

January 30, 2020

Elliot Mainzer
Administrator, Bonneville Power Administration
Portland, OR 97232

Submitted via email

RE: 2020 Integrated Program Review

Dear Elliot,

As BPA begins the 2020 IPR process, the Public Power Council (PPC) would like to recognize the progress that BPA made during the last budget cycle and reaffirm our expectations of continued cost management in the future. BPA leadership and staff responded to PPC's calls for a sense of urgency, and the agency achieved broad reductions. Despite this progress, cost and revenue elements outside of the IPR have the potential to drive up rates. For these reasons, PPC believes that the IPR process should start with – at most – an overall budget increase at zero. At the same time, we recognize the need for substantial investment to modernize and maintain BPA's assets as well as responsively meet customer needs. We look forward to working collaboratively to find the right balance of spending levels and prioritization to provide the best value proposition for customers now and into the future.

The engagement and commitment of BPA staff to meet the cost control objectives outlined in the 2018-2023 Strategic Plan have been essential to the agency's improved cost management actions, and PPC would like to acknowledge these efforts. The budget setting process for BP-20 rates and within-year cost management during FY 2019 represented noteworthy achievements that helped to minimize rate increases. Additionally, PPC is appreciative of BPA staff's responsiveness to requests for information and its collaborative approach to addressing challenges. PPC hopes this approach will continue to be the norm in the future, and we look forward to cooperating closely with the agency.

Unfortunately, at the same time BPA has made progress controlling costs, other factors continue to place upward pressure on rates. Disciplined prioritization and cost management will be required for BPA to minimize these impacts. Clear direction and strong, top-down budget constraints have been effective during the last rate periods and should be sustained for IPR 2020. Top-down budget targets show a commitment by leadership to bending the cost curve and sets the strategic direction across the agency.

Consolidating progress from the last cycle and making further progress – while meeting customer needs – will require the agency to prioritize funding between program areas. For example, increases in funding for high-value programs must first be sought through shifting funding from other areas, guided by creating customer value in alignment with the goals outlined in the Strategic Plan. PPC recognizes that there will be difficult decisions to make as BPA weighs the trade-offs between these options, and the agency needs to partner with public power to make the best choices that affect customer value. For these reasons, BPA should be inclusive of customers before decisions are executed.

PPC supports a unified leadership message of rigorous cost control and prioritization across the agency. However, we recognize that the Power and Transmission business lines also face unique operational challenges and competitive pressures. For example, in FY 2019 Transmission capital program execution was approximately \$94 million below rate case expectations. Efficient execution of investment in the transmission system is essential for maintaining the overall reliability of the transmission grid and for meeting customers' local demands for load service. PPC looks forward to continuing to work with BPA to ensure the right resources are available to meet customer needs.

PPC appreciates BPA leadership and staff efforts in achieving the progress to date and we hope to continue working together on these issues. Maintaining positive momentum and striving for zero overall cost increases for the 2020 IPR will demonstrate BPA's commitment to be the provider of choice now and in the future.

Sincerely,



Scott Simms

Executive Director, Public Power Council

cc:

Dan James, John Hairston, Michelle Manary, Robin Furrer, Joel Cook, Richard Shaheen