

Financial Plan Refresh  
January 26, 2022  
Public Workshop Comments

This document contains the original comments and questions submitted to BPA related to the January 26<sup>th</sup> Financial Plan Refresh workshop materials.

This document does not include the comments and questions about depreciation of revenue financed assets, that were submitted by the following commenting party: Avista Corporation; M-S-R Public Power Agency; PacifiCorp; Portland General Electric Company; and Puget Sound Energy, Inc. Regarding BPA Financial Plan Refresh: Higher of Revenue Requirement. BPA will post these comments and BPA's response together next week.

Financial Plan Refresh  
January 26, 2022  
Public Workshop Comments

February 9, 2022

Via Email ([techforum@bpa.gov](mailto:techforum@bpa.gov))

U.S. Department of Energy

Bonneville Power Administration

Transmission Services

Re: Comments of Avangrid Renewables, LLC, Avista Corporation, Idaho Power Company, PacifiCorp, Portland General Electric Company, Puget Sound Energy, Inc. on Financial Plan Refresh January 26 Workshop: Customer Presentation

Avangrid Renewables, LLC, Avista Corporation, Idaho Power Company, PacifiCorp, Portland General Electric Company, Puget Sound Energy, Inc. (“Commenting Parties”) hereby submit comments to the Bonneville Power Administration (“Bonneville”) concerning the Financial Plan Refresh workshop held on January 26, 2022 (the “Workshop”).<sup>1</sup> The information provided in the Workshop is helpful in understanding Bonneville’s overall approach, but Bonneville did not respond to the presentation material offered by customers at the Workshop.

Overall, the Bonneville Financial Plan Refresh Presentation outlined an “Initial Approach” or “Goals” with respect to (i) revenue financing of 10 to 20 percent of “total capital”, (ii) net neutral borrowing position, and (iii) 60 percent leverage ratio (debt to assets). However, the Bonneville Presentation did not provide an adequate rationale or support for any of these “Goals” or “Initial Approach.” For example, Commenting Parties ask that Bonneville explain whether its leverage goals and/or industry benchmarking remain reasonable in light of the materials presented by Northwest and Intermountain Power Producers Coalition (“NIPPC”).

If Bonneville wishes to pursue the goals or initial approach in the Financial Plan Refresh Presentation, additional support must be provided by Bonneville, and additional discussion is necessary on these topics.

---

<sup>1</sup> 1 Additional details regarding the Financial Plan Refresh, including the Bonneville January 26, 2022 Financial Plan Refresh Presentation (“Financial Plan Refresh Presentation”) and other presentation materials referenced herein are available at <https://www.bpa.gov/Finance/FinancialPublicProcesses/Financial-Plan-Refresh/Pages/Financial-PlanRefresh.aspx>.

**1. Bonneville Should Explain How Its “Goals” or “Approach” with Respect to the Financial Plan Refresh Are Intended to Affect the Scope of Issues in Rate Cases**

Bonneville should explain how its “goals” or “approach” with respect to the Financial Plan Refresh are intended to affect the scope of issues in rate cases. In that regard, the Financial Plan may inform Bonneville’s initial proposal in rate cases but cannot and should not limit the scope of Bonneville’s rate cases, which are statutorily defined.

**2. Bonneville Should Explain Why a 60 Percent Leverage Goal is Reasonable**

At the Workshop, Bonneville provided overarching goals and principles for the Financial Plan Refresh, including achieving a leverage ratio no higher than 60 percent by 2040.<sup>2</sup> According to Bonneville, this goal is a clearer articulation of the 2018 Financial Plan’s long-term goal, which has been updated to ensure a net neutral borrowing position. The 2018 Financial Plan includes a mid-term goal of achieving a debt to asset ratio of 75 to 85 percent by 2028 and 60 to 70 percent over the long term.<sup>3</sup> Bonneville’s Leverage Policy also adds a near-term requirement of not allowing the debt-to-asset ratio to increase from rate period to rate period.<sup>4</sup>

NIPPC’s presentation at the Workshop included an in-depth analysis of Bonneville’s credit ratings, concluding that there is no compelling need to reduce Bonneville’s debt to asset ratio much below 80 percent. In light of these statements, Commenting Parties ask that Bonneville respond to the material presented by NIPPC and explain whether 60 percent remains a reasonable leverage goal.

