Financial Plan Refresh
Public Comment Summary
March 23, 2022

Row #	Stakeholder	Comment	BPA Response
1	AWEC	AWEC acknowledges BPA's continued commitment to communication and transparency with stakeholders throughout the Financial Plan Refresh process.	Thank you for your feedback.
2	AWEC	In addressing the borrowing authority forecast, BPA provided a graph that set forth "BP22 Final Proposal," "BP22 Final + 25% Capital Increase" and "BP22 Final + "Proposed Cap Financing Policy" relative to total borrowing authority. In the notes section, BPA stated that, "BP22 assumes $40m/year revenue financing per business unit through 2023, RCD2 through 2030, BP22 lapse factor for that rate period only, and no new lease financing[.]" AWEC requests additional explanation and definitions regarding this note, including an explanation of what is meant by "BP22 Final Proposal" and "BP22 lapse factor," particularly as they relate to the graph provided.	"BP22 Final Proposal" refers to repayment results starting with those for the BP22 Final Proposal that are extended through 2044. The study assumes the full implementation of the Regional Cooperation Debt Phase 2 refinancings with Energy Northwest through 2030, and BPA capital investments from the 2021 IPR with the out-year investments inflated using the inflation forecast from BP22. This forecast included a lapse factor for Transmission-related capital, as agreed to in IPR 2 process. From the IPR 2 Close-out Report: "Bonneville agrees that for this rate period a lapse factor would be reasonable and the agency will assume a 10% lapse factor in the Transmission capital program used for rate setting. This adjustment reduces the Transmission direct capital spending by $73.4 million over the BP-22 rate period." The only revenue financing assumed is that from BP22, consistent with Section 1 of the Settlement Terms for Rate Issues for FY 2022-2023, and any required by the Leverage Policy's near-term target thereafter. "BP22 Final Proposal + 25% capital increase" is the above scenario except that each year of the capital investment forecast is inflated by 25%.

Row #	Stakeholder	Comment	BPA Response
			"BP22 Final + Proposed Cap Financing Policy" is the first scenario except that it reduces borrowing by the amount of revenue financing under the initial approach described in the January 26th workshop.
3	AWEC	Regarding the leverage ratio, BPA previously stated that its long-term target was within the 60%-70% range contained in the 2018 Financial Plan. AWEC therefore requests that BPA provide in writing a clear articulation of BPA's business principles served by moving away from 100% debt financing, and why a leverage ratio no higher than 60% by BP-40 aligns with its business principles.	The January 26th workshop discussed our goals and principles, including why these goals are important, and how our initial approach for discussion responded to key themes we have heard.
4	AWEC	Regarding the leverage ratio, AWEC also requests an explanation as to whether other alternatives, such as a leverage ratio of 70%, were considered and the results of that analysis. If they were not considered, AWEC requests an explanation for BPA's decision not to conduct such analysis.	Please see the attachment at the end of this document.
5	AWEC	Regarding the leverage ratio, to better help stakeholders understand BPA's goal of achieving a leverage ratio no higher than 60% by BP-40, AWEC requests that BPA explain why the utilities it considered in its analysis are appropriate, and why and how other utility practices regarding leverage ratios are applicable or relevant to BPA, given its unique circumstances.	Please see BPA's response to Avangrid *et al.,* row 4, in the January 26 BPA Responses document. This can be found on the Financial Plan Refresh webpage under the heading "January 26 workshop."
6	AWEC	AWEC appreciates that BPA is taking steps to create a process that avoids similar borrowing authority issues from the past. AWEC agrees that given BPA's recent additional borrowing authority through the Bipartisan Infrastructure Deal, there does not seem to be sufficient need to determine an allocation methodology approach in the event of a	Thank you for your feedback.

