

August 7, 2021

The Honorable Kyrsten Sinema  
317 Hart Senate Office Building  
Washington, DC 20510

The Honorable Rob Portman  
448 Russell Senate Office Building  
Washington, DC 20510

Dear Senators Sinema and Portman:

As transmission customers and representatives of transmission customers of the Bonneville Power Administration (BPA), we support the language in section 40110 of your legislation, the Infrastructure Investment and Jobs Act,<sup>1</sup> that would provide BPA with \$10 billion of new borrowing authority from the U.S. Treasury.

BPA owns and operates three-quarters of the high-voltage electric transmission system in the Pacific Northwest.<sup>2</sup> BPA's unique statutory construct restricts how it can raise capital to maintain and upgrade this system. The agency cannot directly access the capital markets to issue debt or equity. Its principal options are limited to borrowing from the Treasury, collecting cash in advance or through current rates from customers to expense the capital cost of long-lived assets, or using its contracting authority to enter into complicated third-party lease-purchase arrangements.<sup>3</sup>

Additional Treasury borrowing authority would provide BPA a way to access capital that serves as the agency's equivalent to how other major transmission providers raise capital. Treasury debt is repaid, with interest, by BPA's customers.

At present, about 60 percent of BPA's outstanding Treasury bonds are assigned to transmission. BPA forecasts that this percentage will increase in the coming years to as high as 89 percent in 2030.<sup>4</sup> In short, most of the borrowing authority is dedicated to the transmission system, not to maintaining federal electric generation that sometimes receives more public attention.

Due in part to the relatively limited borrowing authority currently held by BPA, BPA is increasing its transmission rates by an average of 6.1 percent in the upcoming biennial

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<sup>1</sup> S. Amdt. 2137 to H.R. 3684.

<sup>2</sup> BPA, *About Us*, <https://www.bpa.gov/news/AboutUs/Pages/default.aspx>.

<sup>3</sup> BPA, "Strengthening Financial Health Capital Financing Workshop," May 22, 2018, p. 10-27, <https://www.bpa.gov/Finance/FinancialPublicProcesses/AccessToCapital/5.22.18%20Capital%20Financing%20Workshop%20Presentation.pdf>.

<sup>4</sup> BPA, Data Request from 9.29.20 Workshop, <https://www.bpa.gov/Finance/RateCases/BP-22-Rate-Case/Documents/Data-Request-from-9.29.20-Workshop.xlsx>.

rate period.<sup>5</sup> This increase is driven by revenue financing, the collection of extra cash from customers in order to expense capital costs, and it does not impact all BPA customers equally. Point-to-point transmission customers face a higher rate increase of 7.5 percent. In the absence of more borrowing authority, BPA customers may face ever increasing amounts of revenue financing merely to maintain the existing grid. One direct outcome of this rate pressure will be to raise the cost of operating new renewable energy facilities in the Northwest. These are the facilities that will be needed to replace legacy generation in the region. Without new BPA borrowing authority to invest in the transmission system, achieving the region's low carbon and other policy objectives will become more difficult.

We also strongly support the requirements in subsections (b) and (c) of section 40110 for BPA to update its financial plan and to consult more with customers and other stakeholders on its use of new borrowing authority. We also support amending these subsections as proposed in Senator Cantwell's S. Amdt. 2588.

In conclusion, we urge you to keep the new borrowing authority in section 40110 intact. Thank you for your leadership in developing this important legislation.

Sincerely,

Northwest & Intermountain Power Producers Coalition

Renewable Northwest

Avangrid Renewables

cc:

Senator Joe Manchin

Senator John Barrasso

Senator Maria Cantwell

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<sup>5</sup> BPA, "BPA lowers average power rates for fiscal years 2022-2023," July 28, 2021, <https://www.bpa.gov/news/newsroom/releases/Documents/20210728-PR-11-21-BPA-lowers-average-power-rates-for-fiscal-years-2022-2023.pdf>.