**3. Bonneville Should Explain Why its Industry Benchmarking is Reasonable**

Bonneville describes its updated leverage goal as closer to industry norms, without being overly conservative.<sup>5</sup> Based on comments made during the workshop, Bonneville appears to have focused mainly on utilities in the Pacific Northwest when considering industry norms.<sup>6</sup> NIPPC’s presentation concludes that when compared to a more appropriate set of peers, including global transmission operators with connections to their host government, Bonneville’s leverage appears more in line with its peers and more defensible. Commenting Parties ask Bonneville to consider this information provided by NIPPC and explain whether its presentation of industry norms remains reasonable and/or may be overly conservative.

---

<sup>2</sup> See Financial Plan Refresh Presentation at 12.

<sup>3</sup> 2018 Financial Plan at 11 (Feb. 2018), available at <https://www.bpa.gov/Finance/FinancialInformation/FinancialPlan/Documents/Financial-Plan-2018.pdf>.

<sup>4</sup> 4 Leverage Policy (Sept. 25, 2018), available at <https://www.bpa.gov/Finance/FinancialPublicProcesses/FinancialReserves-Leverage/frpdocs/LEVERAGE%20POLICY%20Final.pdf>

<sup>5</sup> See Financial Plan Refresh Presentation at 13.

<sup>6</sup> See id. at 11 and 13; see also Financial Plan Refresh: Debt & Borrowing Authority Grounding Workshop Presentation at 18-22 (Oct. 19, 2021).

**4. Bonneville Should Explain Why a 10 to 20 Percent Revenue Financing Goal Is Reasonable and Consistent with the Statutory Standards**

Bonneville should explain why a 10 to 20 percent revenue financing goal is reasonable and consistent with the statutory requirement to establish rates to recover its costs (including amortization of the Federal investment over a reasonable period of years) in accordance with sound business principles.

**5. Bonneville Should Explain Why a Net Neutral Borrowing Position Is Reasonable**

Bonneville should explain why a net neutral borrowing position Goal is reasonable. Zero increase in net borrowing appears to be arbitrary and unnecessary, particularly in light of the recent, very substantial increase in Bonneville borrowing authority. For example, if Bonneville's revenues and capital investments were to increase by 10 percent why shouldn't Bonneville's net borrowing position increase?

\* \* \*

Commenting Parties appreciate Bonneville's review of these comments and consideration of the recommendations contained herein. Nothing contained in these comments constitutes a waiver or relinquishment of any rights or remedies provided by applicable law or provided under Bonneville's tariff or otherwise under contract. By return e-mail, please confirm Bonneville's receipt of these comments.

Financial Plan Refresh  
January 26, 2022  
Public Workshop Comments

Alliance of Western Energy Consumers

February 9, 2022

Via Electronic Submission

John Hairston

Administrator and Chief Executive Officer

Bonneville Power Administration

**Re: Financial Plan Refresh Workshop**

Dear Administrator Hairston:

The Alliance of Western Energy Consumers (“AWEC”) appreciates the opportunity to provide feedback on Bonneville Power Administration’s (“BPA” or “Agency”) January 26, 2022 Financial Plan Refresh Workshop and acknowledges the Agency’s continued focus on transparency throughout the Financial Plan Refresh Initiative. During the January 26th workshop, BPA provided background regarding the Agency’s decision to explore a sustainable capital funding approach and shared its initial thinking on approaches to meet proposed principles and goals. As explained by BPA, the 2018 Financial Plan has a Debt Utilization objective of reducing interest expense and maintaining financial flexibility. Exploring how to achieve this objective is a main purpose of the current Financial Plan Refresh Initiative.