Row #	Stakeholder	Comment	BPA Response
		borrowing authority issue at this time.	
7	AWEC	Regarding the borrowing authority framework: It is unclear from the materials provided what size is necessary to trigger a "BA shortfall." AWEC requests that BPA clarify this term. AWEC also suggests that BPA explore a *de minimis* level at which the process would not be triggered. For example, a threshold of $5 million forecasted borrowing authority shortfall outside of the 10-year rolling period would not trigger the proposed borrowing authority framework process to take place. AWEC requests that BPA commit to comment periods following at least two workshops held to consider borrowing authority analysis and potential actions, including but not limited to allocations methods and access to capital issues.	"BA shortfall" refers to whenever BPA forecasts it will have less than $1.5 billion of federal borrowing authority available. We agree with AWEC that not every potential shortfall should demand the same response. We expect the process to be informed by the size of the shortfall. However, considering it does not appear that BPA will face a borrowing authority shortfall for several decades, we prefer to allow future Administrators to determine procedural details to meet those circumstances rather than set a *de minimis* threshold or determine the number of workshops.
8	AWEC	Regarding Financial Plan Refresh proposals: Given the substantial stakeholder interest in flexibility as it relates to post-2028 contracts, AWEC recommends that BPA include a process to revisit the Financial Plan Refresh proposals in the near term in order to ensure that proposals balance customer interests with BPA's goals.	We recognize that BPA's financial policies will influence customer consideration of post-2028 contracts. While we are not planning a comprehensive financial policy review ahead of the next long-term power sale offering, we acknowledge that a fundamental change to risk volatility might warrant revisiting existing interrelated policies. Over the past six months, our current effort has sought to engage with stakeholders to develop a policy that is durable in making measured progress towards our long-term goals and in allowing flexibility within the policy to respond to changing circumstances. We understand that the interplay between BPA's financial policies and the post-2028 contract conversation is an important issue and we look forward to continuing the dialogue on this topic.

Row #	Stakeholder	Comment	BPA Response
9	AWEC	Regarding Financial Plan Refresh proposals: AWEC further recommends that BPA consider including in the debt management proposal the ability for BPA to override the policy in specific circumstances or limit the rate impact to .5%, for example.	Thank you for your feedback. BPA is considering a range of options for providing the Administrator flexibility.
10	AWEC	Regarding Financial Plan Refresh proposals: AWEC requests further explanation from BPA on how the flexibility afforded by the Bipartisan Infrastructure Deal was considered in developing its proposals.	The Bipartisan Infrastructure Deal (BID) eliminated the immediate threat of running out of borrowing authority. It did not change BPA's interest in improving the agency's financial health. Bonneville must still focus on prudent debt management and sustainable capital funding practices. As discussed at the January 26th workshop: – *Without* the added borrowing authority, the severity of the problem likely would have resulted in actions that would have a major and immediate rate impact for both Power and Transmission in BP-24 and beyond. – *With* the added borrowing authority, we are able to construct a phase-in approach over a longer timeframe that has rate impact considerations at the forefront, while still achieving our long-term goals.
11	AWEC	Regarding Financial Plan Refresh proposals: AWEC requests analysis comparing the use of actual capital spend versus forecast capital spend to determine the appropriate amount and method for revenue financing.	We are continuing to consider whether to use actuals or forecast. For example, the calculation could be based on the average actual capital spending over the last 3 years or on the forecast of capital spending for the upcoming rate period. It is unclear what analysis is being requested. Our initial approach was informed by forecasts. The use of actuals or forecast would affect the amount of revenue financing calculated for each rate period. The actual debt incurred and assets acquired would impact the leverage ratio. If the use of actuals produces a lower revenue financing amount, it could prolong the ramp up and delay when the leverage target is

