



Northwest Requirements Utilities

## I. Introduction

(503) 233-5823  
Fax (503) 233-3076 nru-  
nw.com

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825 NE Multnomah, Suite 1135  
Portland, Oregon 97232

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Submitted electronically to  
communications@bpa.gov

Northwest Requirements Utilities (NRU) submits these comments in response to the Bonneville Power Administration's (BPA) Financial Plan Refresh Kick-Off meeting on September 15, 2021. NRU represents the interests of 55 Load Following customers who also hold NT Transmission contracts with BPA. Of primary importance to NRU members is BPA's ability to offer affordable and reliable power supply and transmission to preference customers. NRU appreciates that BPA has endeavored to kick off the financial plan refresh process well in advance of the Integrated Program Review (IPR) process and the start of BP-24 workshops so that any determinations made during the process can be integrated into the IPR and BP-24 workshops. The original financial plan is only three years old but the financial scenario BPA now finds itself in is much different from that present during formulation of the 2018 plan and the changes are certain to influence the discussions now and the ultimate outcomes from those discussions.

## II. Process Objective and Guiding Principles

NRU believes the project objective and guiding principles BPA identified in the kick-off meeting materials are well thought out, represent reasonable sideboards for the process, and accurately capture the intent of NRU when including the financial plan refresh as part of the settlement of the BP-22 rate case.

## III. Process Scope

The two key drivers or areas of focus discussed during the kick-off, (1) debt and borrowing authority and (2) capital, are practical starting points for the conversation as they represent areas of tension during the BP-22 rate case and have also been areas of recurring tensions between BPA and customers historically. Beyond the two aforementioned areas of focus, BPA has chosen to identify program costs, liquidity, and other elements of capital as "potential areas of future focus" but makes no commitment to address these areas after the two initial key or primary areas are addressed. NRU cannot reconcile how the scope as currently defined meets

the commitment made by the agency in the BP-22 settlement and certainly believes the scope falls well short of addressing the many key areas of BPA finances that customers want to transparently discuss with the goal of establishing mutual expectations for BPA. The language from the BP-22 settlement is broken down below for easy reference. NRU requests a crosswalk of the commitments made by BPA in the BP-22 settlement to the scope of the financial plan refresh as proposed during the kick-off meeting.

Public workshops that discuss “refresh” of the 2018 Financial Plan, considering:

- (a) Bonneville’s financial health
- (b) Access-to-capital issues
- (c) Sustainable capital funding approaches
- (d) Long-term debt management
- (e) Other financial objectives
- (f) Issues related to Bonneville’s borrowing authority
- (g) Use of revenue financing as a source of capital funding (h) “other things”

#### IV. Public Engagement Process

NRU reiterates its appreciation for BPA starting the financial plan refresh process well in advance of the beginning of IPR and BP-24 workshops. However, during the course of the kickoff meeting, BPA staff regularly identified time constraints as a limiting factor on the ability to effectively manage the process. A review of the proposed public workshop dates shows that the schedule commits almost as much time for grounding or level setting sessions as is committed to workshops where customers can interact with BPA to identify improvements and formulate policies to implement those improvements. NRU requests the grounding sessions be expedited and substantive workshops begin in December to maximize the amount of time spent on substantive policy work, implementation of those policies and creation of metrics to assess effectiveness of those policies.

#### V. Recommendations for the Process

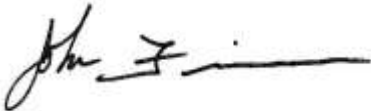
The financial plan refresh is a crucial process to move BPA and customers to where both are viewing BPA’s finances through shared expectations. If the process has the overarching goal of creating mutual understanding of, expectations for and measurability of BPA finances, and NRU believes this to be the case, NRU makes the following recommendations for the process.

