

January 19, 2022

COMMENTS OF NIPPC – FINANCIAL PLAN REFRESH

Thank you for the opportunity to provide comments and pose questions following the Financial Plan Refresh workshop on January 12, 2022.

First, the presentation on January 12 seemed to focus on managing replacement of existing assets. While NIPPC agrees that it is important to have a plan in place to manage the financial impacts of replacing existing assets, NIPPC is just as concerned that BPA develop a plan that ensures the financial flexibility to add new assets to BPA's transmission grid. The Strategic Asset Management Planning (SAMP) process described in detail during the workshop on January 12 seems especially suited to the management of existing assets, particularly in identifying when the replacement of equipment is appropriate. NIPPC is less confident that the SAMP process is adequate to meet the needs of BPA and its customers in predicting the need for new assets – especially the new and upgraded transmission infrastructure that the region will need to meet the new clean energy targets of Oregon and Washington. For clarity's sake, does BPA intend the SAMP to help anticipate future incremental demand for transmission capacity? If not, how does BPA incorporate that kind of anticipatory information, if at all, into its capital investment plans?

Second, NIPPC had previously asked how BPA was able to forecast its transmission capital requirements for 20 years out. BPA responded:

The forecasted debt issuance aligns to the capital investment plans outlined in Strategic Asset Management Plans (10 year plan). For years 11 and beyond we apply an inflation assumption.

Please provide the inflation assumption formula that BPA applies to the SAMP 10 year plan for years 11 to 20. Is the inflation assumption applied only to year 10 investment; or to the average investment for years 1 to 10. Or is there some other formula? Given the "lumpiness" of large new transmission assets (or other grid assets like the proposed Vancouver Control Center), NIPPC would be concerned about a formula that applies an inflation assumption to a single year's capital requirement.

Finally, during the presentation, BPA indicated that its SAMPs are "peer reviewed." The presenter specifically referenced that Power employees review and comment upon the draft Strategic Asset Management Plan prepared for Transmission. NIPPC requests additional information to understand how this peer review is consistent with FERC's Standards of Conduct. The "no-conduit" rule prohibits passing non-public transmission function information to marketing function employees. The "transparency rule" imposes posting requirements to help

detect instances of undue preference due to the improper disclosure of non-public transmission function information. NIPPC is concerned that the sharing of draft Transmission SAMPs which outline transmission infrastructure maintenance, repair and replacement for the coming rate period may provide BPA's marketing employees with early notice of transmission outages and line de-rates in violation of the Standards of Conduct rules. With this advance notice, BPA's market function could have a head start over other market participants in making alternative transmission arrangements. Please explain how sharing the draft SAMP is consistent with, and does not violate, the Standards of Conduct.