Row #	Stakeholder	Comment	BPA Response
			achieved. Even if actuals are used for the calculation of revenue financing, a forecast would of course still be needed to determine whether a business unit is on track to reach 60% leverage by 2040-41.
12	AWEC	AWEC requests that BPA provide written answers to questions asked during the Financial Plan Refresh Workshop and make such responses publicly available, similar to BPA's Public Comment Summary document.	We are unsure what additional follow up is being requested. We have tried to provide an open means of communication and offered several ways of addressing questions/comments. BPA has allowed for open Q&A during all workshops, along with the ability to submit any further questions and comments after each workshop. We have provided written follow-up to these questions and comments. On occasion when BPA has not been able to provide a response during a workshop, we have also followed up with a written response.
13	NIPPC	BPA's proposed new leverage and revenue financing policies appear to ignore the agency's fundamental financial strengths (sovereign-backed grid operator, natural monopoly on transmission network, carbon-free generation, increased borrowing authority, and other financial policies supporting BPA's financial health). Taken together, these strengths distinguish BPA from the municipal utilities against whom BPA is attempting to measure itself.	BPA has not ignored its financial strengths. We seek to reinforce and build upon them. Regarding comparisons to other utilities, we have not limited ourselves to comparisons to municipal, cooperative, and public utilities. We have also considered the differences and comparability of the four entities suggested by NIPPC. Please see BPA Response to January 26th Workshop Comments, Avangrid *et al.,* Row 4. As noted in previous responses, WAPA and TVA—two entities with comparable, yet distinct, structures and relationships to the Federal Government as BPA—ended FY20 with leverage ratios of 49% and 61% respectively, significantly lower than BPA. Under the initial approach for sustainable capital financing, BPA would not reach its 60% leverage goal for nearly 20 years. Our purpose in pursuing a capital financing policy is not to improve our credit rating or to follow the lead of municipal utilities. Our purpose is to improve BPA's financial flexibility

Row #	Stakeholder	Comment	BPA Response
			and to prudently manage our debt outstanding, both of which help to ensure a consistent cost of service over the long-term. We have compared and contrasted the practices of other entities that are comparable, yet distinct, to ensure our approach is reasonable. And we recognize that our approach may be a credit positive as third parties independently review BPA's financial health and risk profile. In fact, the most recent April 2022 ratings report from Moody's notes that "Since 2018, BPA has implemented policies that sought to improve or stabilize BPA's standalone credit strength. Such policies and goals include but are not limited to the establishment of a financial reserve policy, a long-term goal to reduce BPA's debt to asset ratio to around the 60% to 70% range, and partial rate funding of capital expenditures. We see these goals and policies as an important foundation to the turnaround of BPA's financial performance since 2019 and a material weakening of these credit support features could offset the benefits of the borrowing line increase."
14	NIPPC	NIPPC calculates that the revenue financing proposed by BPA in order to meet its proposed 60% target adds up to $1.6 billion collected by BPA over the next 9 rate periods (about $500 million from the Power Business Lind and $1.1 billion from the Transmission Business Line).	The total revenue financing cited by NIPPC is slightly low. Transmission would collect approximately $1.75 billion, and Power would collect approximately $770 million, for a combined total of about $2.5 billion in revenue financing. Of note, BPA would collect these amounts with or without revenue financing. Revenue financing does not change the overall size of BPA's capital program, although it does result in significant avoided interest expense accumulating over time. Under the levels of revenue financing in the initial approach discussed at the January 26th workshop, and using

