

# Corporate Internal Support Cost Allocation to Transmission Rates

PIR Technical Workshop

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**B O N N E V I L L E**  
POWER ADMINISTRATION



# Internal Support Cost Allocation Principles

## Guiding Principles

- Methodologies are equitable and fair
- Methodologies represent a causal relationship to the services provided
- Methodologies are justifiable in a rate setting environment
- Methodologies are affirmed by internal and external auditors
- Methodologies can be implemented and are cost effective
- Methodologies are direct and simple – improving understanding and transparency

# Overview of Allocation Methodologies

- **Even Distributions** - Traditional General and Administrative Costs: Cost pools that serve the general purpose of agency support functions (split 50/50 to power and transmission rates)
  - No consistent, measurable method of assigning support costs directly to the benefactor
  - Functions are general in nature and are not directly affected by changes in traditional cost drivers (i.e. FTE levels, budget levels, etc.)
  - Collection of costs or measurement of driver is cost prohibitive – it is uneconomical to attempt more precise allocations
  - Lack of causal relationship to benefactors prevents a clear distinction for assigning those costs

# Bonneville Cost Allocations

## Even Distribution:

- **Executive Office** –
  - Allocation base – Even Allocation – 50% Power, 50% Trans.
- **Finance** -
  - Allocation base – Even Allocation – 50% Power, 50% Trans.
- **Legal** –
  - Allocation base – Even Allocation – 50% Power, 50% Trans.
- **G&A IT Administration** – Executive administration of Agency-wide IT
  - Allocation base – Even Allocation – 50% Power, 50% Trans.
- **IT Cross Agency Projects** – Expense costs of cross agency capital projects
  - Allocation base – Even Allocation – 50% Power, 50% Trans.
- **Technology Confirmation and Innovation**
  - Allocation base – Even Allocation, all expense – 50% Power, 50% Trans.
- **Public Affairs**
  - Allocation base - Even Allocation – 5% F&W, 45% Power, 50% Trans.

# Overview of Allocation Methodologies

- **Directed Allocation Pools:** Cost pools that can be distributed with more precision, based on specific cost drivers (split other than 50/50 to power and transmission rates)
  - Activities are managed and budgeted centrally, but methods exist to assign costs to benefactors
  - Functions can be linked to cost drivers and can change based on those drivers
  - Direction of effort studies or other means can be used to allocate in a cost-effective manner

# Bonneville Internal Support Cost Allocations

## Directed Allocation:

- **Safety Allocation** – administering safety program, safety training, accident investigation, etc.
  - Allocation base – Direction of Effort 7% Corporate, 5% Power, 88% Trans.
- **Security Allocation** – building security, emergency services, crime witness program
  - Allocation base – Direction of Effort - FTE – 21.4% Corporate, 1% F&W, 16.0% Power, 61.6% Trans.
- **Industry Restructuring** – ColumbiaGrid development and Standard Market Design (SMD) issues
  - Allocation base – Direction of Effort – 40% to Power and 60% to Trans.
- **Risk Management** – risk analysis and management services for both power & Trans.
  - Allocation base – Direction of Effort – 73% to Power and 27% to Trans.
- **G&A IT Infrastructure** – Desktop support, Server Support, Telecommunications, etc.
  - Allocation base – Direction of Effort – 25% Corporate, 1% F&W, 24% Power, 50% Trans.
- **G&A BES Allocation** – Business Enterprise solution, Bonneville’s Enterprise Resources Planning System<sub>6</sub>
  - Allocation base – Direction of Effort – analysis of use – 30% to Power and 70% to Trans.

# Bonneville Internal Support Cost Allocations (cont.)

## Directed Allocation:

- **G&A Dedicated IT Projects** – Direct support of business line specific IT projects
  - Allocation base – Project specific work-orders – 100% Power, 100% Trans.
- **Workplace Services** –
  - Allocation base – Direction of Effort – 41% to Corp, 3.6% to EF&W, 22.4% to Power, 33% to Trans.
- **Workplace Services – 100% allocation**
  - Allocation base – Direction of Effort – 100% to Power or 100% to Trans.
- **Human Resources / Staff Management** –
  - Allocation base – Direction of Effort – 23% to Corp, 1.8% to EF&W, 13.2% to Power, 62% to Trans.
- **Re-Allocation of costs allocated to Corporate** –
  - Allocation base – weighted average of other G&A distribution pools – 40% Power, 60% Trans.