

June 16, 2022

John Hairston
Administrator, Bonneville Power Administration

RE: Final PPC Comments on Financial Plan Refresh Policy Proposals

The Public Power Council (PPC) appreciates this opportunity to comment on BPA's draft Sustainable Capital Financing policy and other proposals in the Financial Plan Refresh process. As the overall trade association for the non-profit, public power customers of BPA, these proposals will have a substantial impact on PPC members.

PPC submitted initial comments on earlier iterations of some of BPA's proposals in April. The current BPA proposals substantively address most of the sideboards and considerations in PPC's initial comments, including prioritization of reserves for risk mitigation and the need for openness to changes if needed to accommodate developments in the post-2028 process.

PPC welcomes these evolutions from the initial concepts and the commitments related to target ranges related to capital expenditures and project execution. PPC members rely on the assets of the FCRPS to provide the communities and businesses they serve with reliable, economic, and environmentally responsible power at cost. PPC strongly supports initiatives that facilitate continuous improvement and transparency in BPA's asset management program.

PPC would like to see one additional commitment related to asset management; That is, third party benchmarking of BPA's asset management practices and procedures. This is already being fulfilled for the federal hydro management program. PPC believes the next highest priority area is transmission asset management. The Transmission Strategic Asset Management Plan describes numerous potential benefits of this type of effort. Although not budgeted in the current IPR, PPC strongly encourages BPA to solicit third-party proposals to undertake this effort as soon as practicable. The cost should be easily absorbable through current expense or capital budgets, or through use of potential Reserves Distribution Clause funds, with a high return on investment. PPC is ready and willing to engage with BPA on this effort as soon as possible.

PPC's initial comments expressed support for planned revenue financing based on actual instead of planned capital spending. This preference was based on the historical trend of significant underspending of planned capital budgets. This concern is generally mitigated by BPA's adoption of target ranges for capital spending relative to planned amounts in rates. However, if substantial underspending continues it may be necessary to revisit the planned versus actual capital spending issue.

PPC appreciates and supports the need for flexibility in the Sustainable Capital Financing Policy. However, the final policy should contain clear language that any additional revenue financing must have a clear rate benefit to customers.

Finally, PPC continues to have concerns regarding the long-term goal of 60% leverage for the agency. PPC would support the NIPPC proposal to begin with a target for 70% with a defined check in to see if moving to a more aggressive value is appropriate. Alternately, in several rate periods as circumstances change, we encourage BPA to maintain openness to new information on appropriate long-term leverage targets.

Thank you for your consideration of these comments. PPC looks forward to working closely with BPA on implementation of the Financial Plan Refresh outcomes to ensure the mutual success of BPA and Northwest public power.

Sincerely,



Scott Simms
Executive Director, Public Power Council