According to BPA, although the Bipartisan Infrastructure Deal secured expanded federal borrowing authority for the Agency, additional effort regarding sustainable capital funding remains necessary. Specifically, potential interest rate increases result in motivation to lower BPA’s interest rate cost exposure. As such, BPA has set forth three goals: 1) move away from 100% debt financing by revenue financing a portion of capital; 2) achieve at least a net neutral borrowing position over a rolling 10-year period; and 3) achieve a leverage ratio no higher than 60% by BP-40.<sup>7</sup>

Articulation of BPA’s goals are appreciated and provide additional clarity to determine whether the Agency and stakeholders share comparable goals in the Financial Plan Refresh process. However, AWEC recommends that BPA apply more flexibility to meet the first goal. Moving away from 100% debt financing could be accomplished by tools other than revenue financing. Unfortunately, BPA has forgone exploring alternatives. BPA’s unwillingness to explore financing mechanisms besides revenue financing raises concerns. In accordance with general ratemaking principles, the matching principle requires costs “to be assigned to the periods in which the related benefits are expected to be realized.”<sup>8</sup> As noted by AWEC in BP-22, revenue financing also raises concerns regarding intergenerational equity, the well-established ratemaking principle that requires “the fair distribution of the costs and benefits of a long-lived project when those costs and benefits are borne by different generations’ project users.”<sup>9</sup> To mitigate these concerns, AWEC encourages BPA to consider alternatives to revenue financing that still maintain BPA’s financial health and flexibility.

---

<sup>7</sup> Bonneville Power Administration, Financial Plan Refresh Public Workshop, at 12 (Jan. 26, 2022).

<sup>8</sup> L.L.C., Virginia Electric and Power Company, 110 FERC P61,234, PJM Interconnection, at n.24 (March 4, 2005).

<sup>9</sup> BP Pipelines (Alaska) Inc. v. BP Pipelines (Alaska) Inc., 125 FERC P61,215, 62124, at n.16 (Nov. 20, 2008).

Financial Plan Refresh  
January 26, 2022  
Public Workshop Comments

Regarding the second goal, the industry norm for net neutral borrowing is unclear. AWEC requests that BPA provide additional documentation on this. Notably, although BPA's borrowing costs may be rising, they are substantially lower than the borrowing costs or "discount rate" of end-users. Thus, end-users of BPA's services are often better off if they are able to benefit, through BPA's rates, from the Agency's low borrowing costs.

The third goal is a proposed update to the debt utilization financial health objective from the 2018 Financial Plan, which sets forth a target of achieving "a debt-to-asset ratio of 75 to 85 percent within 10 years and 60 to 70 percent in the long term."<sup>10</sup> However, based on NIPPC's January 26th presentation, it is still unclear whether the incremental benefit or value BPA customers will experience is worth the additional cost of targeting the third goal.

BPA presented a revenue funding framework intended to accomplish the three goals and set forth the following four framework principles: 1) ground in industry practices; 2) take a long-term view, while maintaining Administrator flexibility to respond to current circumstances; 3) consider rate impact and competitiveness; and 4) consider simplicity – relatively easy to understand, calculate, implement, and transparent.<sup>11</sup>

BPA's proposed revenue funding framework will require that "each business unit revenue finances 10% of total capital. If defined objectives are not being met, that business unit revenue finances 20% of total capital."<sup>12</sup> The impact to rates is limited to 1%. While AWEC appreciates the simplicity of this framework, the potential impact to rates is highly concerning given BPA's history of capital budget underspend. As such, this framework needs to be evaluated in concert with all actions BPA anticipates undertaking to address its capital needs, funding sources, and debt management. These concerns raise many unanswered questions. For example, if there is a 1% increase to rates associated with this action, what commitment will BPA make to find additional offsetting cost reductions to mitigate the 1% rate increase? What other actions does BPA envision having to take to address its financial health that would add to the 1% rate increase? Moreover, what are the guarantees that these goals will not be expanded in a rate case or determined to be the wrong metric, resulting in the need for other actions, as experienced in BP-22? Finally, what stress testing has BPA performed to assess the resilience of this framework to function as anticipated in a variety of interest rate/borrowing/capital budget environments?

