             |          |
| 2  | POWER SYSTEM GENERATION RESOURCES                  |            |           |              |           |             |          |
| 3  | OPERATING GENERATION RESOURCES                     | 685,445    | 741,192   | 681,345      | 736,892   | (4,100)     | (4,300)  |
| 4  | OPERATING GENERATION SETTLEMENT PAYMENTS           | 22,997     | 22,997    | 22,997       | 22,997    | 0           | 0        |
| 5  | NON-OPERATING GENERATION                           | 1,631      | 1,531     | 1,631        | 1,531     | 0           | 0        |
| 6  | CONTRACTED POWER PURCHASES                         | 79,338     | 67,665    | 79,338       | 67,665    | 0           | 0        |
| 7  | AUGMENTATION POWER PURCHASES                       | 0          | 0         | 0            | 0         | 0           | 0        |
| 8  | EXCHANGES & SETTLEMENTS                            | 249,094    | 249,059   | 249,094      | 249,059   | 0           | 0        |
| 9  | RENEWABLE GENERATION                               | 36,523     | 34,869    | 36,523       | 34,869    | 0           | 0        |
| 10 | GENERATION CONSERVATION                            | 121,530    | 121,644   | 121,530      | 121,644   | 0           | 0        |
| 11 | POWER NON-GENERATION OPERATIONS                    | 82,816     | 84,922    | 82,816       | 84,922    | 0           | 0        |
| 12 | PS TRANSMISSION ACQUISITION AND ANCILLARY SERVICES | 213,621    | 208,648   | 213,621      | 208,648   | 0           | 0        |
| 13 | F&W/USF&W/PLANNING COUNCIL                         | 291,811    | 292,470   | 291,811      | 292,470   | 0           | 0        |
| 14 | GENERAL AND ADMINISTRATIVE/SHARED SERVICES         | 77,436     | 78,475    | 77,436       | 78,475    | 0           | 0        |
| 15 | OTHER INCOME, EXPENSES AND ADJUSTMENTS             | 0          | (20,000)  | 0            | (20,000)  | 0           | 0        |
| 16 | DEPRECIATION                                       | 138,781    | 141,092   | 138,781      | 141,092   | 0           | 0        |
| 17 | AMORTIZATION                                       | 320,370    | 323,921   | 378,139      | 383,165   | 57,769      | 59,244   |
| 18 | TOTAL OPERATING EXPENSES                           | 2,321,392  | 2,348,484 | 2,375,061    | 2,403,428 | 53,669      | 54,944   |
| 19 |  |            |           |              |           |             |          |
| 20 | OTHER EXPENSE AND (INCOME)                         |            |           |              |           |             |          |
| 21 | INTEREST   |            |           |              |           |             |          |
| 22 | APPROPRIATED FUNDS                                 | 52,592     | 54,977    | 52,592       | 54,977    | 0           | 0        |
| 23 | CAPITALIZATION ADJUSTMENT                          | (45,937)   | (45,937)  | (45,937)     | (45,937)  | 0           | 0        |
| 24 | BONDS ISSUED TO U.S. TREASURY                      | 48,644     | 57,525    | 48,644       | 57,525    | 0           | 0        |
| 25 | BOND PREMIUMS/DISCOUNTS                            | 102        | 0         | 102          | 0         | 0           | 0        |
| 26 | NON-FEDERAL INTEREST                               | 246,632    | 236,677   | 246,632      | 236,677   | 0           | 0        |
| 27 | ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION       | (15,098)   | (15,852)  | (15,098)     | (15,852)  | 0           | 0        |
| 28 | INTEREST INCOME                                    | (2,232)    | (3,073)   | (11,032)     | (12,173)  | (8,800)     | (9,100)  |
|    | OTHER EXPENSE AND (INCOME)                         |            |           | (5,100)      | (5,200)   | (5,100)     | (5,200)  |
| 29 | OTHER EXPENSE AND (INCOME)                         | 284,703    | 284,317   | 270,803      | 270,017   | (13,900)    | (14,300) |
| 30 |  |            |           |              |           |             |          |
| 31 | TOTAL EXPENSES                                     | 2,606,095  | 2,632,801 | 2,645,864    | 2,673,445 | 39,769      | 40,644   |
| 32 |  |            |           |              |           |             |          |
| 33 | MINIMUM REQUIRED NET REVENUE 1/                    | 106,295    | 67,741    | 66,526       | 27,097    | (39,769)    | (40,644) |
| 34 | PLANNED NET REVENUE FOR RISK                       | 0          |           | 0            | 0         |             |          |
| 35 | PLANNED NET REVENUE, TOTAL (34+35)                 | 106,295    | 67,741    | 66,526       | 27,097    | (39,769)    | (40,644) |
| 36 |  |            |           |              |           |             |          |
| 37 | TOTAL REVENUE REQUIREMENT                          | 2,712,390  | 2,700,542 | 2,712,390    | 2,700,542 | 0           | 0        |