Row #	Stakeholder	Comment	BPA Response
			the BP-22 interest rate forecast, Transmission's interest expense in BP-40 would be about $65 million/year lower than would otherwise be expected, with a cumulative savings of about $590 million. For Power, its interest expense would be about $28 million/year lower in BP-40 than otherwise expected, with a cumulative savings of about $316 million.
15	NIPPC	NIPPC would like BPA to share their analysis assessing a 70% leverage target and for BPA to explain why this is not appropriate given it is part of the range provided in the 2018 Financial Plan.	Please see the attachment at the end of this document.
16	NIPPC	Regarding the $40 million of annual revenue financing included in the BP-22 settlement: The Settlement states that it "establishes no precedent." Access to capital was an issue cited as driving the need for the BP-22 revenue financing, with the additional borrowing authority, access to capital is no longer a problem. The appropriate baseline for comparing the effect of BPA's proposed leverage policy on future rate cases is a baseline that lacks revenue financing.	BPA is not assuming that the BP-22 settlement is precedent. However, when calculating the incremental impact from rate period to rate period, it is appropriate to compare against the posted rates. Our initial approach considered the incremental rate impact in shaping a phase-in to reach our goals. We also note that, under the existing Leverage Policy, achieving the near-term target (not allowing leverage to increase from rate-period to rate-period) is forecast to result in $56.2 million of revenue financing per year for Transmission in BP-24.
17	NIPPC	Recommendation: BPA's historic debt-to-asset ratio in the 80% range should continue because would not have an impact on the Aa credit ratings assigned to BPA. Nor would it have impact on BPA's financing costs given BPA pays close to the federal interest rate, not a market rate, whether the ratio is 60% or 80%.	As discussed above in row 13, the reasoning behind our 60% debt to asset goal is to improve our financial flexibility and to prudently manage our debt outstanding, both of which help to ensure a consistent cost of service over the long-term. Our focus is not on improving our credit rating, although we do believe our proposed policy approach is credit supportive. Our most recent rating, issued by Moody's, stated that "BPA's rating is likely to be upgraded if BPA maintains or expands its credit supportive goals and policies under its new financial plan, while having access to the larger borrowing line." We

Row #	Stakeholder	Comment	BPA Response
			also disagree that credit ratings do not impact the cost of debt, as implied. While it is true that it is difficult to pinpoint the exact basis point impact of high investment grade ratings, the accepted sentiment is that higher ratings generally equate to lower interest rates.
18	NIPPC	Recommendation: An extensive review by BPA of the existing major credit factors should be undertaken to better understand Moody's and Fitch's credit assessments and this review should include communication with the agencies (See scorecard in Appendix 2). This could include meetings with rating agency officers beyond the current analysts assigned to BPA, given what appears to be a potential lack of understanding of the structure and comparability of their calculations of BPA financial metrics.	BPA regularly meets with the senior credit analysts at each of the rating agencies, along with other senior and executive level rating agency members who participate in the credit committee meetings. BPA has considered its credit factors. As discussed above, while our approach is likely a credit positive, our purpose is not to achieve a higher credit rating.
19	NIPPC	Recommendation: If BPA does adopt revenue financing, it should be geared towards transitioning of the electric industry to manage electrification of the transportation and building sectors or "green bond projects" that have lesser useful lives and are focused on industry transition due to climate change concerns and decarbonization efforts.	Capital planning and what projects BPA decides to invest in are separate and distinct decisions from the form of financing used to fund such projects. The source of funding is not an impediment to changes in the utility industry. Moreover, BPA does not finance at the individual project level; we take a portfolio approach to the funding and debt management associated with capital assets.
20	NIPPC	Recommendation: The introduction of revenue financing should be incremental and tied to ensuring its rate impact is small. For example, BPA should adopt constraints such that any rate change should not affect the scoring in the Moody's scorecard, should have only a gradual impact on rates, and should be subject to frequent revisitation (for example, biennially	Our initial approach considered incremental rate impact, and we are considering ways to allow flexibility within the policy to respond to extraordinary circumstances.

