

# Potential Impact to the Power and Transmission Revenue Requirements BP-24 Initial IPR

## [Table of Contents](#)

Power Revenue Requirement .....2  
Transmission Revenue Requirement .....4

## Power Revenue Requirement

BPA recognizes that its rates are more than the sum of IPR costs. BPA is required to establish rates to recover the costs of producing and transmitting electricity (operating and capital costs), the costs necessary to operate the agency, and the cost to repay the federal investment in the system. BPA includes all of these costs in both the power and transmission revenue requirements for setting rates.

As shown in the figure below, IPR costs are expected to represent only half of this initial—and incomplete—look at the Power revenue requirement. This analysis is intended to illustrate the contribution of IPR costs to the overall revenue requirement. As such, most of the costs and credits outside the scope of the IPR process, such as surplus power purchases and sales, have not been updated.

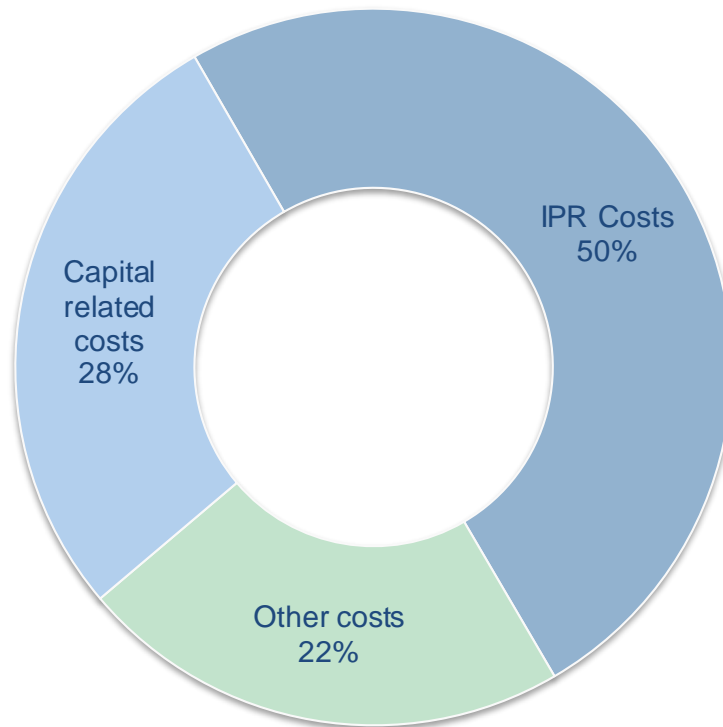


Figure 1 Power BP-24 Potential Revenue Requirement

Table 1 summarizes the averages of IPR costs, other costs not detailed in IPR, and capital related costs for the BP-22 rate period and BP-24 initial IPR. The percent change in total costs column reflects the change in the total revenue requirement over the two year period. The annualized percent change in cost column reflects the annual percent change in the revenue requirement. These percent changes approximate the potential impact on power rates, but do not account for changes in loads, revenues, or power purchase expenses.

**IPR costs** are based on projected programmatic costs for the rate period.

**Other costs** are costs that are not estimated during the IPR process. Instead, they are determined by contracts, formulas, settlements, such as Residential Exchange Program, or are modeled in the rate case, such as Transmission Acquisition and Power Purchases. These costs are included in the IPR Publication because they are a component of the overall revenue requirement, needed to show the approximate contribution of IPR costs to the overall revenue requirement.

**Capital related costs** reflect how the cost of debt impacts the revenue requirement. This occurs through depreciation, amortization, accretion, net interest expense, and minimum-required-net revenue (MRNR). These costs do not include the impact of the proposed Sustainable Capital Financing Policy.

MRNR increases the revenue requirement when debt service and other cash expenses exceed accrued expenses, and occurs when cash needs exceed depreciation, amortization, and accretion.