- a. Goals born from financial health objectives should be codified as policies with an association record of decision or records of decision to ensure customers and BPA are viewing financial information through a mutual perspective when entering IPR processes and/or rate case(s)
- b. Inclusion of the following topics in policies
  - i. Revenue financing
  - ii. Debt repayment methodology – specifically early repayment
  - iii. Performance metrics per business line
  - iv. General alignment with industry standards for like entities
  - v. Full suite of financial statements for each business line
- c. Policies must set goals over the long term and be flexible enough to adapt to short-term needs without sacrificing long term financial health metrics
  - i. An example would be identifying a standard percentage of revenue financing for each rate period but being able/willing to decrease that percentage in the case where debt financing could be utilized to mitigate rate shock due to extraordinary expenses in a given rate period, such as major transmission builds or generating unit overhauls
  - ii. Only utilized on an exception basis

## VI. Conclusion

NRU submits these comments in the spirit of collaboration and with the desire to make the financial plan refresh process as fruitful as possible for BPA and customers. NRU looks forward to continuing dialogue and partnership with BPA on this important initiative.

Sincerely



John Francisco  
Northwest Requirements Utilities

September 29, 2021

***Via Electronic Submission***

John Hairston  
Administrator and Chief Executive Officer  
Bonneville Power Administration  
911 NE 11<sup>th</sup> Avenue  
Portland, OR 97232

**Re: Financial Plan Refresh Kick-Off**

Dear Administrator Hairston:

The Alliance of Western Energy Consumers (“AWEC”) appreciates the opportunity to provide feedback on Bonneville Power Administration’s (“BPA” or “Agency”) Financial Plan Refresh Kick-Off workshop held September 15, 2021. It is BPA’s stated objective to “ensure BPA’s long term financial goals are supported with the appropriate targets, metrics and policies.”<sup>1/</sup> BPA put forth three principles to guide the Agency’s approach to updating the financial plan, which include 1) alignment with agency strategic objectives; 2) simplification, when possible; and 3) alignment with industry practices, where applicable.<sup>2/</sup>

VII. Objectives and Guiding Principles

As a threshold matter, AWEC agrees that a financially sound BPA is critical to the economic well-being of the Region. AWEC supported BPA’s adoption of a well-considered Financial Plan in 2018 and agrees with the current objective of refreshing that plan. While large end-use customers have not agreed with all of BPA’s financial health-related proposals, AWEC has been supportive of BPA’s actions to shore up its financial health when it has made proposals closely tailored to demonstrated opportunities to strengthen BPA’s ability to meet its statutory goals. Indeed, from a customer perspective – and as borne out by the metrics presented in the Kickoff documents – BPA’s efforts to strengthen its financial health since adoption of the Plan have been extremely successful. Critically, BPA has balanced this work with a focus on improving its competitiveness as the Regional Dialogue Contracts near their termination. In

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<sup>1/</sup> Bonneville Power Administration, Financial Plan Refresh Kick-Off, at 9 (Sep. 15, 2021).

<sup>2/</sup> Id.

particular, BPA has done hard work to keep Integrated Program Review (“IPR”) expenses at or below the rate of inflation.

Of BPA’s three proposed guiding principles, the first two, alignment with strategic objectives and simplicity where possible, are very important, and likely to find broad support among BPA customers. The third principle, alignment with industry practices when applicable, may also provide some instructive insights. However, customers, including AWEC, have long pointed out and continue to believe that BPA should not simply adopt a practice or a standard because it is common in the industry unless it also can be demonstrated to be relevant to BPA’s singular circumstances as a federal power marketer with a unique set of resources, tools, and obligations that have no parallels among other industry participants.

Most recently, this tension was seen in the BP-22 rate adjustment proceeding, wherein most, if not all, BP-22 intervenors argued that BPA lacked adequate justification for the revenue financing included in the initial proposal, notwithstanding BPA’s argument that other utilities at times include revenue financing in rates. While AWEC is happy that BPA and customers were able to reach a non-precedential settlement of all issues in the case, to which AWEC was deemed to be an assenting party, it remains a fact that customers nearly universally opposed over-reliance upon the third principle proposed as a guideline for the current refresh. Just because an industry practice may be “applicable,” it does not follow that it is appropriate or advisable for BPA, a unique institution that has no true industry comps. AWEC is hopeful that in the current effort, industry financial practices will remain a useful and informative source of reference, but not be relied upon to burden customers with programs or standards that are unnecessary or inadvisable in BPA’s specific and unique circumstances.

