

Finance – Revised

FINANCE	2009 Actuals	2010 SOY	2011 Rate Case	2011 IPR	2012 IPR	2013 IPR
Original Total	14,561,861	15,597,270	16,077,049	16,364,774	17,731,334	18,069,454
Revised Total	14,457,661	14,683,057	14,935,467	15,223,192	16,580,619	16,907,232

Program Description

- Finance provides financial planning, accounting, and reporting for the Federal Columbia River Power System (FCRPS) and BPA. The organization also provides economic and analytical support for rate case and regulatory proceedings, and coordinates and executes all Treasury and non-Federal financing programs. Finance has primary responsibility for relationships with Federal and non-Federal banking communities, rating agencies, investors and others in the financial community. It also has primary responsibility for the development of agency spending levels. Finance provides leadership in developing proposals and policies on strategic issues that affect the agency's long-term financial integrity and competitiveness, or that have an impact on customers, constituents, and other stakeholders. Finance is also responsible for establishing financial policies and procedures for agency-wide guidance and internal controls.
- This program also manages the CGS Decommissioning Trust Fund and all financing activities, including Federal Borrowing, third-party borrowing, lease financing and tracking of American Reinvestment and Recovery Act investments.
- Revised totals reflect the removal of property tax estimates associated with lease financed assets. These amounts should have been included in financing costs.

Strategic Objectives

- F1 - Capital Access
- F2 - Cost Recovery
- F3 - Cash Flow
- I3 - Governance and Internal Controls



Finance

Key Products and Outputs

- Finance provides all accounting and financial reporting for BPA, both Federal and commercial; develops and implements accounting policy, prepares audited financial statements; maintains appropriate and adequate financial systems and establishes BPA and FCRPS requirements and reporting mechanisms to ensure adequacy of internal controls and compliance with applicable laws, regulations, and internal directives; supports and participates in Power and Transmission rate cases; establishes debt service (annual capital cost) levels; plans, coordinates and leads processes to develop program spending levels; provides budget support for all organizations in the agency including development of start-of-year budgets and tracking, monitoring and reporting on budget-to-actuals during the year; identifies financial and strategic issues; plans, coordinates and leads public processes on costs and budgets, e.g., IPR, Quarterly Business Review; participates in internal capital review processes; allocates capital funds based on approved budgets; develops Federal Budget, working closely with DOE and coordinating across the agency, developing testimony, resolving issues, assuring accuracy and consistency; tracks and manages all agency debt and cash, plans and coordinates 3rd party financing deals including working with the banking communities, rating agencies and investors.
- Total costs include annual contributions to the CGS Decommissioning Trust Fund.

	2009 Actuals	2010 SOY	2011 Rate Case	2011 Proposed	2012 Proposed	2013 Proposed
Finance Operations	\$14,457,661	\$14,683,057	\$14,935,467	\$15,223,192	\$16,580,619	\$16,907,232
Decommissioning Fund	<u>\$8,776,921</u>	<u>\$8,911,000</u>	<u>\$9,882,000</u>	<u>\$9,882,000</u>	<u>\$11,266,000</u>	<u>\$13,745,000</u>
Total	\$23,234,582	\$23,594,057	\$24,817,467	\$25,105,192	\$27,846,619	\$30,652,232



Finance

FY 2012-13 Program Spending Drivers

- **Finance costs are going up approximately \$1.9 million from the 2010/2011 average of \$14.8 million to \$16.7 million on average for 2012/2013. Finance costs with minor exceptions are workforce related. Overall Finance is expecting to accomplish significant work employing three strategies:**
 - Maintaining current level of Bonneville FTE
 - Use supplemental labor to handle peak workload and transactional work
 - Use consultants for system improvement activities
- **Financial Planning and Analysis/Budget computer software improvements/upgrades (\$0.3M). Expected benefits:**
 - Improve efficiency of budgeting and forecasting work, allowing re-direction of staff to other value-added work
 - Reduce budgeting/ forecasting cycle times by simplifying and standardizing data collection across the organization
 - Decrease errors, improve accuracy and enable faster, more informed decisions
 - Proposal includes consultant support for:
 - FY 2012 - mapping current process, identifying process improvements and design work, support to back up staff members dedicated to project leadership
 - FY 2013 - application implementation
- **Financial Reporting computer software improvement/upgrade (\$0.3M): Expected benefits**
 - Improved efficiency in reporting work – less staff time spent developing/modifying/trouble-shooting reports
 - Significant reduction in the number of financial reporting tools used and the skills necessary required for those tools.
 - Reduced reliance on IT for financial report development and maintenance.
 - Simplified report access and execution. Improved access to online information.
 - Improved decision making and quality of financial information through enhanced financial analytics capabilities, including drill downs, pivots, ad hocs, and dashboards.
- **Increased cost of contracts (\$0.2M)**
 - To support debt management actions including lease financing (includes rating agency increases)
 - To support improved, more efficient operational cash management and long-term cash forecasting
- **Shifting staff to accomplish increased workload due to emerging FASB accounting changes and ramp-up of transmission capital program.**
- **Efficiencies:**
 - Assumes significant efficiencies occur
 - Potential efficiencies due to process improvements in Start-of-Year/Quarterly Review processes, system improvements to allow automation for Federal reporting to DOE
- **Corrections to personnel costs from the FY 2010-2011 Rate Case (\$0.9m)**
 - An error was made in calculating personnel costs for Finance in the FY 2010-2011 Rate Case. The FY 2012-2013 estimate shown corrects this error.



