COMMENTS OF THE WESTERN PUBLIC AGENCIES GROUP REGARDING BP-22/TC-22/EIM PHASE III AUGUST 25TH AND 26TH WORKSHOPS

The utilities comprising the Western Public Agencies Group ("WPAG") appreciate this opportunity to comment on select topics presented by the Bonneville Power Administration ("BPA") at its BP-22, TC-22 and EIM Phase III workshops held on August 25th and 26th.

1. **Sub-Allocation of EIM Charge Codes**.

For the reasons stated in our prior comments, the WPAG utilities are generally supportive of BPA's proposals for sub-allocating the EIM Base Codes, Neutrality Codes, and Over/Under Scheduling Codes. We are also supportive of BPA's proposal to allocate the costs of the "unallocated" EIM codes that can be forecasted to the Network, Southern Intertie, and Eastern Intertie segments using O&M percentages. With respect to the Over/Under Schedule Load Allocation (Charge Code No. 6046), we further recommend that, in order to qualify for the credit, a customer must meet the applicable threshold(s) across all of the scheduling intervals for a given trading day on the basis that this would be required at the BAA level for BPA to receive a credit in the first place.

2. **Definition of "Export Schedules" in the Context of Measured Demand**.

BPA has proposed to allocate the EIM Neutrality Codes on the basis of Measured Demand, which it intends to define as "Metered Demand + Export Schedules."[1] BPA has further indicated that the term "Export Schedules" in the context of Measured Demand has not yet been defined by the BPA Settlement team and that there is a possibility that the definition could exclude the export leg of wheel-throughs.[2]

BPA will need to make a compelling case to exclude the export leg of wheel-throughs from the definition of Export Schedules if it decides to do so. A transmission customer's status as a wheeling-only customer should not exempt it from all EIM charges, which excluding the export leg of wheel-throughs from the definition of Export Schedules would effectively do.[3] Indeed, to the contrary, the Neutrality Codes BPA proposes to allocate based on Measured Demand "are operational charges that may be applicable to any customer using an interconnected transmission system that incurs systemic operational costs[,]" including those who do not participate in the EIM, such as wheeling-only customers.[4] Including the export leg of wheel-throughs in the definition of Export Schedules for Measured Demand purposes is, therefore, a reasonable and commonly used

[1] TC-22, BP-22 and EIM Phase III Customer Workshop of August 25, 2020 at 111.
[2] *Id.* at 35
[3] Arizona Public Service Company, 162 FERC P 61005, ¶ 37 (2018) (rejecting arguments made by a wheel-through customer with no generation or load in the Arizona Public Service ("APS") balancing authority area that it should not be subject to EIM administrative or uplift charges, including those EIM uplift charges under subsection 8.5 of Attachment Q to APS's Open Access Transmission Tariff, which subsection includes codes that BPA identifies as the "neutrality codes" such as the Real Time Imbalance Energy Offset, Real-Time Marginal Cost of Losses Offset, and Real-Time Congestion Offset charge code).
[4] *Id.*

basis for allocating a share of EIM Neutrality Codes to wheeling customers.[5] Any proposal by BPA to deviate from this approach must be carefully considered and well supported.

3. **Energy Imbalance/Generation Imbalance Services**.

For the reasons stated in our prior comments, the WPAG utilities are generally supportive of BPA's proposals to remove the existing deviation bands for the energy imbalance and generation imbalance services.

4. **EIM Benefits and Charges in Power Rates**.

Subject to our comments responding to BPA's July workshops regarding BPA's proposal to assume that the dispatch benefits BPA will receive in the EIM will equal its EIM costs, our preliminary opinion is that the remaining staff leanings shown on page 152 of the presentation for the August 26th meeting appear to be a reasonable starting point for developing BPA's initial proposal for sharing the costs and benefits of the EIM among BPA's power customers. We look forward to seeing those concepts more fully developed in the rate case.

5. **BPA's Secondary Revenue Proposal**.

The WPAG utilities have carefully considered BPA's proposal to reduce the secondary revenue credit it assumes in setting power rates, including BPA's proposals to use the BP-22 rate period to transition to this new approach for full implementation in BP-24. While BPA's proposal would likely produce more stable power rates over the long-term, it would also produce higher rates, all other things being equal. The WPAG utilities understand this tradeoff as BPA and preference customers have evaluated similar proposals several times over the years. Ultimately, WPAG's members continue to favor BPA's current secondary revenue construct because it produces a lower overall rate that, although it may be less stable than a more conservative secondary revenue assumption, is more likely over the long-term to keep more money in the communities they serve than BPA's proposal. Accordingly, WPAG does not support BPA's proposal.