Row #	Stakeholder	Comment	BPA Response
		during the rate case cycle).	
21	NIPPC	Recommendation: A mechanism in any revenue financing should provide flexibility to respond to changing events, for example, ramping down the use of current year funds should a major drought or other system-wide challenge take place so financial liquidity can be preserved.	BPA is considering ways to allow flexibility within the policy to respond to extraordinary circumstances.
22	NIPPC	Recommendation: BPA should study more closely the potential merit and impacts of splitting the leverage policy of BPA generation and transmission businesses so that leverage can be more properly assessed.	BPA continues to believe that 60% by BP-40 is a reasonable goal for both business units given our objective to build long-term financial flexibility and prudently manage our debt outstanding to help ensure a consistent cost of service over time.
23	NIPPC	A review of the components of assets is needed to ensure comparability. Only generation related assets of the U.S. Army Corps of Engineers and Bureau of Reclamation are included in BPA debt-to-asset calculation, but one can't generate electricity without the other assets in the federal system. New York Power Authority includes all of its dam and hydro assets in total assets in its debt ratio calculation. Including the non-hydro portion of dams in BPA's combined transmission and generation assets in the debt-to-asset ratio would lower the overall BPA debt-to-asset ratio and could dismiss the current concern over the reported 80% ratio. Possibly if Moody's accepts that the non-hydro assets should also be used, the scorecard factor moves to an A or higher score.	This recommendation appears to be based on a misunderstanding of how BPA calculates leverage. BPA's calculation does include assets regardless of whether they generate or transmit electricity. The calculation includes everything identified as "net utility plant." This includes all assets such as the major facilities like dams, transmission lines and towers, and substations as well as non-revenue generating assets like IT, facilities, vehicles, tools, aircraft, etc.* Regulatory assets are not included in this calculation. Regulatory assets are predominantly Power costs, are not necessary for the production of electricity, and relate to costs that—but for regulatory treatment—would not be considered a capital asset. That is, these costs would traditionally be treated as a period expense but for a decision by the Administrator to capitalize them.

Row #	Stakeholder	Comment	BPA Response
			We continue to note that we are focused on improving our leverage position for reasons other than achieving a credit rating upgrade, such as improving our financial flexibility and prudently managing our debt to help ensure we can provide a consistent cost of service over the long term. *The debt to asset ratio includes the following line items from the balance sheet, found in BPA's Annual Report: – Debt: The current and long-term portions of federal appropriations, borrowings from the US Treasury, nonfederal debt. It also includes deferred borrowing, which is a non-GAAP measure; while not on the balance sheet it is reported in the Annual Report MD&A section. – Asset: Net utility plant and nonfederal generation.
24	NIPPC	A closer examination of the impact of revenue financing on the leverage ratio versus competitiveness factor should be done to ensure BPA's competitive strengths are maintained.	We have considered impacts to competitiveness throughout the Financial Plan Refresh process, including an initial approach designed to limit incremental rate impact to less than ~1%, and takes nearly 20 years to achieve our leverage goals.
25	NIPPC	Putting BPA debt against an estimated value of replacing the critically important BPA transmission system would likely yield an insignificant debt-to-asset ratio. …Like the TANC assessment, if the BPA transmission lines had to be replaced commercially today, it would probably provide a better measure against debt.	Debt-to-asset ratios measure the current asset base compared to the debt it supports. NIPPC's proposal appears to be an apples-to-oranges comparison. If we included the current replacement cost of the asset, we should also include the debt needed to finance it. We are not aware of any entity viewing leverage from this perspective.
26	NIPPC	A review of working capital in the debt-to-asset ratio calculation is needed. It is my opinion that BPA's unique	This proposal appears to treat commercial paper and lines of credit (forms of debt) as working capital (a form of financial