**Table 1 Draft Revenue Requirement Power Services**

(\$thousands)	Average BP-22 Rate Case	Average BP-24 Initial IPR	\$ Increase (Decrease)	% change in total costs	Annualized % change in Cost
IPR Costs	1,304,242	1,402,713	98,471	3.6%	1.8%
Other costs	621,597	625,182	3,585	0.1%	0.1%
<b>Capital related costs:</b>					
Depreciation, amortization, and accretion	499,220	501,054	1,834	0.1%	0.0%
Net interest	232,919	179,188	(53,731)	-2.0%	-1.0%
MRNR *	46,137	102,430	56,293	2.1%	1.0%
<b>Total revenue requirement</b>	<b>2,704,116</b>	<b>2,810,568</b>	<b>106,452</b>	<b>3.9%</b>	<b>1.9%</b>

\* For comparability purposes, MRNR in this table does not include BP22 revenue financing of \$40m/yr or any in BP24 related to the proposed sustainable capital financing policy or additional debt payments due to the Leverage Policy

## Transmission Revenue Requirement

As discussed in the Power section, BPA recognizes that its rates are more than the sum of their IPR costs. As shown in Figure 2, IPR costs are expected to represent less than half of Transmission's revenue requirement.

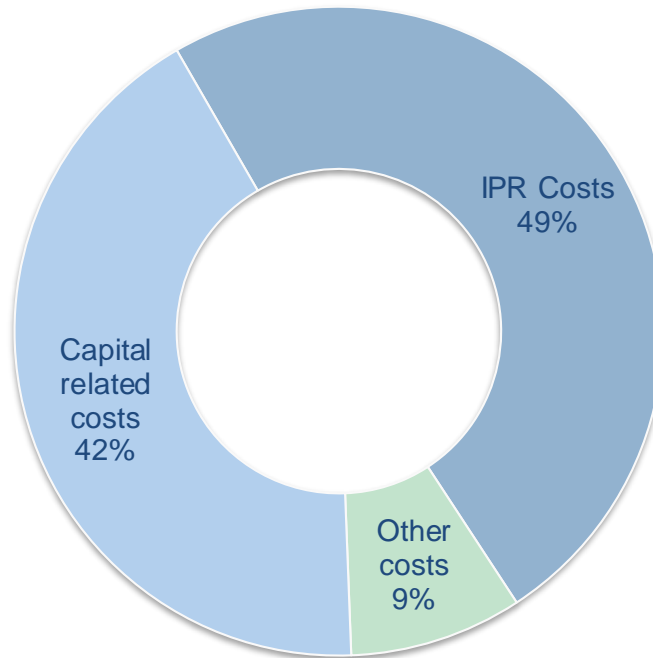


Figure 2 Transmission BP-24 Potential Revenue Requirement BP-22 average initial IPR

Table 2 summarizes the averages of IPR costs, other costs not detailed in IPR, and capital related costs for the BP-22 rate period and BP-24 draft initial proposal. The percent change in total costs column reflects the change in the total revenue requirement over the two year period. The annualized percent change in the cost column reflects the annual percent change in the revenue requirement. These percent changes approximate the potential impact on transmission rates, but do not account for changes in the other factors such as ancillary services.

**IPR costs** are based on projected programmatic costs for the rate period.

**Other costs** are costs that are not estimated during the IPR process. Instead, they are determined by contracts, formulas, or are modeled in the rate case, such as between-business line ancillary services, or are not included in rates such as reimbursables. These costs are included in the IPR Publication because they are a component of the overall revenue requirement, needed to show the approximate contribution of IPR costs to the overall revenue requirement.

**Capital related costs** reflect how the cost of debt impacts the revenue requirement. This occurs through depreciation, amortization, net interest expense, and minimum-required-net revenue (MRNR).

MRNR increases the revenue requirement when debt service and other cash expenses exceed accrued expenses, and occurs when cash needs exceed depreciation and amortization.

**Table 2 Draft Revenue Requirement Transmission Services**

(\$thousands)	Average BP-22 Rate Case	Average BP-24 Initial IPR	\$ Increase (Decrease)	% change in total costs	Annualized % change in Cost
IPR Costs	514,500	594,500	80,000	7.0%	3.5%
Other costs	104,425	104,425	-	0.0%	0.0%
<b>Capital related costs</b>					
Depreciation and amortization	353,476	356,532	3,056	0.3%	0.1%
Net interest	164,945	155,277	(9,668)	-0.9%	-0.4%
MRNR *			-	0.0%	0.0%
<b>Total revenue requirement</b>	<b>1,137,346</b>	<b>1,210,734</b>	<b>73,388</b>	<b>6.5%</b>	<b>3.2%</b>

\* For comparability purposes, MRNR in this table does not include BP22 revenue financing of \$40m/yr or any in BP24 related to the proposed sustainable capital financing policy or additional debt payments due to the Leverage Policy

*The information in this document was made publicly available on July 1, 2022, and contains information sourced directly and not directly from BPA financial statements.*