

February 9, 2022

RE: BPA's Financial Plan Refresh

Powerex appreciates the opportunity to comment on the presentation and workshop material from January 26, 2022 regarding the Financial Plan Refresh process. Powerex offers the following comments for BPA's consideration.

Powerex appreciates BPA's recitation of its over-arching goals and principles for the financial plan. One of the framework principles set forth by BPA was a grounding in industry practices.¹ At the workshop, one of the customer-led presentations by NIPPC included a presentation by its consultant, Bart Oosterveld, that addressed industry standards as applicable to BPA's debt levels. Mr. Oosterveld, a former employee at Moody's with first-hand knowledge and experience with rating agencies, provided insight into how credit rating agencies view debt by large governmentally owned public utilities, like BPA. For example, Mr. Oosterveld suggested that the peer groups that BPA considers probative indicators of appropriate debt levels might not be relevant comparisons. He also noted that when contrasted with more appropriate peers, BPA's leverage is comparable. Mr. Oosterveld also indicated that BPA's leverage ratio is not heavily weighted by rating agencies (whereas liquidity and cash on hand are instead a priority) and that transmission is a leverage asset class (i.e., there is a tolerance for transmission assets to be highly leveraged). In sum, he concluded that there does not appear to be a compelling need or benefit to reduce leverage much below 80% from the credit rating agencies' perspective.

Powerex was intrigued by the credible presentation and report from Mr. Oosterveld. Powerex would appreciate BPA providing a detailed response to the presentation and materials, and how this type of analysis will be incorporated or accounted for in the pre-rate case workshops and the rate case for BP-24.

Thank you kindly for considering our comments.

Sincerely,

Raj Hundal
Director, Market Policy and Practices

¹ Bonneville Power Admin. Financial Plan Refresh Presentation at slide 12 (Jan. 26, 2022).