Row #	Stakeholder	Comment	BPA Response
		liquidity sources including the Treasury line is undercounted in working capital that is used in the debt ratio calculation. For example, other public power utilities in the debt ratio calculation include commercial paper or lines of commercial credit.	reserves). They are very different concepts. One is a form of debt. The other is an asset, although not "net utility plant." As discussed in Section 4.3.2.4 of the Leverage Policy Record of Decision, Bonneville's leverage ratio does not include financial reserves as an asset. Our ratio focuses on "net utility plant."
27	PPC	PPC offers conditional acceptance of the general framework for 10-20% revenue financing subject to a 1% rate period incremental rate cap. Requested modifications include: 1. Prioritize liquidity – additional debt payments only made when financial conditions are positive and it would not reduce BPA's reserves for risk. 2. Revenue financing should be based on actual spending rather than forecasts. 3. Policy must be revisited ahead of post-2028 contract period. 4. No net use of borrowing authority over a ten-year period is a reasonable general guideline, but should not be a hard constraint. 5. Increased asset management transparency along the lines of the PPC and Snohomish presentation on March 9 must be concurrently adopted.	Thank you for your comments. Our responses to the requested modifications are below. 1. To clarify, BPA is not proposing to pay down debt. The revenue financing proposal is to generate funds to pay for capital investments, i.e. avoid issuing debt. However, paying down debt with the funds would have the same net impact as avoiding the issuance of debt by paying for construction with the funds. Nevertheless, maintaining liquidity is an important concern and we intend to build in policy flexibility that allows the Administrator to prioritize liquidity over revenue financing in certain circumstances. 2. Please see the response to AWEC, row 11. 3. Please see the response to AWEC, row 8. 4. To clarify, BPA is not proposing "no net use of borrowing authority." BPA sees it as desirable for the business units to not be net borrowers across all sources of debt; in other words, our goal of "net neutral" is from a total debt perspective for each business unit. This is an outcome of achieving our leverage goal. 5. BPA is committed to continued discussion and engagement with customers about our asset

Row #	Stakeholder	Comment	BPA Response
			management program. We believe the capital performance metrics and targets we plan to propose generally align with the PPC and Snohomish March 9th presentation. We note, regarding Snohomish and PPC's planning capability request, that SAMPs and APs are not focused on identifying specific projects. The IPR process and the quarterly business reviews will continue to be important venues for asset management discussions.
28	PPC	PPC has additional questions and concerns we hope to address, including whether 60% is the correct long-term goal for the agency's leverage and how to ensure that the amount of revenue financing included in rates is stable and predictable	As discussed above, we continue to believe our leverage goal is appropriate. We are considering ways to include flexibility within the policy to allow the Administrator to respond to changing circumstances, but recognize that such flexibility impacts stability and predictability.

Revenue Financing to Achieve Different Leverage Targets

BPA has considered a range of leverage targets, including a 70% leverage target suggested by some customers. Changing the leverage target means that two other variables, the amount of revenue financing and the rate at which it ramps up, can change. The table below shows different amounts of revenue financing and ramping rates to achieve different leverage targets. This analysis focuses on Transmission.

To achieve a 70% leverage target by BP-40, Transmission would need revenue financing equal to 5% of its capital program each year. No ramping provision would be needed. The amount of revenue financing is shown below, in comparison to the Leverage Policy's near-term target only, and to the 60% target from our initial approach.