Looking forward, AWEC suggests BPA address these outstanding questions and concerns to the fullest extent possible. Such answers and assurances are necessary for stakeholders to adequately assess BPA's proposed revenue funding framework.

/s/ Bill Gaines

Executive Director

Alliance of Western Energy Consumer

---

<sup>10</sup> Bonneville Power Administration, Financial Plan Refresh Public Workshop, at 12 (Jan. 26, 2022).

<sup>11</sup> Id.

<sup>12</sup> Id. At 18

**M-S-R Comments – Financial Plan Refresh: Debt & Borrowing Authority Grounding Workshop**

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.

---

M-S-R appreciates the opportunity to comment on BPA’s Financial Plan Refresh workshops and proposals for revenue financing to reduce Leverage. M-S-R’s comments agree with the concerns that the leverage reduction goal driving the proposal is unnecessary, notes the substantial increased costs to the region resulting from the proposal, addresses intergenerational inequity resulting from the proposal, and discusses potential modifications.

BPA Compared With Other Sovereign Entities. As an initial matter, M-S-R supports the view presented by Northwest & Intermountain Power Producers Coalition (NIPPC) and its expert witness. M-S-R agrees that, due to BPA's unique financial position as an enterprise of the United States, it is inappropriate to compare BPA with neighboring utilities, whether investor owned, municipal, or cooperative. M-S-R agrees that the better comparison is other sovereign owned or backed entities. As NIPPC explained, those more appropriate comparisons demonstrate that BPA's goal of reaching 60% leverage is unnecessary because BPA’s peers have leverage ratios ranging from 67% to 89% and enjoy strong credit ratings.

BPA's Proposal Imposes \$1.7 Billion Unnecessary Cost. M-S-R notes the revenue financing proposal driven by the goal of reaching 60% leverage will be very costly to the region. Based on the data presented during the January 26, 2022 workshop, it appears the proposal will impose gross revenue financing of about 2 \$2.65 billion on the region (\$1.75 billion for Transmission and \$900 million for Power) over the 20-year projected period. Netting out the projected interest savings, the incremental cost to the region is about \$1.7 billion (about \$1.17 billion for Transmission and \$584 million for Power). This \$1.7 billion cost to the region is unnecessary, given that BPA has been provided access to an additional \$10 billion in debt financing, and its financial condition would remain strong without the revenue financing. Utilizing the available financing would save the region \$1.7 billion compared with the BPA proposal.

BPA’s Proposal Imposes a 5.9% Rate Increase. Despite the 1% incremental rate increase limiter that BPA states it will abide by, the revenue financing proposal will impose an average rate increase for Transmission of about 5.9%, and an average increase of roughly 1.5% increase for Power. The 5.9% rate increase results because the starting point for BPA’s proposal builds on top of the \$40 million in revenue financing included in BP-22 rates.

Interest Expense vs Equity and Revenue Financing Costs. One of the underlying concerns BPA has presented is the percentage of revenue requirement that is, and is projected to be, made up of interest

Financial Plan Refresh  
January 26, 2022  
Public Workshop Comments

expense. When considering the amount of debt service as a portion of rates, it bears noting that most transmission-owning utilities use a mix of debt and equity to fund capital. Looking at their total debt and return on equity is comparable to BPA's interest expense. Debt is almost always cheaper than equity, so even at 100% debt financing BPA's cost of capital - interest expense - is less expensive than a transmission owner funding the same assets with a mix of debt and equity. While revenue financing appears less expensive, that is only because the cost of the capital to BPA's customers is not considered. The fact that there is a net cost to ratepayers of over \$1.7 billion shows that the revenue financing imposes a greater cost than debt financing, so the concerns about the amount of debt service included in rates is theoretical, not practical.

