

September 9, 2020

RE: Comments on Bonneville's August 26, 2020 BP-22/TC-22/EIM Phase III Workshop - Transmission Risk

Powerex appreciates Bonneville staff's continued efforts to engage its customers in the workshop process. Powerex offers the following comments in response to the August 26 BP-22/TC-22/EIM Phase III workshop.

Transmission Risk (Issue #20)

At the August 26 workshop, Bonneville identified two areas related to Power and Transmission risk for discussion: (1) whether Bonneville should change the trigger metric for the various risk mechanisms, such as the Financial Reserves Surcharge and the Reserves Distribution Clause ("RDC"); and (2) whether Bonneville should cease performing the Treasury Payment Probability ("TPP") for each business line and instead perform the TPP calculation for the agency as a whole.

Regarding the TPP proposal, Powerex believes that the current business line TPP approach provides an important degree of transparency into Bonneville's overall financial health and the degree to which each business line is allocated its proportionate responsibility for making Bonneville's payments to Treasury. Powerex would therefore appreciate further information regarding BPA's rationale for the proposed change.

Bonneville explained that it proposes to shift to the agency level-TPP analysis because it would better align with "TPP policy" and because it would "eliminate unnecessary attribution of liquidity."¹ Yet when originally implementing the TPP for each business line, Bonneville noted that analyzing each business line separately "ensures a high probability of cost recovery, including BPA's ability to make Treasury payments."² Further, in Bonneville's 2008 Financial Plan, Bonneville stated that the TPP standard applied to each business line "ensures that Power and Transmission rates can be set independently, without cross subsidization, while supporting the Agency TPP standard."³ Powerex would appreciate Bonneville addressing why the prior statements about applying the TPP to both business lines are no longer valid.

Further, Powerex believes that additional rationale is required given Bonneville's efforts over the past few years to define policies related to financial reserves (the Financial Reserves Policy) and the accumulation of debt (the Leverage Policy) so as to improve Bonneville's overall financial health.⁴ The current proposal to eliminate the TPP for each business line appears somewhat divergent from the recent policy efforts to improve Bonneville's financial health, i.e., each business line standing alone and passing its TPP threshold provides greater certainty that Bonneville as a whole will meet its Treasury payment obligations.

Powerex would also appreciate Bonneville addressing whether it believes the FRP and Leverage Policy are adequate substitutes for assessing cross-subsidization, especially given that these two policies utilize one-year horizons, whereas the TPP is performed on a two-year basis.⁵ In addition, Powerex requests that Bonneville address whether moving to a single TPP analysis for the agency will impact any of Bonneville's credit rating agency reports.

¹ Bonneville Power Admin., Presentation at Slide 81 (Aug. 26, 2020), <https://www.bpa.gov/Finance/RateCases/BP-22-Rate-Case/Documents/26Aug20%20-%20Main%20Tarrif-Rates-EIM%20Workshop.pdf>.

² Bonneville Power Administration, TR-02 Record of Decision, TR-02-A-01 at 19-20 (August 2000).

³ Bonneville Power Admin., Financial Plan 2008 at 11 (July 2008). The 2008 Financial Plan also noted that BPA will continue to study this assumption.

⁴ Reliance on the FRP as a substitute appears more precarious with the suspension of the FRP surcharge for both business lines.

⁵ Analyzing the TPP over a two-year period results in a higher likelihood of repayment than a one-year analysis due to the requirement that the TPP threshold be exceeded in both years.



Finally, several questions with respect to Bonneville's use of the \$750 million Treasury Facility arise from Bonneville's TPP proposal. As Bonneville explained, the Treasury Facility has been used for the TPP analysis for the past ten years. If Bonneville moves to performing the TPP analysis at the agency level,

- Will Bonneville use the Treasury Facility in the agency TPP calculation, if needed to meet the 95% threshold?
- If the agency-level TPP is less than 95%, and Transmission is found to be falling below the 95% threshold, would the Treasury Facility be allocated to Transmission for the TPP analysis?
- If both business lines are falling below the 95% threshold for the business line-specific TPP analyses, how would Bonneville allocate the Treasury Facility?

Again, Powerex appreciates Bonneville engaging customers on this important topic.

Sincerely,

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