Financial Plan Refresh
Public Comment Summary from grounding workshop
November 16, 2021

Row #	Stakeholder	Comment	BPA Response
1	Powerex	Powerex would find it beneficial if BPA could provide additional context surrounding the "higher of" methodology, specifically its origins and rationale for adopting it.	BPA must set rates to recover its costs and to recover the Federal investment in the power and transmission systems. It is also subject to commercial accounting requirements and obligated to use FERC's system of accounts. BPA has long interpreted its statutory requirements to set rates so that they recover its accrued expenses and its cash needs (i.e. debt repayment). The earliest expressions of this are in BPA's 1945 Annual Report.
2	Powerex	Could BPA expand upon how elimination of the "higher of" methodology would affect rate-setting? It would be helpful to understand how setting rates based exclusively on a cash accounting methodology—in lieu of the "higher of" methodology—would impact BPA's rate-setting.	It is likely that a cash-only test would have little if any impact on the total revenue requirement. Cash requirements dominate Power's total revenue requirement as is evidenced by the large minimum required net revenues in BP22. For Transmission, the repayment hardwires would be eliminated which would reduce repayment but this would almost certainly be reversed by the Leverage Policy. Transmission leverage is currently expected to stay roughly level with hardwires in place. Removing them would worsen Transmission's leverage picture and result in revenue financing to fill in for the missing debt repayment.
3	Powerex	Could BPA please explain generally how it addresses depreciation of Power assets owned by other federal agencies, like the Corps and Bureau of Reclamation?	Power rates recover the costs of the Federal Columbia River Power System (FCRPS) of which Corps and Reclamation assets are a part. These assets are depreciated as if they were BPA-owned, over a 75 year period.
4	Powerex	Could BPA please further elaborate or explain if BPA uses PFIA funding for federal assets, and if so, does BPA	Customer financed PFIA assets are BPA-owned. There are two basic categories – those that result in

Row #	Stakeholder	Comment	BPA Response
		include depreciation for these assets in rates, and how does BPA treat the salvage value for these assets?	revenue credits for the customer (e.g. LGIA/SGIA/LLIP) and those that have no credits (the rest of PFIA). These assets are depreciated like all other BPA Transmission plant. The depreciation of PFIA investments that have no associated credits is excluded from rates.
5	Powerex	Could BPA please address whether eliminating hardwiring would result in a build-up of financial reserves?	See the response to Question 2. Theoretically it is possible that eliminating hardwiring could result in higher reserves. This seems highly unlikely for Transmission because it is highly likely that the Leverage Policy would trigger and counteract the elimination of the hardwires. There is no hardwiring for Power because cash flow is already driving its rates.
6	Powerex	Please clarify what the interest rate and the adder are for BPA's Treasury Borrowing.	BPA's current interest rate forecast was published in the BP-22 Power and Transmission revenue requirement documentation. The adder above Treasury varies based on the maturity and the year in which the bonds are forecast to be issued. Spreads are as little as 0.02% for 6 month maturities and as high as 0.51% for 30 year maturities. On an actual basis, these spreads will vary based on a variety of influencing factors.
7	Powerex	Could BPA please identify its inflation assumption (and source for such assumption) that was relied upon to calculate the forecast debt-to-asset ratio (through 2043/2044)?	Inflation was not directly applied to the debt to asset ratio calculations. Inflation was used to estimate future capital spending. The inflation rates are the GDP deflater forecast in the interest rate forecasts used in the BP-22 rate case, noted in Question 6.
8	Powerex	Powerex would appreciate further discussion as to why BPA changed the repayment term from 45 to 35 years for Transmission. Could BPA return to a repayment period of 40-45 years? If not, would BPA please elaborate?	BPA shortened the repayment period for Transmission nearly 20 years ago because it lowered total debt service costs. For most of the 1980's and 1990's, the repayment period fluctuated between 40 and 45 years.

Row #	Stakeholder	Comment	BPA Response
			We could lengthen it to the maximum allowable period of 50 years since the weighted average life of Transmission assets is 51 years. As noted in BP-22 testimony, lengthening the repayment period may have little impact on repayment results since the model schedules repayment of all Federal debt in less than current repayment period of 35 years. A key point to remember is that the repayment model is used for a very narrow purpose, essentially to set the minimum repayment. External factors, such as the leverage policy or borrowing authority availability, can cause BPA to raise repayment levels above the minimums set by the model.
9	Puget/Pacificorp	Is it BPA's view that BPA's determination of revenue requirements based on the higher of forecasted cash flow and forecasted accrued expenses is (a) required by statute or (b) permitted but not required by statute? Please explain.	Statutes require that BPA's rates must be sufficient to recover total system costs and to ensure the repayment of the Federal investment over a reasonable number of years. BPA has determined that its "higher of" test ensures BPA meets both requirements.
10	Puget/Pacificorp	Could BPA determine revenue requirements based on forecasted cash flow, as is done by the other PMAs? Please explain	This is not BPA's interpretation of its statutes. In a given rate period, forecasted cash flow could be lower than what is required to recover forecasted accrued expenses, thereby failing to meet BPA's interpretation of the statutory requirement to recover total system costs.
11	Puget/Pacificorp	If BPA has paid for an asset with reserve or revenue financing, why is it appropriate to include depreciation on that asset in determining revenue requirement?	Depreciation is an expense in FERC's system of accounts, which BPA is obligated to follow. As noted in the workshop, depreciation does not represent the original cost of the asset but rather the loss of value of an asset including its end of life cost. Depreciation may recover much more or much less than the original investment cost. With the exception

Row #	Stakeholder	Comment	BPA Response
			of contributions in aid of construction (equivalent to BPA's PFIA), we are not aware of any utility that adjusts the amount of depreciation in rates for assets funded with cash, either reserves or revenue financing, rather than debt.
12	Puget/Pacificorp	When and how does BPA propose to address the applicable provisions of the recently-adopted Infrastructure Investment and Jobs Act?	BPA has already started implementing the provisions of the Act. We began with the grounding workshops before the bill even passed into law. BPA will conduct workshops in FY 2022, particularly the Financial Plan refresh sessions on capital financing, borrowing authority, and capital project prioritization.
13	NRU	BPA's recent increase in borrowing authority of $10 billion should not change or skew the process to identify appropriate capital and debt management practices.	BPA agrees with this sentiment.
14	NRU	BPA's recent increase in borrowing authority should not dampen interest in lease purchase financing if the project in its entirety can be completed more cost effective by utilizing lease purchase financing. o Examples of potential efficiencies are less regulatory burden; customer contractors can construct facilities at a lesser rate; and the potential for tax-exempt financing through a third party or access to grant or other non-reimbursable funds	BPA agrees with the sentiment of exploring cost-effective lease options.
15	NRU	It is reasonable for the recent increase in borrowing authority to influence the timeframe or trajectory to achieve financial goals identified through the financial plan refresh process.	This aligns with our message during BP-22, that is, that an increase in borrowing authority does not change our intent to focus on developing sustainable capital financing practices, but does give us flexibility on the speed at which we head toward that goal.