Revenue Financing Creates Intergenerational Inequity and Violates Cost Causation Principles. Paying off assets over their useful life is a common, fundamentally sound practice. Debt allows this to be accomplished; revenue financing does not. Funding assets with debt with a repayment term equal to the life of the asset imposes repayment obligations on those using the asset. Revenue financing imposes 100% of the costs on current ratepayers, even though the facility will be used for decades to come. This creates generational inequity, with ratepayers in 2022 funding 100% of the cost of assets that customers will use for 35 or more years. The only way revenue financing does not create intergenerational inequity is if the asset's useful life is one year or less, but any such asset would be expensed, not capitalized.

BPA's assertion that its revenue financing proposal supports intergenerational equity is incorrect. BPA asserts that its proposal addresses intergenerational equity by having a long-term policy that ensures more consistent debt service levels over time. The position appears to be that it is inequitable to use 100% debt financing because it imposes debt repayment obligations on future generations of ratepayers.<sup>13</sup> This claim ignores the fact that those future generations of ratepayers will get to use the assets funded by the debt, so there is no inequity in requiring them to repay a portion of the cost of the assets through debt repayment. Matching the users of assets to the payment for the costs better aligns with the ratemaking principle of cost-causation. Revenue financing violates cost causation by requiring customers to pay all the costs of assets when they will not use all the value of the asset.

### **Alternatives**

Actuals Not Forecasts. To the extent BPA moves forward with its proposed mechanism, M-S-R strongly urges that any revenue financing calculation be done based on prior rate case actuals, not based on forecasts. The chronic underspending/over-forecasting of capital has been addressed at length in prior workshop comments and testimony.<sup>14</sup> The IPR2 Report and the Administrator's Record of Decision in BP-22 acknowledged the concern, and reduced the forecasted capital expenditures and associated revenue requirement for rate-setting purposes. Consistent with the concerns expressed in the IPR process, capital spending in fiscal year 2021 was 20% lower than forecast for Transmission, and 24% lower than forecast for Power. For Transmission, the underspend/over-forecast amounted to \$103 million in 2021; for Power it was \$79 million. Applying BPA's proposed 10% revenue financing would have caused an excess \$10 million of revenue financing for Transmission, and \$8 million for Power. These differences

---

<sup>13</sup> See, e.g., BPA January 26, 2022 Financial Plan Refresh Presentation at slide 11; verbal remarks made during the January 26, 2022 Financial Plan Refresh Presentation by several representatives from BPA.

<sup>14</sup> See BP-22 Record of Decision at § 1.5.1 (Spending Review).



Financial Plan Refresh  
January 26, 2022  
Public Workshop Comments

are substantial unjustified costs for customers. Utilizing actual capital spending as the metric for revenue financing would avoid the potential for such additional costs resulting from forecast error.

Overall Rate Limiter. BPA proposes a limit on the revenue financing such that it cannot impose more than a 1% incremental rate increase. That 1% limit results in a 5.9% average increase for Transmission in part because it is added on top of the roughly 4% increase in rates imposed on Transmission for revenue financing in BP-22. The 1% limiter does not consider other potential cost increases that may impact Transmission rates. M-S-R encourages BPA to develop a limit that takes other cost increases into account, deferring any revenue financing if rates would increase more than the rate of inflation.

Separating Power and Transmission Finances. Northwest Requirements Utilities' (NRU) comments and principals include the concept of separating Power and Transmission financially. Due to the different risk profiles of the two business lines, M-S-R sees some potential merit in this concept. M-S-R is curious as to how that would be done, and what that would mean with respect to access to borrowing authority generally and the line of credit. In addition, would doing so de-link Power and Transmission regarding financial reserves? How would it affect risk analysis underlying BPA's rate setting processes?

