



NRU

Northwest Requirements Utilities

NRU's BPA Financial Plan Refresh Principles

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BACKGROUND: BP-22 RATE CASE

- NRU members had significant concerns about the process leading up to the revenue financing proposal in the BP-22 rate case.
- We did not oppose the non-precedential settlement of the case, which included some revenue financing.
- NRU believes the process and result was ad hoc; there is a need for improvement, starting with taking a close look at how to improve both process and outcome.

BACKGROUND: NRU COMMITTEE

- The NRU Board of Directors formed an ad hoc committee to address revenue financing and other Financial Plan Refresh issues.
- The first act of the committee was to draft four financial principles to guide NRU's approach to the BPA Financial Plan Refresh and future rate cases.
- The NRU Board of Directors has now approved these principles, which are...

NRU PRINCIPLE #1

Revenue Financing – Targeted utilization of revenue financing to maintain or increase the long-term value of the FCRPS is appropriate. We offer the following criteria to define these circumstances:

- Utilized for a clearly defined purpose and NOT on an ad-hoc basis when revenues would have supported a rate decrease.
- Limited to assets with a shorter life span to ensure capital is procured from customers in the period(s) where assets are providing value.
- Simplification of the multiple Cost Recovery Adjustment Clauses should be a part of any revenue financing strategy with the increased financial flexibility created through an improved debt-to-asset ratio.

NRU PRINCIPLE #2

Separation of Financials by Business Line –NRU recommends separating the financial reporting, measurement, and planning for each business line to assess the contribution of each business line to the overall financial health of the agency.

NRU PRINCIPLE #3

Trajectory or Pace for Improvement in Debt-to-Asset Ratio – Capital management and associated financial decisions should aim to improve financial health between 1% and 2% annually until debt-to-asset goals are reached. This does not preclude utilization of debt to smooth rate impacts on an exception basis.

NRU PRINCIPLE #4

Record of Decision for Financial Plan Refresh Process – Decisions associated with the financial refresh plan process should be formalized through a record of decision (ROD) to ensure proper consideration of customer input, consistent future decision making by the agency, and certainty of outcomes, expectations, and rationale for customers.



Thank you!

