

July 25, 2022

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Submitted electronically

RE: BP-24 Integrated Program Review

The Public Power Council (PPC) appreciates this opportunity to comment on BPA's initial Integrated Program Review (IPR) proposals for the BP-24 rate period. PPC is the overall trade association representing the interests of non-profit, public power utilities that are eligible as preference customers of BPA. PPC's members span the full range of municipal, people's or public utility districts, and cooperative utilities across the Northwest.

PPC's members rely on BPA's wholesale power and transmission services to provide reliable, affordable, and environmentally responsible electricity at cost to the communities and businesses they serve. In turn, the costs of operating, maintaining, and repaying the investment in the Federal Columbia River Power System (FCRPS) is largely paid by public power. Partnership between public power and BPA extends back some 85 years to the agency's inception.

Public power has multiple interests in the IPR process. Of course, the IPR spending levels are a crucial input to rates. More broadly, however, program spending levels support prudent investment to maximize the value of the assets of the federal power and transmission systems. These investments may come in the form of new physical generating equipment or transmission lines. Investments in systems to allow for access to new market opportunities or in a skilled workforce can also create value.

PPC continues to support BPA's overall cost management goals in the 2018 Strategic Plan. Consistent, top-down cost discipline has allowed a significant change in the trajectory of the agency's costs. At the same time, we recognize that BPA is facing significant cost pressures in some key areas, particularly in terms of labor and third-party contracts. These same macroeconomic challenges are facing public power customers

throughout the region. Additionally, it is clear that BPA is short of resources to execute its mission in some key areas.

The consistent theme of these comments is value for the customer investment being made. In some instances, this may require increases in spending. Particularly in the areas where large increases are planned, these additional investments of customer dollars must have concurrent commitments for transparency and accountability for results.

Thank you for your consideration of these comments. PPC truly appreciates the efforts of BPA leadership and staff to continue investment in the crucial assets and operations of the federal power and transmission systems. We look forward to continuing our partnership to ensure a reliable, clean, and affordable power supply to the Northwest communities and businesses that we all ultimately serve.

In addition to these general considerations, PPC offers the following comments on specific program areas and initiatives.

BPA Workforce and Information Technology

A large portion of BPA's proposed increases are related to Information Technology and workforce. PPC recognizes the crucial need to invest in these areas to support BPA's mission. We also recognize that some of these costs are driven by third-party vendors of essential services, union labor agreements, and high market demand for skilled trades and engineers.

However, the initial IPR proposal does not do enough to show where and how the incremental investment in workforce will bring value. Additional analysis should be conducted to support final IPR spending levels that specifically identifies where new FTE are being placed and how incremental labor spending is being prioritized across the business.

More broadly, we strongly encourage BPA to develop an overall workforce strategy similar to how key areas in BPA's operations have Strategic Asset Management Plans. Workforce strategy and IT strategy should also be closely linked, as a fundamental purpose of IT is to support workforce productivity. PPC supports an IPR-2 process if needed to have more clarity on these issues.

Capital Funding Assumptions

PPC supports BPA's proposal to move to a range of planned capital expenditures, with an initial amount of 90% of the full Strategic Asset Management Plan (SAMP) values for rate setting purposes. Consistent historical underspending of planned capital amounts has raised issues of under-execution of planned projects as well as rate and policy impacts. Over the long term, adopting the true best estimate of execution will encourage improved budgeting, planning capability and accountability for performance.

Fish and Wildlife

Public power is committed to scientifically based mitigation efforts that are biologically impactful and cost effective. The proposed funding levels, which are a substantial increase over previous budgets, are adequate to achieve BPA's responsibilities for the BP-24 rate period. It is important to recognize the substantial successes of the program. This has included structural improvements to facilitate fish passage, hatchery production, massive habitat restoration and preservation, predation reduction efforts and important research. When conditions in the ocean and other factors allow, the FCRPS is fully capable of supporting robust salmon returns. For example, despite many challenges outside the scope of the hydro system, returns for 2022 are extremely strong even in comparison to levels prior to dam construction.

As we have raised in multiple forums, PPC sees a strong continued need for enhanced monitoring, evaluation and long-term study of the efficacy of spill operations for salmon and resident fish. The currently unprecedented levels of spill and resulting total dissolved gases have the potential to significantly harm the species the operations are intended to protect.

PPC also strongly supports BPA's ongoing efforts to increase asset management capability in the Fish and Wildlife program. This will enhance future prioritization of mitigation efforts for the largest biological benefit, enable clearer matching of projects to specific mitigation responsibilities, and enhance the efficacy of the program.

Power Services

PPC generally supports the proposed levels of spending and investment prioritization for federal hydro. Where possible, asset investment is targeted towards the highest generation value. PPC appreciates BPA's clear explanation of variances from this norm driven by investment in essential plant supporting jointly authorized purposes or safety.