# Changes to Revenue Requirement – Cash Flows

Data is from the BP-20 Initial Proposal and is used for illustration purposes only.

|          |  | Status Quo |           | With Changes |           | Differences |          |
|----------|--|------------|-----------|--------------|-----------|-------------|----------|
|          |  | A          | B         | C            | D         | E           | F        |
| (\$000s) |  | 2020       | 2021      | 2020         | 2021      | 2020        | 2021     |
| 1        | CASH FROM OPERATING ACTIVITIES                   |            |           |              |           |             |          |
| 2        | MINIMUM REQUIRED NET REVENUE 1/                  | 106,295    | 67,741    | 66,526       | 27,097    | (39,769)    | (40,644) |
| 3        | NON-CASH ITEMS:                                  |            |           |              |           |             |          |
| 4        | NON-FEDERAL INTEREST                             | 9,826      | 8,863     | 9,826        | 8,863     | 0           | 0        |
| 5        | DEPRECIATION AND AMORTIZATION                    | 459,150    | 465,013   | 516,919      | 524,257   | 57,769      | 59,244   |
| 6        | NON-CASH EXPENSES                                | 0          | 0         | (13,900)     | (14,300)  | (13,900)    | (14,300) |
| 7        | CAPITALIZATION ADJUSTMENT                        | (45,937)   | (45,937)  | (45,937)     | (45,937)  | 0           | 0        |
| 8        | NON-CASH REVENUES                                | (30,600)   | (30,600)  | (30,600)     | (30,600)  | 0           | 0        |
|          | CGS DECOMMISSIONING TRUST CONTRIBUTION           |            |           | (4,100)      | (4,300)   | (4,100)     | (4,300)  |
| 9        | CASH FREE UP                                     | 16,590     | 0         | 16,590       | 0         | 0           | 0        |
| 10       | CASH PROVIDED BY OPERATING ACTIVITIES            | 515,325    | 465,080   | 515,325      | 465,080   | 0           | 0        |
| 11       |  |            |           |              |           |             |          |
| 12       | CASH FROM INVESTMENT ACTIVITIES                  |            |           |              |           |             |          |
| 13       | INVESTMENT IN:                                   |            |           |              |           |             |          |
| 14       | UTILITY PLANT (INCLUDING AFUDC)                  | (304,263)  | (291,111) | (304,263)    | (291,111) | 0           | 0        |
| 15       | FISH & WILDLIFE                                  | (47,266)   | (47,266)  | (47,266)     | (47,266)  | 0           | 0        |
| 16       | CASH USED FOR INVESTMENT ACTIVITIES              | (351,529)  | (338,377) | (351,529)    | (338,377) | 0           | 0        |
| 17       |  |            |           |              |           |             |          |
| 18       | CASH FROM BORROWING AND APPROPRIATIONS:          |            |           |              |           |             |          |
| 19       | INCREASE IN BONDS ISSUED TO U.S. TREASURY        | 308,885    | 327,639   | 308,885      | 327,639   | 0           | 0        |
| 20       | REPAYMENT OF BONDS ISSUED TO U.S. TREASURY       | (146,264)  | (185,647) | (146,264)    | (185,647) | 0           | 0        |
| 21       | INCREASE IN FEDERAL CONSTRUCTION APPROPRIATIONS  | 42,645     | 10,739    | 42,645       | 10,739    | 0           | 0        |
| 22       | REPAYMENT OF FEDERAL CONSTRUCTION APPROPRIATIONS | (17,472)   | 0         | (17,472)     | 0         | 0           | 0        |
| 23       | REPAYMENT OF NON-FEDERAL OBLIGATIONS             | (327,270)  | (264,686) | (327,270)    | (264,686) | 0           | 0        |
| 24       | CUSTOMER PROCEEDS                                | 0          | 0         | 0            | 0         | 0           | 0        |
| 25       | PAYMENT OF IRRIGATION ASSISTANCE                 | (24,319)   | (14,747)  | (24,319)     | (14,747)  | 0           | 0        |
| 26       | CASH PROVIDED BY BORROWING AND APPROPRIATIONS    | (163,795)  | (126,702) | (163,795)    | (126,702) | 0           | 0        |
| 27       |  |            |           |              |           |             |          |
| 28       | ANNUAL INCREASE (DECREASE) IN CASH               | 0          | 0         | 0            | 0         | 0           | 0        |

## Next Steps

- By COB Thursday, May 9, please email any objections to reflecting the CGS decommissioning accounting changes in the BP-20 Final Proposal Power Revenue Requirement Study to Christian Griffen (cwgriffen@bpa.gov).
- BPA will file a Notice of Official Posting on the BP-20 Secure Rate Case website on Friday, May 10, advising if any or no objections were received. Copies of any objections received will be included as attachments to the Notice.
- No action is needed by a party that does not object.