

April 6, 2018

Submitted via email to BPAFinance@bpa.gov

RE: Initial Comments and Requests for Further Analysis Regarding BPA Financial Plan Implementation

PPC appreciates the opportunity to provide these initial comments and requests for further analysis. These are based on the workshop material on implementation of BPA's 2018 Financial Plan presented to date. As a general matter, PPC appreciates the responsiveness so far from BPA staff in providing additional information and analysis in response to customer and stakeholder requests.

In addition to comments and questions regarding specific policy areas, we have some concerns regarding the timeline and sequencing of decisions on these financial topics. The policy proposals in question have significant and long-lasting impacts. It is difficult at this time to evaluate the proposals as a cohesive whole.

Our understanding is that BPA plans to memorialize its policy decisions on the Financial Plan as part of one or more Records of Decision in June. Given the importance of these issues, additional time should be taken over the summer if it is necessary to ensure the best possible outcomes for both BPA and customers.

Thank you for your consideration of these comments. Please do not hesitate to contact PPC staff to seek follow up information or any clarifications.

Cost Management Discipline

PPC supports BPA's goal to hold program costs down and specifically *below inflation* during the next rate period if possible. Flat or lower than current levels should be the starting assumption with any increases needing a compelling business case. Even current level budgets need to be reviewed for performance. Reprioritization of existing program budgets should be the first source of funding for new resources and capabilities.

PPC also continues to recognize that there are key differences in the challenges facing the Power and Transmission business lines. For Power, at this time competitive rates are of paramount importance. Prudent investment and spending is also crucial for

Transmission, but access to service is essential and may require incremental costs and investments in some areas.

PPC is particularly interested in seeing detailed initial IPR workshops on Federal hydro spending, BPA's Grid Modernization initiative, and both Transmission and Power capital programs.

Liquidity

PPC is continuing to evaluate the potential options for phase-in and implementation of the Financial Reserves Policy adopted in the BP-18 rate case. We have ongoing concerns about the business case for accelerating the accumulation of financial reserves from the \$20 million included in current rates to \$40 million annually. Additionally, we appreciate the analysis of alternatives presented by BPA staff, but there does not seem to be a compelling rationale at this time to change the basic structure of risk mitigation in power rates.

Debt Utilization

PPC strongly agrees that no additional actions are required on the Power side of the business to accelerate the ongoing process of deleveraging. Power is already a net repayer of debt and significant rate actions have already been taken to facilitate deleveraging. These actions include using Anticipated Accumulation of Cash (AAC) to pay significant amounts of debt, and moving energy efficiency investments from debt financing to expense.

If BPA decides to adopt actions for managing leverage on the Transmission side, a reasonable phase-in period could be appropriate. PPC looks forward to evaluating specific proposals in that regard.

Debt Capacity

To the extent that BPA has an access to capital problem, it has clearly been caused by the rapid expansion of debt by Transmission in recent years. Therefore solutions to preserving existing Treasury borrowing authority or seeking new sources of capital should be focused on Transmission. In all scenarios, closer scrutiny of assumed capital spending is necessary for both Power and Transmission. This includes assumptions in BPA's analysis of historical underspending of budgets.

There has been a strong emphasis thus far on use of Energy Northwest to create additional debt capacity. However, PPC would like to see further scenario analysis of how BPA's debt capacity challenges would be solved without access to additional sources of debt. We look forward to working with BPA staff to develop those scenarios.