Spend Less. When BPA created its Leverage Policy, it determined that one of the solutions that would be considered in each rate case to mitigate projected increases in leverage is to spend less.<sup>15</sup> This element of the existing policy does not appear to be honored in practice. Now, BPA appears to be wiping it away with a proposed policy that automatically imposes revenue financing without any consideration for the option of spending less. While BPA has presented and explained its models for forecasting expenses and selecting assets for replacement, nothing in that discussion explains efforts to find ways to invest less capital.

In that regard, it is notable that while the financial policy refresh is proposing revenue financing, BPA's presentations on the Vancouver Control Center continue to favor the most capital intensive and expensive option.

Conclusion. M-S-R maintains that revenue financing is unnecessary and inappropriate. It creates generational inequity, violates cost causation, and imposes duplicate charges on customers. BPA should focus on the avoidance of spending if it is concerned with the level of its debt. If BPA does pursue a revenue financing mechanism, M-S-R submits it should: (1) be limited by overall rate increases; and (2) be tied to a percentage of actual spending history, not forecasts.

---

<sup>15</sup> See BPA Administrator's Record of Decision: Leverage Policy (Sept. 2018), at Appendix 1, Leverage Policy at § 4.3.1. (explaining that "BPA will take action(s) to reduce any agency and individual business line debt-to-asset ratio that is forecast to be higher at the end of the upcoming rate period than its base ratio [by] . . . reducing planned capital spending . . ."), available at <https://www.bpa.gov/news/pubs/RecordsofDecision/rod-20180925-Leverage-Policy.pdf%20https://www.bpa.gov/news/pubs/RecordsofDecision/%20rod-20180925-Leverage-Policy.pdf>

February 9, 2022

### **NIPPC Comments – Financial Policy Refresh**

NIPPC appreciates the opportunity to submit these additional comments in the Financial Policy Refresh stakeholder process. NIPPC also appreciates BPA's openness in providing NIPPC with the forum to present the analysis and report prepared by Bart Oosterveld at the January 26 public workshop.

In his report, Mr. Oosterveld, a recognized subject matter expert in this field, provides ample and compelling evidence that there is no credit-supportive reason for BPA to set its long-term target for its debt-to-asset ratio much lower than 80%. In light of NIPPC's efforts to provide robust analysis for an appropriate target debt-to-asset ratio for an entity like BPA, NIPPC does not support BPA's proposal to set its long-term target debt-to-asset ratio at 60%.

In its 2018 Financial Plan (the 2018 Plan), BPA proposed a long-term target of 60-70% for its debt-to-asset ratio. This target was based on a view that the "industry average" debt-to-asset ratio was 54%. The 2018 Plan (and subsequent public workshops) does not provide a detailed explanation or analysis of how BPA calculated this "industry average" nor, as importantly, whether this average applies appropriately to BPA given the unique characteristics of BPA's debt, statutory construct, and sovereign support from the U.S. government. In the presentation on January 26, BPA also did not explain why it is now seeking to implement a glidepath to the lower end (60%) of the target set out in the 2018 Plan rather than the upper end of that target (70%). NIPPC is concerned that there is no underlying analysis that compares BPA to other debt issuers, nor that differentiates between various potential leverage (i.e., debt-to-asset ratio) targets.

In light of Mr. Oosterveld's report and the underlying and extensive research to identify financial metrics associated with other borrowers who are truly similar to BPA, NIPPC urges BPA to revisit its prior assumptions. Specifically, NIPPC requests that BPA revisit the analysis underlying its 2018 Financial Plan and the Plan's conclusion that a 60-70% debt-to-asset ratio is an appropriate target for BPA. NIPPC requests that BPA provide the documentation that explains how BPA determined that the industry average debt-to-asset ratio is 54% and why the debt issuers who make up that average are comparable to BPA as a borrower. NIPPC also asks BPA to provide customers with a comparison of the rate implications to customers (through 2040) if BPA were to set a long-term debt-to-asset target of 60%, 70%, 75%, or 80%. Ideally, this comparison would show both anticipated revenue financing in dollars and in percentage rate increases for each rate period through 2040. Finally, NIPPC acknowledges that credit ratings and other capital market perspectives on the agency's financial health are important but not sole inputs into the Administrator's decision about the agency's financial policies. Therefore, NIPPC requests that BPA provide a more detailed financial or legal rationale for why, if a 60% debt-to-asset ratio (or any ratio much lower than 80%) will not materially improve the agency's 2 creditworthiness, such a low leverage target is necessary to set "the lowest possible rates to consumers consistent with sound business principles."

