August 10, 2018

July 25, 2018 BP-20 Rates Workshop: BPA response to questions received

Questions from Randy Gregg, TEA Inc.

1. Can you provide feedback on each line item below [*referencing* BP-20 Rate Previews presentation, Key drivers of power rates] on whether they are in the composite cost pool or the non-slice cost pool? Also, can you break out the "roughly 5%" power increase between composite and non-slice?

BPA Response: The following table specifies the cost pool associated with each key driver. The roughly 5% holds for slice and non-slice power sales. We anticipate that the non-slice rate impact will be slightly higher than the slice impact given the BP-18 rate treatment of the $70 million in Regional Cooperation Debt management actions that non-Slice sales benefited from in BP-18 and slice sales benefited from in BP-14 through the Slice True-up.

Key drivers of power rates (excluding IPR) in average annual values		
Upward rate pressure:		**Cost Pool**
Reduced net secondary revenue	$89 million	Mostly Non-Slice[1]
End of the rate-impact mitigation to transition Energy Efficiency from capital to expense[2]	$61 million	Composite
Financial Reserves Policy	$20 million	Non-Slice
Expiring WNP-3 settlement contract	$16 million	Composite
Residential Exchange Program	$7 million	Composite
Downward rate pressure:		
Lower capital-related (depreciation, principal and interest) costs	$54 million	Composite
Increased generation inputs revenue largely due to proposed treatment of all load balancing capacity costs being recovered through transmission rates instead of partially in power rates and partially in transmission rates.	$20 million	Composite
New contract revenue	$4 million	Non-Slice

[1] The full $89 million is not applicable to the Customer Charges of Composite and Non-Slice. That is because the lost value in Slice Secondary (the diminished value of the Slice Secondary) is included in the metric we use to evaluate the overall Power rate increase, but is not explicitly included in the Customer Charges. A Slice customer receives the energy as opposed to a revenue credit in its rate. $22 million of this $89 million figure is due to changes in the value of Slice Secondary. The Non-Slice Customer Charge will increase by $73 million due to the decrease in the modeled Net Secondary credit. The Composite Customer Charge will decrease by about $6 million due to the decrease in System Augmentation purchase costs in rates.

[2] As part of the transition of EE from capital to expense, Bonneville used $260 million in refinancing-related funds to smooth the rate transition in fiscal years 2016-2019.

2. Regarding the below slide [*referencing* Revenue Requirement presentation, Impact on Power Non-Federal Debt, p. 9], have you evaluated if this change would impact the calculation of the slice true-up adjustment charge?

BPA Response: We expect this change to have a neutral effect on the true-up. The true-up table will need to be modified to include new data on non-federal amortization expense and non-federal principal payments so that MRNR can be calculated correctly.