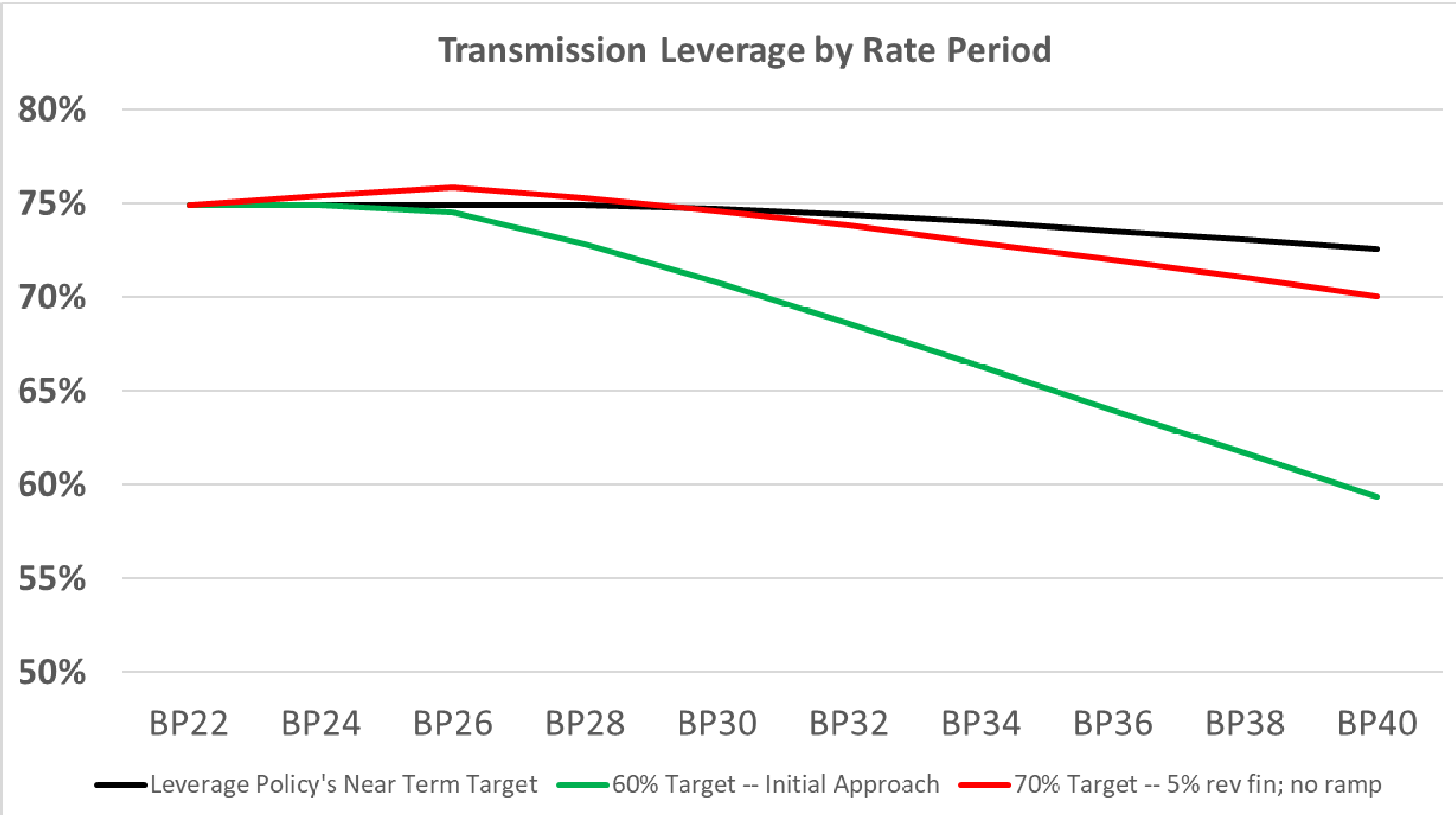
We continue to believe that the 60% target is a reasonable approach to take, particularly because of the long-term nature of the goal and phase in approach that offers modest rate impacts. Our analysis shows that a 70% target does not meet our overall objectives and goals. A 70% debt to asset ratio will not appreciably improve Transmission's financial flexibility and does not appreciably curb the growth in Transmission's debt outstanding, and as a result puts at risk our ability to provide a consistent cost of service over the long term.

The graphs below demonstrate that the 70% scenario barely affects Transmission's outstanding debt and actually performs worse than the existing Leverage Policy at reducing leverage for the next few rate periods.