On a separate but related topic, NIPPC appreciates BPA's responses to NIPPC's prior questions regarding the calculation of Transmission's debt forecast. BPA forecasts its capital requirements 11 to 20 years out by adding an inflation modifier to year 10 and in subsequent years. Given the "lumpiness" of transmission investment requirements, NIPPC is concerned with the forecast methodology for years 11-20. An unusually high need for debt in forecast year 10 could lead to significantly inflated forecasts of

Financial Plan Refresh  
January 26, 2022  
Public Workshop Comments

capital requirements for years 11-20. If BPA intends to use a forecast of debt to justify increased levels of revenue financing in rates, then NIPPC believes BPA should develop a methodology to forecast capital requirements for years 11-20 more accurately – or at least one that is less susceptible to dramatic fluctuations.

In summary, NIPPC requests the following from BPA prior to the next discussion of policies related to BPA's debt-to-asset ratio:

1. Explanation of the basis of the 54% "industry standard" identified in the Plan;
2. Analysis of why a 60% or 70% target debt-to-asset ratio is appropriate, given the research and analysis supplied by NIPPC at the January 26 workshop;
3. Analysis comparing rate impacts (by percentage rate increase and dollar amounts) of setting the long-term debt-to-asset ratio target at 60%, 70%, 75%, and 80%;
4. A more detailed financial or legal rationale for why setting a 60% debt-to-asset ratio is necessary to meet the agency's statutory requirements; and
5. Development of a more precise and potentially less volatile methodology to forecast capital requirements in years 11-20 rather than an inflation modifier applied to year 10

Financial Plan Refresh  
January 26, 2022  
Public Workshop Comments

**Northwest Requirements Utilities**

February 9, 2022

Submitted to: [communications@bpa.gov](mailto:communications@bpa.gov)

Re: Financial Plan Refresh

Northwest Requirements Utilities (“NRU”) submits these comments in response to BPA’s January 26 Financial Plan Refresh workshop. NRU represents the interests of 56 Load-Following customers located in 7 states across the region that hold Network Transmission contracts with Bonneville Power Administration (“BPA”). NRU’s members contract with BPA for almost 30% of BPA’s Tier 1 load. Of primary importance to NRU members is BPA’s ability to offer affordable and reliable power supply and transmission that maximizes the value of the Federal system for the benefit of preference customers.

NRU appreciates BPA’s efforts to update its Financial Plan. To date, NRU sees alignment between NRU’s financial refresh principles (outlined in a letter submitted January 22, 2022) and the goals that BPA has established to guide its financial refresh process. As expressed in NRU’s financial refresh principles, our members are interested in further developing parameters that should be applied when BPA proposes the use of revenue financing. We look forward to working with BPA on this issue.

Also, in response to the Northwest and Intermountain Power Producers Coalition presentation on January 26, NRU would appreciate more information to support the appropriateness of BPA’s goal of achieving a leverage ratio of no higher than 60% by 2040.

We hope that these recommendations will help contribute to the updated Financial Plan. We look forward to continuing to work with you throughout the Financial Refresh process.

