

Financial Plan Refresh
Public Comment Summary from grounding workshop
November 16, 2021

November 30, 2021

Via email:

communications@bpa.gov

U.S. Department of Energy
Bonneville Power Administration

Re: BPA Financial Plan Refresh: Questions of PacifiCorp and Puget Sound Energy, Inc. Regarding the November 16 Workshop #2

We submit the following questions regarding the BPA Financial Plan Refresh: November 16 Workshop #2 presentation¹ and discussion at that workshop:

- (i) Is it BPA's view that BPA's determination of revenue requirements based on the higher of forecasted cash flow and forecasted accrued expenses is (a) required by statute or (b) permitted but not required by statute? Please explain.
- (ii) Could BPA determine revenue requirements based on forecasted cash flow, as is done by the other PMAs? Please explain.
- (iii) If BPA has paid for an asset with reserve or revenue financing, why is it appropriate to include depreciation on that asset in determining revenue requirement?
- (iv) When and how does BPA propose to address the applicable provisions of the recently-adopted Infrastructure Investment and Jobs Act?

We appreciate the opportunity to submit these questions and look forward to participating in the upcoming Financial Plan Refresh workshops.

¹ Available at <https://www.bpa.gov/Finance/FinancialPublicProcesses/Financial-Plan-Refresh/Documents/NOV%2016%20workshop%20presentation-NEW.pdf> ("November 16 Presentation").



November 30, 2021

Re: Bonneville Power Administration (BPA) Financial Plan Refresh

Powerex appreciates BPA's workshop sessions and the broader financial plan refresh process. The grounding sessions that BPA has conducted to lay the groundwork for the Financial Plan Refresh have been worthwhile and helpful.

BPA initiated the Financial Plan Refresh process as a result of commitments it made in the BP-22 rate proceeding. Powerex believes that many of the financial plan areas have direct and significant implications for BPA's rates and hopes that these workshop sessions will consider the broader consequences of its financial plan refresh on rates and rate-related policies. Powerex would appreciate if BPA could elaborate in the upcoming workshops its plans to meet the statutory obligations in the recently enacted Infrastructure Improvement and Jobs Act.

Powerex participated in the grounding sessions and has following questions:

- Powerex would find it beneficial if BPA could provide additional context surrounding the “higher of” methodology, specifically its origins and rationale for adopting it.
- Could BPA expand upon how elimination of the “higher of” methodology would affect rate-setting? It would be helpful to understand how setting rates based exclusively on a cash accounting methodology—in lieu of the “higher of” methodology—would impact BPA's rate-setting.
- Could BPA please explain generally how it addresses depreciation of Power assets owned by other federal agencies, like the Corps and Bureau of Reclamation?
- Could BPA please further elaborate or explain if BPA uses PFIA funding for federal assets, and if so, does BPA include depreciation for these assets in rates, and how does BPA treat the salvage value for these assets?
- Could BPA please address whether eliminating hardwiring would result in a build-up of financial reserves?
- Please clarify what the interest rate and the adder are for BPA's Treasury Borrowing.
- Could BPA please identify its inflation assumption (and source for such assumption) that was relied upon to calculate the forecast debt-to-asset ratio (through 2043/2044)?
- Powerex would appreciate further discussion as to why BPA changed the repayment term from 45 to 35 years for Transmission. Could BPA return to a repayment period of 40-45 years? If not, would BPA please elaborate?

Again, Powerex appreciates BPA's efforts to educate customers in these grounding sessions and looks forward to the continuing process for BPA's Financial Plan refresh.

Sincerely,
Raj Hundal Director, Market Policy and Practice

Northwest Requirements Utilities

November 30, 2021

Submitted via email to communications@bpa.gov

Northwest Requirements Utilities (“NRU”) submits these comments in response to the November 16, 2021 Financial Plan Refresh: Grounding Workshop #2.

As you know, NRU represents the interests of 56 Load Following customers of BPA. As Load Following customers, our members mostly 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 second grounding session for the 2021 BPA Financial Plan Refresh.

NRU appreciates the detailed description of BPA’s accounting practices provided during the workshop. Proper accrual accounting is important to consistently match the expenses incurred with delivery of the benefits in the correct time period. It is also important to maintain current debt-to-asset ratio components to ensure comparability from year to year. Together, these elements provide an important foundation for understating the development of revenue requirements for BPA.

NRU identified a few items or themes of importance during the workshop that merit documentation.

- BPA’s recent increase in borrowing authority of \$10 billion should not change or skew the process to identify appropriate capital and debt management practices.
- BPA’s recent increase in borrowing authority should not dampen interest in lease purchase financing if the project in its entirety can be completed more cost effectively by utilizing lease purchase financing.
 - Examples of potential efficiencies are less regulatory burden; customer contractors can construct facilities at a lesser rate; and the potential for tax-exempt financing through a third party or access to grant or other non-reimbursable funds
- It is reasonable for the recent increase in borrowing authority to influence the timeframe or trajectory to achieve financial goals identified through the financial plan refresh process.

The focus of the financial plan refresh process must remain on establishing policies that ensure each business line is contributing positively to the overall financial health of BPA. 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