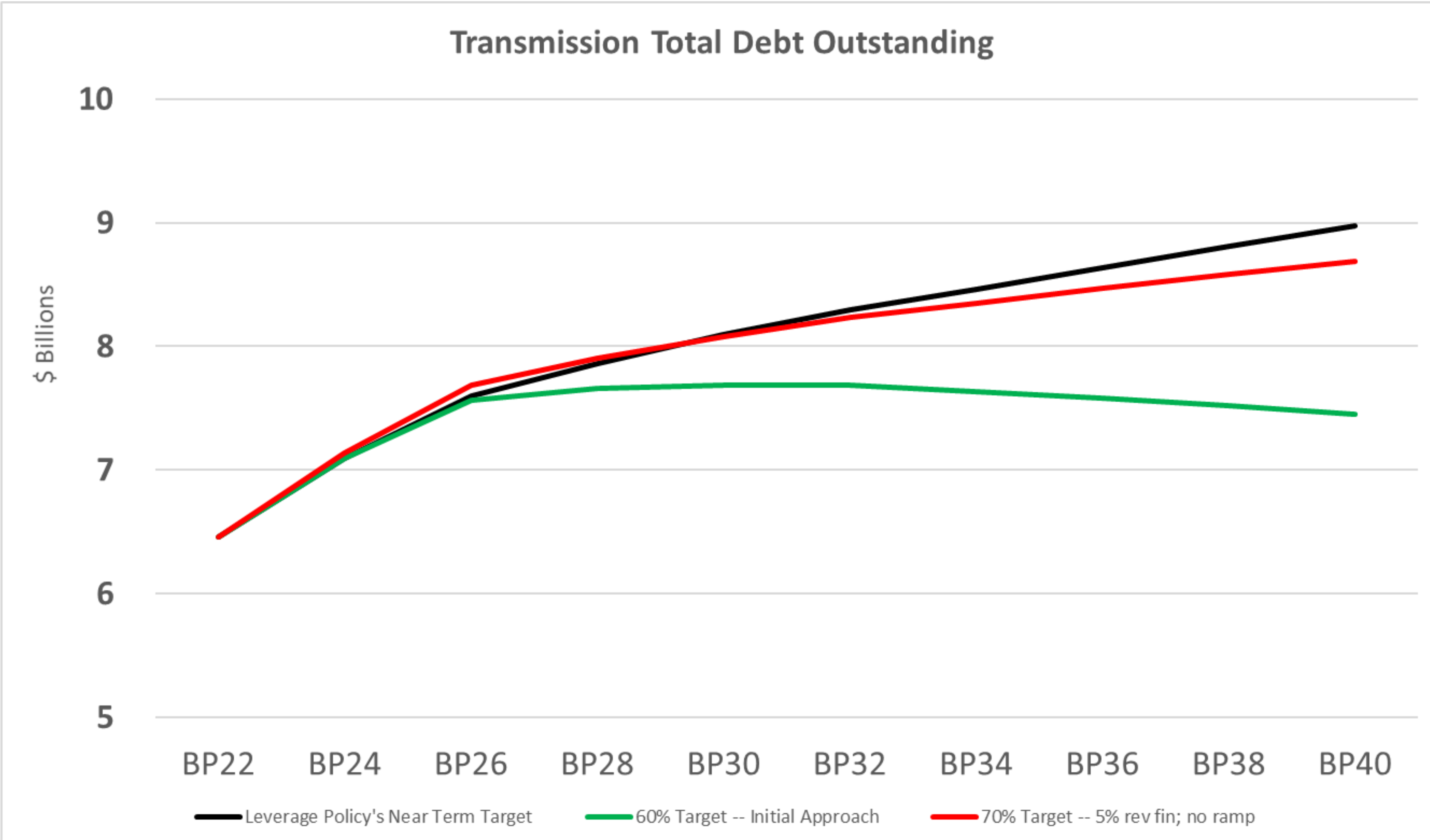
Revenue Financing Amounts	BP22	BP24	BP26	BP28	BP30	BP32	BP34	BP36	BP38	BP40
Leverage Policy's Near Term Target	40,000	56,224	52,542	-	-	-	-	-	-	-
60% Target -- Initial Approach	40,000	55,000	70,000	85,000	100,000	104,467	108,413	112,435	116,540	120,789
70% Target -- 5% rev fin; no ramp	40,000	32,649	31,097	24,829	25,414	26,117	27,103	28,109	29,135	30,197

See related graphs on the next pages.

The 70% scenario's trajectory is only slightly different than the Leverage Policy's near-term target, and has noticeably higher leverage in the first two rate periods.



Regarding debt outstanding, the 70% scenario barely alters the curve forecast from the status quo, e.g. the existing Leverage Policy.



The rate pressure of the 70% scenario is lower than 0% because the expected revenue financing is about $20 million/year lower than what would be require by the existing Leverage Policy's near-term target.