

## Comments to Tech Forum on BPA application of Transmission RDC Amount

The Northwest & Intermountain Power Producers Coalition (NIPPC) is a membership-based advocacy group representing electricity market participants in the Pacific Northwest. NIPPC has a diverse membership including independent power producers and developers, electricity suppliers, transmission companies, energy marketers, storage providers and others, many of whom are transmission customers of Bonneville. NIPPC is committed to fair and open-access transmission service, cost effective power sales, consumer choice in their energy supply, and fair, competitive power markets in the Northwest and adjacent regions.

At the Technical Workshop for Bonneville's Quarterly Business Review on November 19, 2020, Bonneville reported that the Transmission Revenue Distribution Clause (RDC) had triggered for Fiscal Year 2020 in the amount of \$79.7 million.

The 2020 Transmission General Rate Schedule Provisions provide that the Administrator can apply the amount of the RDC to reduce debt, incrementally fund capital projects, or other high-value Transmission purposes. NIPPC urges the Administrator — for the reasons detailed below — to preserve the amount of the RDC in Transmission's Reserves for another year. NIPPC believes that this "pause" in allocating the amount of the RDC would constitute a "high-value Transmission purpose" as outlined below.

The COVID-19 pandemic has had significant impact on the Pacific Northwest economy and the business operations of both Bonneville and its customers. Despite these unprecedented disruptions, Bonneville is proposing to increase transmission rates by nearly 12% in the upcoming rate case. On top of this large transmission rate increase, Bonneville staff has indicated that it recommends deploying all of the amount of the RDC to debt payment in order to slightly delay the date that BPA's debt will exceed the internal targets Bonneville has established in its Access to Capital financial policy.

NIPPC appreciates Bonneville's recent efforts to improve its financial standing, even as NIPPC has opposed some of the specific financial policies Bonneville has implemented. Over the last several years, Bonneville has developed new financial policies and targets addressing:

1. Cash on Hand (Financial Reserves Policy)
2. Debt to Asset Ratio (Leverage Policy)
3. Borrowing Authority (Access to Capital)

Bonneville has also signaled that it may need to develop yet another financial policy with metrics related to debt service as a percentage of its annual revenue requirement.

Bonneville's new financial policies have, naturally, had financial impacts on customers. Bonneville's power customers were subject to a surcharge to build cash reserves (currently suspended due to COVID-19 impacts) and transmission customers are contributing \$26 million to address Bonneville's Leverage Policy.

Unfortunately, customers have seen that in each case, while the adopted policy itself was often reasonable on its face, the underlying data and analysis were sometimes deeply erroneous or inaccurate.

Power's cash reserves issues were largely mitigated by the discovery of decades-long errors in the allocation of financial reserves between business units as reflected in the Financial Reserves and Business Unit Cash Split Review Record of Decision dated October 22, 2019. Likewise, correctly aligning the capital spending forecasts with actual capital spending and other changes have resulted in reducing the need for future Transmission Leverage Policy payments by approximately \$1 billion.

Now that accurate data and analysis have largely eliminated any near-term concerns over the Financial Reserves and Leverage Policies, Bonneville has expressed concern about soon bumping up against the limit on its borrowing authority. Bonneville staff has proposed incremental revenue financing — for the sole purpose of preserving borrowing authority — of as much as \$134 million per year in BP-22. NIPPC believes that rather than increasing transmission rates or depleting transmission reserves to preserve borrowing authority, the Bonneville and its customers should work towards increasing Bonneville's borrowing authority limit, re-evaluate planned capital expenditures and engage in a comprehensive discussion about BPA's access to capital issue. A substantial increase in Bonneville's borrowing authority will be a far more permanent solution to concerns that Bonneville retains adequate access to capital than will applying the amount of the RDC to debt this year. In addition, NIPPC urges BPA to continue to evaluate and discuss with customers and policymakers complementary ways to increase its ability to access capital, including potential statutory changes that could accompany an increase in borrowing authority.

NIPPC also notes that Bonneville does not yet have a financial policy associated with debt service as a percentage of its revenue requirement. While Bonneville's financial staff have highlighted this as a future concern, there has been no serious customer engagement process on that topic as of yet. Accordingly, NIPPC believes it would be inappropriate to apply the amount of the RDC to address concerns of a nascent financial policy that has not been fully vetted with customers.

In conclusion, on behalf of NIPPC's members, NIPPC urges the acting Administrator to exercise his discretion and delay any allocation of the amount of the Transmission RDC for one year pending a determination of potential outcomes, including Congressional action, that would improve BPA's access to capital in 2021.