Finance

Potential Risk of Insufficient Funding

- Need to support ever-changing and complex financial reporting requirements for programs such as Lease Financing, Recovery Act, and Tiered Rates.
- Inefficiencies and inflexibility in current system for gathering budget and forecast data, calculating allocations, and reporting, result in errors and significant resources needed. If improvements in software are not made, assumed efficiencies, e.g., reductions in FTE that are assumed in these forecasts, will not be achievable while providing the same level of service.
- Inadequately staffed to provide strategic analysis to BPA management to inform business decisions.
- The baseload work of Finance is critical to the financial health of the agency. We may expect more errors in receipt and payment processing. Errors in accounting and other activities result in increased workload to identify and make corrections.



Finance – Reduction Scenario

FINANCE	2012 IPR	2012 IPR Reduction Scenario	Delta	2013 IPR	2013 IPR Reduction Scenario	Delta
Total	17,731,334	16,588,322	1,143,012	18,069,454	16,901,157	1,168,297

Program Line Item	Description of Reduction	\$ Amount of Reduction	Impact of Reduction	Risk
Nuclear Decommissioning Trust Fund	Reduce annual contribution to Nuclear Decommissioning Trust Fund	\$600K per year	Reducing contributions to this Fund would be inconsistent with the funding schedule agreed upon between BPA and EN and the schedule that was submitted to the US Nuclear Regulatory Commission in March, 2009.	High
Financial Systems/Software Support	Reduce funding for two related computer systems/software efforts geared towards improving reporting tools and financial planning and analysis systems	\$225K per year	Reduction would result in project not concluding until post-2013, significantly delaying/reducing potential efficiencies expected with this effort. Current planning and analysis system is among the oldest Business Enterprise systems we use and causes significant inefficiencies in budgeting, forecasting, and reporting.	High



Finance – Reduction Scenario (continued)

Program Line Item	Description of Reduction	\$ Amount of Reduction	Impact of Reduction	Risk
Power and Transmission Services Financial Support	Reduce funding available to appropriately staff financial support functions	\$800K per year	<p>Staffing reductions would require re-prioritization of efforts, placing at risk our ability to adequately staff essential workload. Impacts/Risks: Increased risk of external auditor findings associated with significant deficiencies/ material weaknesses in accounting and reporting; reduced follow-up on delinquent receipts collection; increased risk of missing DOE deadlines for Federal financial reporting leading to additional Federal requirements.</p> <p>Finance “intern” program, a key succession-planning tool, would be discontinued. This is not new FTE, it is a rotational program that brings in new talent and places financial analysis trainees/interns who successfully complete the program in positions usually left vacant through attrition. This has been an ongoing, successful program for over 10 years.</p> <p>Limited strategically valuable analysis such as near- and long-term liquidity needs, reduce support for capital project/financial analysis review (ACPRT work) as well as decrease the budget and analytical support provided to business units</p> <p>Adverse impact to coordination across Finance and with business units on a variety of accounting and financial issues such as scenario planning, reporting support, accounting treatment.</p>	<div style="border: 2px solid red; padding: 5px; display: inline-block; background-color: white;"> <b style="color: red;">High </div>



BPA's Financial Disclosure Information

- All FY 2010-2013 information has been made publicly available by BPA on June 25, 2010 and does not contain Agency-approved Financial Information.
- All FY 2009 information has been made publicly available by BPA and contains Agency-approved Financial Information.
- All FY 2011 Rate Case data has been developed for publication in rates proceeding documents and is being provided by BPA.

