PUBLIC POWER COUNCIL
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Comments on BPA Risk Mitigation Issues

PPC continues to be concerned about the overall level and trajectory of power rates heading into the BP-20 rate case. The agency has made some progress through the IPR, but more work must be done to provide value for the residents and business of the region both now and into the future. PPC appreciates this opportunity to provide brief comment on financial risk mitigation issues related to the BP-20 rate case workshop of August 8, 2018.

- *CRAC and RDC Timing and Methodology.* PPC supports a move towards the CRAC, RDC and potentially other rate adjustments being set based on actual financial results. Because the primary benefit of this approach for customers would be increased accuracy, PPC believes the approach of directly measuring Reserves Available for Risk is most appropriate. Using Accumulated Net Revenues with no calibration would potentially lead to inaccurate rate adjustments and frustrate the purpose of using actual, end of year financial results. Further, any change in this methodology or timing must include an ongoing commitment from BPA to provide customers with robust and transparent information on the probability of rate adjustments during the prior fiscal year.

- *Implementation of Financial Reserves Policy.* PPC generally supports implementing FRP surcharges through an annual mechanism parallel to the RDC. This results in less potential for excessive amounts to be collected in rates to support the policy and would also specifically distinguish amounts collected to support the FRP from those supporting general risk mitigation. One issue that will need to be worked through in greater specificity is how potential FRP surcharges will be accounted for in characterizing rate changes. Our understanding is that BPA staff is currently considering this issue and we look forward to working collaboratively to find a suitable resolution.

- *Removal of NFB Adjustment Mechanism.* PPC supports the removal of the NFB mechanism for the reasons advanced by BPA staff. The language is ambiguous, outdated, and generally does not add value either to BPA or customers over what is already provided by other risk mechanisms and procedures.

- *Spill Surcharge.* Additionally, PPC is in favor of BPA staff's proposed approach to not include a spill surcharge mechanism in the initial proposal. It appears likely at this time that enough information will be available for the final proposal to set rates without the need to have a separate adjustment. However, PPC does expect that BPA will be transparent, deliberate, and allow customers reasonable process opportunities to review and provide input on the final hydro operating assumptions underlying BP-20 rates. Further, ongoing collaborative work to help transparently document the financial and environmental impacts of operational constraints is essential.

Thank you for your consideration of these comments. Please do not hesitate to contact PPC staff with any questions or concerns.