Sincerely,

/s/ Tashiana Wangler

Rates and Policies Director

Cc: Marcus Harris, Executive Vice President and Chief Financial Officer

Financial Plan Refresh  
January 26, 2022  
Public Workshop Comments  
Powerex

February 9, 2022

RE: BPA's Financial Plan Refresh

Powerex appreciates the opportunity to comment on the presentation and workshop material from January 26, 2022 regarding the Financial Plan Refresh process. Powerex offers the following comments for BPA's consideration.

Powerex appreciates BPA's recitation of its over-arching goals and principles for the financial plan. One of the framework principles set forth by BPA was a grounding in industry practices.<sup>16</sup> At the workshop, one of the customer-led presentations by NIPPC included a presentation by its consultant, Bart Oosterveld, that addressed industry standards as applicable to BPA's debt levels. Mr. Oosterveld, a former employee at Moody's with first-hand knowledge and experience with rating agencies, provided insight into how credit rating agencies view debt by large governmentally owned public utilities, like BPA. For example, Mr. Oosterveld suggested that the peer groups that BPA considers probative indicators of appropriate debt levels might not be relevant comparisons. He also noted that when contrasted with more appropriate peers, BPA's leverage is comparable. Mr. Oosterveld also indicated that BPA's leverage ratio is not heavily weighted by rating agencies (whereas liquidity and cash on hand are instead a priority) and that transmission is a leverage asset class (i.e., there is a tolerance for transmission assets to be highly leveraged). In sum, he concluded that there does not appear to be a compelling need or benefit to reduce leverage much below 80% from the credit rating agencies' perspective.

Powerex was intrigued by the credible presentation and report from Mr. Oosterveld. Powerex would appreciate BPA providing a detailed response to the presentation and materials, and how this type of analysis will be incorporated or accounted for in the pre-rate case workshops and the rate case for BP-24.

Thank you kindly for considering our comments.

Sincerely,

Raj Hundal

Director, Market Policy and Practice

---

<sup>16</sup> Bonneville Power Admin. Financial Plan Refresh Presentation at slide 12 (Jan. 26, 2022).

Financial Plan Refresh  
January 26, 2022  
Public Workshop Comments

Snohomish PUD

February 9, 2022

Submitted via email at [communications@bpa.gov](mailto:communications@bpa.gov)

Bonneville Power Administration

Subject: Financial Plan Refresh

Thank you for the opportunity to comment on the January 26 Financial Plan Refresh Workshop. The workshop provided grounding on Bonneville's initial thinking on sustainable capital financing. As the workshops progress, Snohomish would be interested in seeing how the Agency will calibrate the different tools at its disposal in an "all of the above" strategy.

Please find our comments for consideration:

*Goals and Principles:* Snohomish supports the goals and framework described in the workshop. In particular, Snohomish is encouraged to hear commitment from the Agency to move away from 100% debt financing to revenue financing a portion of Power and Transmission capital. This is standard utility practice. At Snohomish, no more than 40% of non-generation Electric System capital improvements are financed by rates. With this practice, we are able to tie customer rates to assets they own and make us accountable to our customers. We recognize that the timing and pace of this transition is important in order to keep customer costs stable and respond to market conditions, and appreciate the phased approach presented.

*Methodology:* In general, Snohomish finds the methodology meets the goals and principles of sustainable capital financing as laid out in the workshop. The methodology looks promising to achieve the net neutral borrower goal, but would need periodic reassessment, possibly every rate period, to reflect changing conditions. In addition, we encourage Bonneville to carefully consider a workable phase-in approach, an overall strategy that worked well during the Financial Reserves Policy implementation.

*Implementation:* Snohomish views capital execution as an integral part of the Financial Plan Refresh effort. In this regard, we propose using actuals to calculate the baseline capital program from which the level of revenue financing is determined. The idea is to be able to align revenue financing with project execution, especially on the Transmission side. On the Power side, using actuals reinforces accountability on BPA and federal partners to execute on projects funded through rates.

Snohomish looks forward to continued participation in upcoming Financial Plan Refresh Workshops.

cc: Marcus Perry, Power Services Account Executive

Kathryn Patton, Power Services Account Executive