# Participant Comments from the Financial Plan Scoping Workshop
## November 26, 2007

This document contains comments and questions from participants of BPA's Financial Plan Scoping Workshop on November 26, 2007. This document does not generally include BPA's responses to questions. This document also does not include notes of discussions prompted by comments or questions.

**General Comments and Questions**:

- The Plan should include discussion of a series of questions including the following:
  1. How will the updated Financial Plan affect or be affected by a tiered rates environment?
  2. What principles will be used to guide the development of the Financial Plan?
  3. How will the Plan affect generation and transmission? Will the issues unique to Power and Transmission rates be dealt with separately?
  4. How will the plan affect Slice and non-Slice customers?
  5. Will the plan be flexible enough to function in different interest rate environments?
- Will the Financial Plan and the cost review (particularly asset management) for the upcoming general rate cases be integrated? There should be a brief update on asset management at the next Financial Plan meeting.
- Will fish and wildlife costs and the impact of the Golden Northwest decision be addressed in the Financial Plan? *[BPA's leaning is that the Financial Plan is not the appropriate forum for such a discussion.]*

### Comments and Questions on Slide 6, Possible Policy Issues

**1. Access to Capital**

- BPA should look at capital needs, depreciation, and cash flows over time. Customers would like to see the capital needs over the next 5-10 years
- The discussion should include access to third party financing.
- Examine the effects of debt optimization going forward (including the effect on access to capital).
- Describe the availability of borrowing authority over the next 10 years.
- Are you going to include revenue financing as an option for capital projects? In the past this has been an item that was not viewed favorably.
- What is the FCRPS's reliance on appropriations and how does this come into play? *[This was in reference to the Corps and Bureau, but more specifically responded to as a Columbia River Fish Mitigation (CRFM) program issue.]*

**2. What to do in good years and bad years?**

- Any discussion of reserves will be complicated by Slice. Generation reserves are associated more with non-Slice customers. Early debt repayment, for example, reduces interest payments which will benefit Slice customers.
- It is important to maintain the separation between generation and transmission business functions.
- If rates can be increased in bad years, then by symmetry, rates should be decreased in good years.

- Funds could be used to do good things like making up for cost cuts in tough times – we should consider other things besides rebates.
- What can be done in a good year that will help (or at least not harm) planning for a bad year?
- BPA should examine the interaction between a financial emergency that qualifies for declaring an operational emergency (to interrupt spill) and financial emergencies in this Plan. The criteria for CRACs and operational emergencies are very different.
- BPA needs a new policy for declaring operational emergencies. BPA needs to review where the money goes when it declares an emergency. The money should be shared.

## 3. Financial Risk Metrics

- Who takes the cost variability risk in rates – customers or BPA?
- BPA should develop a policy for dealing with stranded costs caused by customers losing load and thus not taking all of their Tier 1 amount. This could be caused, for example, by retail deregulation in a period when BPA's rate is above market, or by severe economic downturn, or by technology breakthroughs in customer-sited generation.
- BPA should calculate an amortization baseline assuming that debt repayment strictly is calculated by DOE Policy RA6120.2. BPA is paying more today, in part due to expense adders for risk, than if it strictly followed RA6120.2. That policy allows BPA to defer Treasury payments when times are tough and make them up when times are good. Maintaining a high TPP standard so that it is highly unlikely BPA will defer Treasury payments means that BPA is exceeding the requirements of RA6120.2, and that rates are higher as a result.
- Will there be separate risks and TTP standards established for the Tier I and Tier II rates?
- Does BPA need to continue to do repayment studies under the current methodology? Perhaps it could use a more traditional, more understandable payment methodology.
- Will BPA revisit/recalculate the TPP standard from scratch? *[BPA does not intend to do this.]*
- BPA should look at what counts as a miss in Toolkit. A $1 million miss in one year of a game is treated the same way as a series of $600 million misses in another game. Perhaps the misses should be weighted.

## 4. Cost Recovery Policy

No specific comments.