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EMERALD PEOPLE'S UTILITY DISTRICT
SERVICE THAT SHINES

April 6, 2018

Elliot Mainzer, Administrator
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208-3621

Dear Elliot,

Thank you for the customer outreach on your Financial Reserves Policy. We appreciate the opportunity to discuss and weigh-in on this very important issue to BPA, its customers, and the region.

The presentation packet, provided by BPA at the kick-off meeting on March 2, 2018, included selected quotes from the three credit rating agencies. While we fully appreciate the perspective provided by these quotes, we believe the remainder of the reports are equally, if not more important to note. As I have previously stated, while Bonneville's leverage is important, in the long-term it is imperative that post-2028 customer contracts are signed to secure a continued low credit rating. As we march closer and closer to customers making decisions, this issue will weigh even more heavily on the credit rating agencies' view of BPA.

In my opinion, we have two rate cases until this issue starts getting beyond us. Below is what the three agencies say about long-term contracts in their recent reviews of BPA's credit rating:

Moody's

Bonneville Power Administration's (BPA) credit profile reflects its credit strengths comprising of …. Long-term power contracts …"

Fitch

"If new contracts are not signed beyond 2028, revenues available to service Bonneville's debt obligations would be reduced. Bonneville's ability to offer a competitively priced power supply will be a key factor during the extension of power sales contracts."

S & P

"If, during our two-year outlook horizon, BPA does not shore up its competitiveness, liquidity, and revenue stream, including surplus sales revenues, we could lower the stand-alone credit profile."

In my opinion, the credit rating agencies are going to be much more concerned about the possibility of NOT having customers locked up into long-term contracts for credit rating purposes than the leverage issue. To that end, I would suggest that BPA has two more rate cases to get customers more comfortable that costs can be held in-line with other supply options, and to ensure that BPA is the place to continue providing power to serve most (or all) of a public power utility's needs.

Two rate cases.

One of the ways to give customers more confidence in BPA's cost future, is to show in the very next rate case that it is under control. Another way is to include a rate goal in the Financial Reserves Policy. There should be a firm commitment to customers that their competitiveness concerns are going to be met. I would further suggest the leverage target be a "shock absorber" for the rate goal.

BPA needs financial stability, and so do its customers. As customers, we need to be able to plan our own long-term finances. BPA power costs can make up to 50% of a utilities' cost structure. The current process is one of holding our breath every two years and hoping that BPA's rate increase will fit into our financial stability plans. This makes it hard for us to plan when we get a roughly 60-day notice every two years of what will happen to our cost structure.

This may drive some of your customer's decisions for power supply.

In short, financial stability needs to work for BPA and for its customers. In addition, it all needs to get us to post-2028 contract signatures. The three credit rating agencies are going to be watching this very closely. So are BPA's customers.

Two rate cases.

Thank you again for the opportunity to weigh-in.

Sincerely,

Scott a Coe

Scott Coe
General Manager