

September 25, 2026

RE: Comments on Bonneville's Risk Mitigation and Financial Policies Refresh

Powerex appreciates the opportunity to comment on the presentation and workshop materials presented by the Bonneville Power Administration ("BPA") staff on August 20, 2026, and September 1, 2026, regarding its Risk Mitigation and Financial Policies Refresh. Powerex thanks BPA staff for the information provided thus far and submits these brief comments for BPA's consideration prior to the upcoming workshops.

BPA's financial strength is critical to its power and transmission customers, Powerex included, and to the region at large. While Powerex understands BPA's objective to "refresh" its policies at this time due to material changes in the operating environment, Powerex believes this process should recognize existing mechanisms that have functioned well while considering others that may need modification.

General Comments

BPA's financial strength is a function of both its transmission and power business lines. Powerex appreciates BPA staff's recognition that the two business lines face different challenges, and that it may be appropriate to apply different risk mitigation and financial policy tools to each business line considering these different challenges. For example, Powerex agrees that neither the Rate Stability Fund nor the Liquidity Stability Provision need apply to Transmission given its materially different risk profile. In addition, the background BPA staff provided in their workshop presentations demonstrates that the transmission business line likely has little need for Financial Reserves surcharges or Cost Recovery Adjustments. This is supported by the transmission business line producing "surplus" revenues that triggered reserve distributions in FY20, FY22, FY23, and FY24. In addition, for the reasons described more fully in previous rate case materials, Powerex also supports adoption of the "Depreciation Offset" BPA staff proposed to avoid double payment for assets that are financed with revenues or reserves.

Moreover, the Sustainable Capital Financing Policy established a debt-to-asset ratio ("leverage ratio") of 60% by 2040 that has driven Transmission rate increases. Specifically, since 2018, the leverage ratio for the Transmission business line has ranged between 77.5% (FY2018) to 76.2% (FY2026 Q2 Forecast), while the transmission business line has consistently utilized revenue financing and reserve financing to lower the leverage ratio to meet the 60% leverage ratio goal. The use of revenue and reserve financing in furtherance of this 60% goal was thoroughly discussed in previous BPA rate cases.

BPA's Three SCFP/Leverage Questions

BPA staff posed three key questions to customers in the August 20, 2026, Kick Off and Grounding Workshop: (1) whether BPA's debt-to-asset ratio target of 60% remains appropriate; (2) whether the 2040 target date for achieving this leverage target remains appropriate; and (3) what methodology BPA should use to determine

the appropriate amount of revenue financing to achieve these targets. Powerex provides preliminary responsive commentary below.

Regarding the leverage ratio goal of 60% by 2040, Powerex does not believe that the leverage ratio goal of 60% is appropriate. *First*, the 60% leverage ratio is not a sustainable mechanism during a time of unprecedented system expansion. As BPA staff described in its presentation, achieving this leverage ratio will require greater levels of revenue financing to support the expansion and would have implications for transmission customers as a result of increased rates. Further, the timeline for achieving a particular leverage ratio should be reconsidered and delayed. The target date of 2040 is not tied to a particular event or requirement, and maintaining a 2040 target date is unduly restrictive while placing unnecessary rate pressure on transmission customers.

Second, Powerex does not believe that the benchmarking evaluation BPA staff conducted of other utilities' debt-to-asset ratios is necessary or useful to inform BPA's leverage target. BPA is unique in its obligations and is facing an unprecedented level of transmission system expansion requests. Consequently, any attempt to identify or compare a set of organizations in the same situation would be difficult and these inapplicable benchmarks should not drive BPA's decision on a leverage ratio goal. It may be more important that BPA focuses on recent ratings reports, namely Fitch's May 2026 report, that point out that the transmission business line can support a "slightly higher leverage than the power business line, resulting in rating tolerance for leverage periodically trending slightly above Fitch's 10x 'aa' threshold." In fact, this same report states that "Fitch's rating case expects leverage to range between 9.0x and 10.0x."¹ BPA should consider this information and determine a more appropriate and higher leverage ratio, given that BPA's capital expansion would be backed by the stability of transmission revenue that continue to exceed agency targets for reserves for risk.

Third, increasing BPA's revenue financing beyond the current 10% level to substantially higher levels (15%, 20%, 25%, 30% or beyond) to cover "Sustain" capital expenditures may substantially increase transmission rates. Significantly increasing rates in pursuit of an unnecessarily strict leverage goal could further undermine future transmission service investments, in turn undermining BPA's ability to meet its financial targets.

Powerex looks forward to continuing its participation in these discussions and reviewing BPA's proposal in the next workshop. Powerex expects that the BPA proposal will appropriately balance concerns regarding rate impacts in setting the appropriate level for the leverage ratio. We appreciate BPA seeking comments from stakeholders on this important topic.

¹ Fitch Ratings, Issue Report: Bonneville Power Administration (OR) (May 7, 2026)
<https://www.fitchratings.com/research/us-public-finance/bonneville-power-administration-or-07-05-2026>.
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