



Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

September 5, 2019

Cyril T. Zaneski
Executive Director
E&E News

Dear Cyril,

The Bonneville Power Administration has made great strides in recent years to address competitive pressures in the power market and sustain financial health, maintaining the agency's role in the Northwest as an engine of economic prosperity and environmental sustainability.

As BPA's administrator and CEO, I was deeply disappointed to read the mischaracterizations in Greenwire's Sept. 3 article on the issues facing BPA and the Pacific Northwest. The article painted a grossly inaccurate picture of BPA's current financial condition and failed to acknowledge the steps that Bonneville and its key partners are taking to ensure BPA remains the power provider of choice for its public power customers.

BPA takes its role in the region very seriously. The inaccuracies in this article mislead readers on the true nature of our finances, and do not help policymakers and stakeholders understand what is happening in the electricity market.

Although I also have concerns with the article's characterization of BPA's fish and wildlife program, I will not debate that issue here. I do want to correct the misrepresentation of BPA's finances.

Far from being on the verge of "going broke," BPA is in very sound financial condition, with investment-grade credit ratings from the three major ratings agencies. And we are taking steps every day to further improve our position through the fulfillment of a strategic plan we developed to address the very challenges discussed in the article. The article implies BPA does not have a plan to sustain its competitive position, which is absolutely false.

In addition, as the Northwest's biggest clean-power supplier, we see potential in the changing energy industry, particularly as states move toward decarbonization.

As the article correctly notes, however, power providers in the Northwest are having to adapt to the changing electricity market. In the Northwest, we have been blessed for decades with low-cost, abundant hydropower. But recently, the proliferation of cheap natural gas, large-scale development of variable energy resources such as wind and solar, and periods of oversupply have dampened wholesale energy prices and reduced BPA's wholesale market revenues.

Contrary to the article, which asserts California no longer needs BPA's power, BPA is actually projecting stronger surplus revenues from California sales in fiscal years 2020 and 2021 than what we saw in 2018 and 2019. Longer term, we see California as an important market for Northwest federal hydropower. It's true that wind and solar generation are increasing, but that means the need for flexible, reliable, low-carbon resources will increase as well. Hydropower is a highly sought-after resource to balance the variability and intermittency of wind and solar. And through our ambitious and aggressive grid modernization initiative, we are taking steps to leverage and enable industry change that will allow us to capture the full value of our flexible hydropower resources in this low-carbon environment.

Another challenge the article highlights is the rising costs of maintaining the federal power and transmission system, as well as the costs of meeting our fish and wildlife responsibilities and other statutory obligations. This combination of lower revenues and higher costs placed significant upward pressure on BPA's rates over the past 10 years. Understandably, our public power customers, who buy power under long-term contracts that extend through 2028, expressed concerns about BPA's competitive position.

BPA shared that concern and took it as a call to action – a fact not noted by Greenwire. Our 2018-2023 Strategic Plan is focused on taking steps now to bend the cost curve and strengthen our commercial position so that we will be well-positioned for new contract negotiations with our customers in the next decade. Going forward, BPA is committed to managing costs at or below the rate of inflation to further strengthen the agency's competitive position. We have demonstrated this by reducing program costs by \$66 million per year during the next rate period, placing BPA on a much more sustainable rate trajectory.

We are also taking steps to manage BPA's debt over the next decade. Greenwire accurately reports BPA's debt as \$15 billion. But it's important to understand the context of this debt. First, BPA repays its debt with revenues from power and transmission sales – not with taxpayer dollars. BPA is a self-financed federal power marketing administration that does not rely on annual appropriations from Congress and must recover its costs through its rates. BPA's revenues far exceed the total debt coming due. In fiscal years 2020 and 2021, BPA is projecting annual revenues of \$3.8 billion, which will provide more than enough cash flow to cover the \$700 million in debt that will be due each of those years. When we made our annual U.S. Treasury payment last fiscal year, it marked the 35th year in a row BPA has made this payment on time and in full. Over that period, we have paid more than \$29.8 billion to Treasury,

including \$5.5 billion earlier than scheduled. We are on track to make our full Treasury payment this fiscal year as well.

Consistent with our strategic and financial plans, we are taking steps to manage BPA's debt. The agency's debt-to-asset ratio has and will continue to decline. We also use tools to maintain healthy financial reserves. After making our next Treasury payment, BPA expects to close fiscal year 2019 with nearly \$800 million in financial reserves. We are also working to preserve our access to capital so we can continue to invest in the region's power and transmission infrastructure.

Like others in our industry, we face ongoing economic and environmental challenges. It is absolutely essential that BPA sustain the progress we have made in managing costs, strengthening finances, modernizing assets, providing competitive products and services and meeting the changing needs of the region's power system. We appreciate the enduring interest and concern of our key partners in BPA's long-term economic viability. We will need their continued support to sustain Bonneville's vital role in the Northwest.

Sincerely,



Elliot E. Mainzer
Administrator and CEO