PPC also strongly supports ongoing minimization of discretionary investments in Willamette Valley hydro projects. These projects in many cases provide minimal power supply value to BPA customers relative to their cost currently, and this situation is likely to continue to degrade in the future. Without substantial improvements to the currently unsustainable cost allocation between purposes, these projects are not economically sustainable from the perspective of power generation.

PPC recognizes and appreciates that BPA has worked with the U.S. Army Corps of Engineers and Bureau of Reclamation in advance of the IPR proposal to mitigate the proposed increase in hydro asset management expenses. PPC would like to reinforce the ongoing need for efficiency and to plan and operate the federal hydro assets in a business-like manner. Continuous improvement is essential to this end, including ongoing benchmarking with peers and refinement of asset management practices.

Columbia Generating Station

PPC would first like to recognize Energy Northwest's ongoing success in reducing its cost of power and maintaining or increasing plant output and reliability through disciplined execution of its strategic plan. We encourage continued close collaboration between Energy Northwest, BPA, and public power.

PPC supports moving ahead with funding for detailed design and study work for a potential Extended Power Uprate of CGS. This is a unique opportunity to increase the value of an existing resource at reasonable cost compared to alternatives. Further, based on PPC's analysis, the business case is strong with or without license extension. The demand for the contemplated carbon free power that would result from the uprate exists today and will only increase in the future. If BPA requires additional time for analysis, PPC supports taking that time as needed, but we believe it would be a substantial mistake to lose this opportunity. Given the economic value based on existing analysis, the default assumption should be funding the work for the BP-24 rate period.

PPC supports removal of contingency amounts of 1.5% from Energy Northwest operating budgets for rate setting purposes. This practice is not consistent with other program areas, where budget variances are managed on a comprehensive basis along with other financial risks. We recognize the potential need to address Energy Northwest cash flow issues as a result of this change, but we believe any such issues can be resolved with creative and collaborative solutions. PPC is prepared to participate in any needed efforts to this effect.

Transmission

BPA's transmission system is the backbone of the Pacific Northwest grid and is essential to reliable operation of the WECC as a whole. PPC recognizes the need to invest in aging infrastructure and expand the existing system to meet customer needs.

The initial IPR proposal is a very large increase for Transmission and at 16% is well beyond the expected rate of inflation. While recognizing the need for incremental funding, the initial publication is not adequately clear on how additional funds will be deployed to address bottlenecks and particularly issues related to asset management. Funding must be prioritized to achieve the most effective maintenance of existing assets, support customers meeting their loads and regulatory requirements, and to maximize deployed capital for real assets compared to administrative overhead.

In order to fully support the proposed funding levels for Transmission, PPC needs the following conditions to be met:

- Clear analysis of what or would not be funded at current levels, inflation, and proposed budgets along with associated value.
- Commitment to engage in third-party evaluation and benchmarking of asset management practices and strategy.
- Commitment to clear, transparent metrics to show that funding amounts are going where planned and getting results in key areas such as sustain investments and faster customer interconnection requests.

Finally, PPC has substantial ongoing concerns about the business case and plan for the updated Vancouver Control Center. Substantial additional public process and analysis is needed in advance of final decisions to proceed forward with the project as currently planned.

Northwest Power and Conservation Council

PPC has significant ongoing concerns regarding the calculation of authorized spending levels for NWPCC operations. The base funding levels are multiples over the base amounts contemplated in the Northwest Power Act. Aside from the dubious statutory support for the funding levels, PPC has further concerns regarding the business plan, strategy, and operation of the NWPCC Power Division. The 2021 Power Plan was delivered significantly late and outside of the contemplated statutory timeframe. Redevelopment of the GENESYS model experienced significant challenges and delays, resulting in lack of regional confidence in a key aspect of the power plan. These issues

occurred despite significantly higher staffing and resource levels than regional utility IRP departments that deliver resource plans at least every two years as well as supporting other functions. The NWPCC must work to develop a different business plan and strategy for delivering its next power plan on time and in a manner that delivers value commensurate with its costs. This will require benchmarking and comparison of the use of internal resources to increased use of contract resources. Until this occurs, it is unacceptable to continue rubberstamping the NWPCC budget year after year without accountability for value to the public power utilities that fund the organization.

Wildfire Mitigation

PPC supports ongoing investment in wildfire mitigation measures. This increasing threat in our region has strong implications for system reliability as well as human health and safety at large. We also encourage BPA to exchange best practices with peer transmission providers to enhance the effectiveness of mitigation efforts. Close coordination among transmission and distribution providers is essential.

Grand Coulee Asset Swap

PPC supports the Grand Coulee switchyard asset transfer proposal. Grand Coulee is the backbone of the federal hydro system, and these transmission assets are absolutely critical to reliability for BPA, the Northwest, and WECC at large. Direct operational control of the assets by BPA will facilitate needed investment and maintenance. BPA is simply better situated to operate and control these assets than the Bureau of Reclamation and all BPA customers will benefit as a result of the change.

Thank you again for your consideration of these comments and for the continued partnership.

Sincerely,



Scott Simms
Executive Director, Public Power Council

CC: BPA Executive Team