#### VIII. Areas of Focus

BPA has set forth five areas of focus and future focus for the current refresh, which include Debt and Borrowing Authority, Capital (investment management), Program Costs, Liquidity, and Capital (asset management). AWEC agrees that these are generally appropriate buckets for consideration. While Debt and Borrowing Authority and BPA’s successful management of Program Costs have been dominant topics over the past year, consideration of capital management and liquidity goals are relevant and a necessary part of the conversation.

#### IX. Public Engagement Process

BPA proposes to hold informal stakeholder workshops and present proposals in January 2022 through March 2022. BPA’s proposal to allow a one-week comment period following workshops is concerning. More time is required for stakeholders to adequately review materials and provide substantive feedback to aid BPA in updating the Financial Plan.

X.

/s/ John Carr  
Executive Director  
Alliance of Western Energy Consumers

## **M-S-R Comments – Financial Plan Refresh Kickoff**

The M-S-R Public Power Agency (“M-S-R”) is a joint powers agency formed by the Modesto Irrigation District, and the Cities of Santa Clara and Redding, California, each of which is a consumer owned utility. Beginning with a 2005 contract, M-S-R obtained contractual rights to the output from some of the first large scale wind resources developed in Washington State. M-S-R and its members currently have rights to 350 MW of wind generation in Washington and Oregon, which its members use to serve their customers and meet California’s Renewable Portfolio Standards. Those customers ultimately bear the cost of the Bonneville Power Administration (“BPA”) Transmission and ancillary services rates and charges.

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M-S-R appreciates the opportunity to comment on BPA’s September 15, 2021 Financial Plan Refresh opening stakeholder meeting. M-S-R understands the process is intended to meet BPA’s commitment set forth in the settlement agreement in BP-22, to commence public workshops on financial issues including BPA’s financial health, access to capital, sustainable capital funding approaches, long-term debt management, other financial objectives, and accounting and ratemaking treatment of revenue financing. M-S-R understands the pending federal infrastructure legislation would also require BPA to create an updated financial plan by the end of 2022, in consultation with its customers, and the legislation would require BPA to implement its policies “consistent with the lowest possible power and transmission rates consistent with sound business principles.”

One preliminary concern arising from the September 15, 2021 workshop is BPA’s statements could be interpreted as indicating the purpose of the workshops is to justify a continuation of the existing policies. That would be inconsistent with the concept of a “refresh,” and M-S-R is hopeful the message it received was not what was intended. Customers have expressed concerns with the current financial plan elements and implementation when the financial plan was developed in 2018, and in each proceeding where the elements and implementation have been addressed. A prejudgment that the current financial plan needs to continue without addressing customer concerns would be counterproductive.

The opening workshop indicated the results of the series of workshops would be reflected in a Record of Decision. While the exact scope of issues to be addressed in the workshop process remains open, M-S-R notes BPA’s customers have raised a number of concerns in prior workshops and rate cases with regard to BPA’s financial policies and their implementation. The concerns and topics include:

- M-S-R encourages BPA to hold workshops on the basic assumptions BPA has made regarding the leverage ratio, adequacy of borrowing authority, comparisons between BPA and other utilities with differing financial structures and authorizations, and assertion that

revenue financing is essentially free capital without any financing costs to BPA's customers.

