

Public Comments Summary: Financial Plan Kick-Off

Workshop Date: Sept. 15, 2021

| Theme | Comment/Request | BPA Response/ Approach |
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| Public Process | <p>Comment Period: Extend the one week informal comment period following each workshop to allow external stakeholders time to provide high quality responses</p> | <p>The current approach for the workshops in January through March is informal and flexible enough to accommodate this request, to a degree. External stakeholders are welcome to submit comments and feedback outside the proposed one week comment period, however, BPA may not be able to respond to those comments in the next workshop.</p> <p>BPA proposes to maintain the existing structure, and to use the first few minutes of each public workshop to share how external stakeholders can provide their feedback or questions:</p> <ul style="list-style-type: none"> • Verbally in workshops • In writing after workshops • Written feedback after the one week requested deadline will still be accepted, but BPA may not be able to respond to it in the next workshop. |
| | <p>External Stakeholder Presentations: There was a verbal question in the workshop asking whether or not external stakeholders would have the opportunity to make their own presentations during the workshops in January through March</p> | <p>BPA will build an opportunity for external stakeholder presentations into the schedule and will outline the parameters at the November 16th workshop. Additionally, BPA welcomes feedback during workshops and comments and feedback after workshops for consideration in the development of policies and metrics pertaining to the stated scope of the Financial Plan refresh project.</p> |

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| | <p>Timeline: Requests grounding sessions be expedited and substantive workshops begin in December to allow more time for policy and metrics work.</p> | <p>BPA needs to maintain the current schedule. BPA is using the time through December to complete analysis and draft proposals and will not be ready to enter into substantive workshop discussions before January. Additionally, workshop attendance in December will likely be low due to holidays and people taking leave.</p> |
| <p>Debt & Borrowing Authority</p> | <p>Credit Rating Agencies: Questions submitted regarding rating agencies' views on several areas including, federal and nonfederal debt; leverage and the potential \$10 billion increase to borrowing authority; and whether rating agencies more concerned with the debt to asset ratio or the adequacy of rates to service debt.</p> | <p>Credit rating agencies are independent of BPA. Each rating agency has its own model for developing a rating. Financial strength, e.g. liquidity, leverage, debt service coverage, is one of a number of factors considered in a rating determination. Much of this information is provided in the credit ratings which are posted to bpa.gov. Like many entities, establishing policies that support financial health is a focus for BPA.</p> |
| | <p>Revenue Financing: Comment encouraging BPA to expand on its assertion that revenue financing of long-term capital assets is consistent with "the lowest possible rates" and provide rate impacts associated with all of its financial plans.</p> | <p>BPA believes that revenue financing, as a general rate tool, is available for asset investment funding and is permissible under its statutory authorities, which speak to <i>lowest possible rates consistent with sound business principles</i>. Following our usual protocols, BPA intends to provide its legal basis for revenue financing in rates when proposing specific proposals in appropriate forums.</p> <p>BPA does not intend to provide a full rate impact assessment on all financial plans. This would take too much time and too many resources to complete given the level of complexity for each customer based on product mixes. BPA does intend to provide rules of thumb measures to gauge the potential impact to rates, if time and resources are available.</p> |

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| Capital Related | <p>Spending Levels: Attention to persistently high capital spending forecasts.</p> <p>Policy/Process: Concerns about access to capital and leverage need to be incorporated into spending decisions, not just when making funding decisions after the fact.</p> | <p>BPA continues to mature its asset management program, which includes understanding asset investment needs and resulting financial implications. The IPR is the forum for customer engagement on specific spending levels.</p> <p>BPA regularly considers the implications to financial metrics from various capital spending levels. Regardless, BPA will take this feedback into consideration as it considers its capital workshop materials, and as it considers approaches to further its financial health balanced against other impacts.</p> |
| | <p>Specific request that BPA address the following topics related to Capital Investment:</p> <ul style="list-style-type: none"> • Assumptions regarding incremental revenue from upgrades for new transmission interconnection and transmission service requests • Costs of lease financing compared to debt financing • Costs of Secondary Capacity Model Program (including a comparison of projected costs of hiring additional FTE for BPA to complete that work with BPA resources) • Estimates of revenue lost from delays in completing network upgrades • Estimates of the cost and revenues associated with transmission upgrades needed to meet Oregon and Washington clean energy goals | <p>BPA will discuss lease financing and debt financing in the debt and borrowing authority workshops. BPA will discuss generally expand versus sustain investments in the capital workshops, but is not intending to discuss incremental revenues from specific types of capital projects during this process. The others areas noted are covered in existing workshops, such as the QBR Technical workshops, pre-rate case workshops and the IPR. These are out of scope for this project.</p> |

