

**ATTACHMENT 4:      DISPOSITION AND TREATMENT OF MOA EXPENSE CATEGORY DIRECT PROGRAM FUNDS**

**Integrated Program Budget**

*Relationship Between Fish MOA and 2002 Power Rate Case*

Issue: Why were the MOA amounts that were not spent through the 1996-2001 rate period for the fish and wildlife program not added to the amounts budgeted for the 2002-2006 rate period when setting rates for that period?

There are two categories of amounts from the MOA period: those that were obligated but not spent; and those that were included in the MOA but were not spent, whether obligated or not (also known as Carry-Forward). (Amounts in the first category are also included in the second category.)

**Obligated But Unspent**

1. **Historic Patterns of Accrual:** Historically the amount obligated for fish and wildlife projects in any year has been higher than the amounts actually spent (accrued) in that year. So, while BPA may have an unspent obligation in FY 2000 that it may have to pay in FY 2001, it could generally assume that the obligations for FY 2001 would have a similar lag of payments into FY 2002. Therefore, there was not a recognized need to account for unspent obligations separately. That pattern changed, however. In FY 2001, obligations were higher than previous years', and accruals were considerably lower than the obligations relative to prior years.
2. **Timing of Rate Case Assumptions:** This resulted in a much higher than normal amount of obligations from prior years, some of which became FY 2002 accruals, and some that could become FY 2003 accruals. This was not reflected in the 2002 rate case since the revenue requirement was developed and filed in FY 2000.

**MOA Carry-Forward**

1. **Rate Case Approach:** Budgets (and therefore the BPA fish & wildlife expense portion of the 2002 power rate case revenue requirement) assumed that any unspent funds from the FY 1996-2001 period that were still expected to be spent were not additive to the \$139 million annual average for the 2002-2006 period, but were rather subsumed in that amount.
2. **Embedded Carry-Forward:** The rate case revenue requirement was based on the assumption that some activities that were assumed in the MOA to be funded in FY 1996-2001 have been rolled forward and included in costs projections for some of the 13 Alternatives for the FY 2002-2006 rate period. Additionally, it reflected that fact that BPA was making an equivalent amount to the carry-forward available for fish and wildlife expenditure after 2001. Fish and wildlife costs in 2002-2006 revenue requirements are substantially greater than the carry-forward balance.