

November 9, 2018

Elliot Mainzer
Administrator, Bonneville Power Administration
Portland, OR 97232
Submitted via email

Re: Next Steps in BPA Strategy Execution

Dear Elliot:

As you know, early in the year BPA published its FY 2018-2023 Strategic Plan. This document focuses on creating competitive power products and more efficient transmission service that is responsive to customer needs. The mechanisms identified for achieving these goals are increased financial discipline and prioritization combined with modernization of BPA's assets and system operations.

The Public Power Council (PPC) and its members worked closely with BPA over the past few years to help shape the strategic priorities, including consideration of any measures that can eliminate or reduce the need for rate increases. PPC supports efforts to meet the strategic goals and appreciates the focus on adding value for customers. Success for BPA is ultimately success for public power.

Most recently BPA released the closeout for the Integrated Program Review (IPR) budgeting process. The final IPR included \$66 million in reductions below program budget levels for the current rate period, with most of that being applied to power. Many of the suggestions made by PPC in this and past budget cycles were adopted by BPA to positive effect. This includes top-down budget constraints set at the beginning of the process, capturing historical underspending in program areas, and seeking efficiencies in personnel. The outcome of this IPR will provide real value to BPA customers and highlights the benefits of collaborative effort.

In spite of this progress on costs, we are hearing that significant cost and market pressures outside of the IPR categories are factors in the agency considering an initial proposal for BP-20 power rates of around a four percent increase. Although that single

rate increase may be near the level of inflation over a two-year rate period, it has a cumulative impact with the series of large increases in recent rate periods. This trajectory is still a significant concern to public power during a time when no rate increase is desirable. In this regard, we urge several steps:

1. Additional analysis on the alignment of proposed spending levels with strategic priorities. This will help identify spending areas (not just internal to BPA, but external agency costs as well) that can be further optimized without sacrificing key long-term goals for BPA and public power. This should include display of what a zero rate increase option would entail in the BP-20 rate period.
2. Additional customer coordination with BPA staff on how to create ongoing accountability and transparency on strategic progress. Further development of benchmarks, complementing work already underway, to track, measure, and enforce objectives in a way that is seen by customers. More “real time” engagement, not limited to after the fact reporting, will increase customer longer-term confidence.
3. Because a significant component of the rate challenge facing BPA is related to revenues and not just costs, an essential step is a continued and concerted effort to pursue new revenue potential as well as related hedging and risk practices. BPA and public power have already begun productive work on this topic, and we look forward to continued progress.

We acknowledge and appreciate the hard work of many staff at BPA in achieving the progress to date. More work remains, but PPC and its members stand ready to work as partners with you. Continued development of a culture of collaboration in providing value for customers along with clear communication about progress on strategic financial and operational goals will build confidence that everything possible is being done to provide the best power supply options now and into the future.

Sincerely,



Scott Corwin
Executive Director

Cc: BPA Executive Team