- BPA's policies appear designed to address concerns raised by rating agencies with regard to access to capital and leverage. ○ How would the rating agencies' views be affected by a \$10 billion increase to BPA's borrowing authority? ○ How do the rating agencies view federal debt versus non-federal debt?
- With regard to leverage, are the rating agencies more concerned about the leverage ratio or the adequacy of rates to service the debt?
- Is it correct that the leverage ratio for the BPA as a whole is currently as low as it has been in the past 15-20 years?
- M-S-R encourages BPA to expand on its assertion that revenue financing of long-term capital assets is consistent with "the lowest possible rates," and provide rate impacts associated with all of its financial plans.
- M-S-R welcomes a discussion of the transparency of BPA's financial data, including the level of detail provided in the Integrated Program Review (IPR) and Capital Investment Review (CIR) processes, the assumptions behind the longer-term capital investment forecasts driving BPA's leverage and access to capital forecasts, and the persistent growth on Transmission financial reserves when Transmission Financial Reserves are consistently forecasted to decline in rate case scenarios.
- BPA's IPR2 closeout letter acknowledged concerns with the persistent overforecasting of capital spending. As it drives access to capital and leverage calculations, continued attention to those concerns is necessary. The process needs to take into account past spending, and not build on top of past overforecasts. In addition, concerns about access to capital and leverage need to be incorporated into spending decisions – not just when making funding decisions after the fact.

With these preliminary comments in mind, M-S-R looks forward to a productive, transparent and open minded policy "refresh" discussion.

September 28, 2021

From: NIPPC

To: communications@bpa.gov

## COMMENTS OF NIPPC – FINANCIAL PLAN REFRESH

Thank you for the opportunity to provide comments and pose questions following the Financial Plan Refresh public meeting on September 15.

BPA adopted its Financial Plan in 2018. Since then, many members of NIPPC have become concerned that a disproportionate share of the burden for maintaining BPA's financial health has been shifted to BPA's transmission customers. BPA appears to use different and inconsistent assumptions related to capital costs and financing costs for transmission rates than it uses to set power rates. As an adversarial process, the rate case process does not lend itself to the free exchange of information so that all parties have confidence in BPA assumptions and models.

Accordingly, NIPPC asks BPA to provide a written document followed by a presentation with an opportunity to ask follow up questions on the topics below:

- Assumptions regarding life of assets
- Assumptions regarding the repayment period of debt
- Assumptions regarding depreciation
- Regional Cooperation Debt and Debt Optimization, including:
  - Benefits (power and transmission) ○ Costs (power and transmission)
  - Comparison of total interest costs before and after refinancing
- Debt Optimization, including:
  - Benefits (power and transmission) ○ Costs (power and transmission)
  - Comparison of total interest costs before and after refinancing • Implications of Federal v. Non-Federal Debt in rates

To the extent the assumptions (or inputs used) are different for Power and Transmission, BPA should provide a narrative explaining the reasons. BPA should also explain how these topics impact rates. The goal is for all customers to have a clear understanding of – and confidence in the fairness of – the assumptions underlying the financial models that feed into BPA's ratemaking process.

NIPPC realizes that the Financial Plan Refresh is not a transmission planning exercise. Nevertheless, we anticipate that a significant investment in new transmission infrastructure will be needed to meet the climate and energy goals and mandates of Oregon and Washington. Accordingly, NIPPC urges BPA to consider its Financial Plan requirements not just under the



status quo, but in a near term future where significant new transmission infrastructure will be urgently needed to satisfy state public policy requirements.

NIPPC also requests BPA address the following topics related to Capital Investment:

- Assumptions regarding incremental revenue from upgrades for new transmission interconnection and transmission service requests
- Costs of lease financing compared to debt financing
- Costs of Secondary Capacity Model Program (including a comparison of projected costs of hiring additional FTE for BPA to complete that work with BPA resources)
- Estimates of revenue lost from delays in completing network upgrades
- Estimates of the cost and revenues associated with transmission upgrades needed to meet Oregon and Washington clean energy goals

Many NIPPC members have become frustrated with BPA's phased roll-out of Financial Policies over the past several years. The perception is that as customers meet the metrics of one financial policy, BPA's response is simply to develop an additional metric that results in yet more upward rate pressure. Accordingly, NIPPC urges BPA to conclude this Financial Plan Refresh with a set of financial policies that are durable and that fairly balance responsibility for BPA's financial health between power and transmission customers.