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| <p>FPR Scope, Objectives, & Guiding Principles</p> | <p>Scope Concern: Concern that the scope falls short of the BP-22 settlement commitments.</p> | <p>BPA believes the current project scope does encompass all areas outlined in the BP-22 Settlement, which stated: <i>The refresh effort will include consideration of, among other things, Bonneville’s financial health, including access-to-capital issues, sustainable capital funding approaches, long-term debt management, and other financial objectives. As part of the public process for the refresh effort, Bonneville will include discussion and consideration of issues related to Bonneville’s borrowing authority and the use of revenue financing as a source of capital funding.</i></p> <p>The workshops are designed to address these issues specifically, and there is a direct link between our commitments in the rate case to our planned public process scope. Debt and borrowing authority workshops will include access to capital and sustainable capital funding practices; revenue financing as a source of capital funding is a part of that discussion. Moreover, these workshops will cover the accounting and ratemaking treatment for revenue financing.</p> <p>Additionally, capital workshops will address other pertinent financial health objectives.</p> |

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| | <p>Scope Consideration: Request for inclusion of additional topics.</p> <ul style="list-style-type: none"> • Revenue financing • Debt repayment methodology – specifically early repayment • Performance metrics per business line • General alignment with industry standards for like entities • Full suite of financial statements for each business line | <p>BPA believes it has included most of these topics in the current project scope, please see list below:</p> <ul style="list-style-type: none"> • Revenue financing – <i>Included.</i> • Debt repayment methodology – specifically early repayment – <i>This is included in revenue financing discussions.</i> • Performance metrics per business line – <i>This is included in capital portion.</i> • General alignment with industry standards for like entities – <i>This is included in grounding sessions.</i> • Full suite of financial statements for each business line – <i>This will be handled within another work stream on a longer-term timeline than the Financial Plan Refresh project.</i> |
| Financial Policies | <p>General Comment: Policies must set goals over the long term and be flexible enough to adapt to short-term needs without sacrificing long-term financial health metrics.</p> | <p>BPA agrees and strives to develop reasonable policies that achieve long-term goals with short-term flexibility.</p> |

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| <p>Explicit Requests for Information</p> | <p>Additional Information Requests: Provide a written document followed by a presentation with an opportunity to ask follow up questions on the topics below:</p> <ol style="list-style-type: none"> 1. Assumptions regarding life of assets 2. Assumptions regarding the repayment period of debt 3. Assumptions regarding depreciation 4. Regional Cooperation Debt and Debt Optimization, including benefits and costs by business line 5. Debt Optimization, including benefits and costs by business line 6. To the extent the assumptions (or inputs used) are different for Power and Transmission, BPA should provide a narrative explaining the reasons. BPA should also explain how these topics impact rates. The goal is for all customers to have a clear understanding of – and confidence in the fairness of – the assumptions underlying the financial models that feed into BPA’s ratemaking process. | <p>Some of these topics will be discussed in the forthcoming workshops. Specifically debt repayment, depreciation and asset life (items 1 -3) will be touched on in one or more workshops. BPA believes this will get at the heart of what is being asked in item 6.</p> <p>Regarding the costs and benefits of Regional Cooperation Debt and Debt Optimization (items 4 and 5), these topics are not within the scope of the Financial Plan Refresh project. However, BPA will cover the costs of different capital financing tools as part of this process.</p> <p>BPA encourages the stakeholder to re-raise these issues in future workshops if/when topics applicable to these areas arise.</p> |