

Financial Plan Refresh: Grounding Workshop
Public Comments
Workshop Date: Oct. 19, 2021

External Stakeholder: NIPPC

Thank you for the opportunity to submit additional questions following the workshop on October 19.

NIPPC asks BPA to provide answers to the following questions.

1. Please record the workshops and make the recordings available to stakeholders. The functionality is available within WebEx. Having access to recordings after the meetings offers stakeholders valuable flexibility in participating in this process.
2. BPA consistently describes Transmission Services as a “Net Borrower,” but BPA has only shared data related to debt incurred from 2010 to 2020 (with a forecast for the time period from 2021 to 2040). Please provide additional years of historical data related to debt levels. It would be helpful if BPA would provide additional data on historical debt levels and extend the graphs in Slides 9-12, and 14-16 back to 1937 – or the earliest years for which data is available.
3. BPA sets its capital spending program every two years in the Integrated Program Review process. Please explain how BPA has calculated the debt levels used in the forecast for the period 2021 to 2043.
 - a. Is the debt forecast limited to capital spending to maintain or replace the existing grid?
 - b. Does the forecast contemplate expansion of the grid to meet state public policy goals related to clean energy?
4. On Slide 12 of the October 19 presentation, Power’s “Debt” includes Federal Appropriations. Are these appropriations debt? Please explain the purpose of these appropriations, and if they are debt, please provide details regarding the repayment obligation.
5. On Slide 15 of the October 19 presentation, BPA indicates that without the Infrastructure Bill, no additional Borrowing Authority is anticipated. Other than revenue financing, what alternative sources of capital is BPA pursuing for funding Power and Transmission Assets?
6. On Slide 18, the statement is made that “Moody’s uses a variation of the Debt to Asset ratio with a focus on industry medians.” Please compare and contrast BPA’s calculation with Moody’s calculation.
7. BPA cited to credit agency rating reports on slides 17 to 19. Please provide additional information related to BPA’s understanding of those reports:
 - a. Of the public power entities BPA compares itself to, how do they compare to BPA in terms of gross revenue by business line, relative size of owned transmission assets, and federal financial backing? Is BPA an outlier in any of those regards?
 - b. Has BPA evaluated how its leverage practices compare to other large power marketers and transmission operators within the US and internationally who are not local consumer-owned utilities?
 - c. Why should BPA customers have confidence that the comparable entities are, in fact,



- comparable?
8. On Slide 20, several of the bullets are in quotation marks. What is the source of these quotes?
 9. On Slides 21 and 22, BPA asserts conclusions for industry practice. What is the basis for these conclusions? Does BPA consider the utilities that employ these capital financing practices to be comparable to BPA? If so, please explain why they are comparable to BPA.
 10. On Slide 26, BPA indicates that the repayment period is 35 years for transmission and 50 years for power. Please explain why the repayment periods are different. Also, how is the repayment period shortened or lengthened when the term of debt used to pay for transmission and power assets is less than the stated repayment period or longer than the stated repayment period?

External Stakeholder: PPC
October 28, 2021

Thank you for your consideration of these comments regarding BPA's Financial Plan Refresh process.

PPC and its members are committed to the long-term financial health of BPA. This must be accomplished through partnership with customers, including the prudent planning and execution of investment in the generation and transmission assets of the federal system. Preference customers depend on these assets to provide a reliable, economic, and environmentally responsible power supply to the communities and businesses they serve at cost. In turn, preference customers provide the substantial majority of revenues that fund the operations of BPA, as well as its partner agencies.

Experience has also shown that a collaborative and deliberate process is needed to deal with complex and interconnected issues such as those proposed for the Financial Plan Refresh process. Overall, the scope and timeline of the process appears reasonable. Common "grounding" in key data and trends will enable more productive discussion among customers.

PPC would like to express particular appreciation for the inclusion of asset management metrics in this process. Exploration of additional program and budget execution metrics (beyond capital) within BPA's overall program cost goals would be a valuable addition to the process – PPC anticipates preference customer proposals in this area, which we see as consistent with the scope proposed by BPA.

Finally, although not explicitly within the scope of the Financial Plan Refresh, we stress that affordability, cost management, and delivery of customer value must continue to be fundamental goals.

We look forward to working closely with BPA and other customers in the coming months.
Sincerely,
Michael Deen
Policy Director, Public Power Council

External Stakeholder: NRU
October 27, 2021

Northwest Requirements Utilities (“NRU”) submits these comments in response to the October 19, 2021 Financial Plan Refresh: Debt and Borrowing Authority Grounding Workshop.

As you know, NRU represents the interests of 55 Load Following customers of BPA. As Load Following customers, our members often rely on BPA for all of their power and transmission needs. The financial policies, decision making and financial health of BPA are of utmost importance to NRU and its members. We respectfully submit the following comments in response to the first grounding session for the 2021 BPA Financial Plan Refresh.

Given that the October 19 workshop was a grounding session and thus focused primarily on education, NRU’s comments will be brief. However, we think there were a few points included in the materials or discussed by other attendees that merit a response in writing. Before going further, NRU staff would like to express our appreciation for BPA’s transparency in sharing financial details of the agency and time BPA staff spent preparing for the first grounding workshop.

Throughout the workshop BPA referenced the importance of balancing the short-term and long-term impacts of debt utilization and NRU reinforces this sentiment. Overuse of debt as a tool to manage short-term rate implications ultimately leads to an unsustainable financial predicament for the agency. Likewise, access to increased debt capacity, likely to be available with the passage of the Senate infrastructure bill, is not justification for utilizing debt when doing so would run counter to prudent decision making.

NRU supports a financially healthy BPA but would like to point out that an ever-decreasing debt to asset ratio does not balance the financial health of BPA with that of its customers. When discussing debt to asset ratio during the workshop, BPA staff commented that “lower is always better”. NRU would like to point out that this isn’t always true and implies that zero debt is the best possible financial scenario for BPA. NRU encourages the use of phraseology like “a debt to asset ratio that is too high is unhealthy”.

We look forward to continuing to work with BPA and other preference customers on these issues. Please feel free to contact me if you have any questions or would like to discuss these comments.

Sincerely,
/s/ John Francisco
Northwest Requirements Utilities