BPA has argued that now would be the time to change its secondary revenue construct because the amount of secondary revenue included in BP-20 rates is the lowest it has been in over a decade and, for this reason, BPA and it customers have already experienced the rate impact of including less secondary revenue in base rates that has deterred similar proposals in the past. However, the unstated assumption underlying this argument is that now is also the time to change BPA's secondary revenue construct because the secondary revenue assumption in BP-22 is likely to be higher than that used in BP-20. Indeed, based on BPA's projected increase to the rate period average Mid-C price from BP-20 to BP-22 of \$3.86/MWh,[6] WPAG estimates that the secondary

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[5] *Id.*

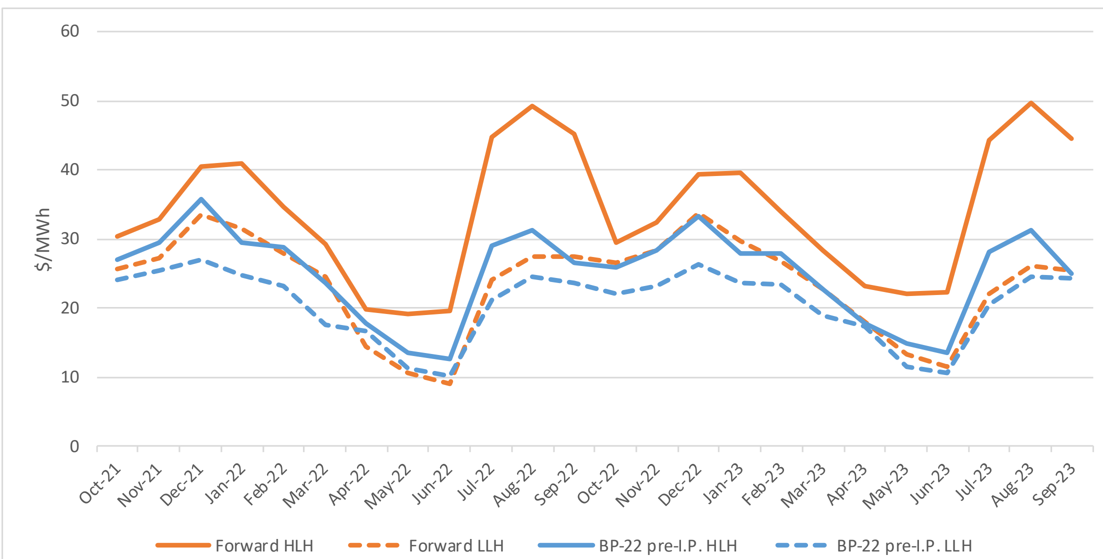
[6] TC-22, BP-22 and EIM Phase III Customer Workshop of August 26, 2020 at 120.

revenue forecast for BP-22 could be approximately $45 million/year higher[7] in BP-22 than the assumption used in setting BP-20 rates, all other things remaining equal.

This $45 million/year, or $90 million over the two-year BP-22 rate period, and additional amounts in future rate periods under BPA's proposal, is money that BPA's current secondary revenue construct would keep in the region's hard-pressed communities, which in our view is several orders of magnitude more important than improving BPA's balance sheet given the depth of the current economic crisis and what will be needed in the years to come to recover from it. In addition, given its current 120 days cash on hand business line threshold and 90 days cash on hand agency threshold, there is little faith that preference customers will ever receive the additional financial reserves to be generated under the proposal through BPA's current Revenue Distribution Clause ("RDC") before BPA spends or otherwise repurposes it. Given this, BPA's secondary revenue proposal is an absolute nonstarter absent concurrent and substantial changes to BPA's RDC (both as to its triggering thresholds and frequency) and Financial Reserve Policy ("FRP") Surcharge.

6. **Forward Market Sales**.

WPAG prepared the below graph that shows the BP-22 pre-IP Mid-C market prices provided on Page 119 of BPA's August 26th presentation and forward Mid-C market prices for October 2021 through September 2023 averaged over the past five months (April through August).



Forward market prices provided by S&P Global. BP-22 pre-IP Mid-C prices per page 119 of BPA's August 26th customer workshop presentation.

As shown above, forward market prices are well above BPA's forecasted BP-22 pre-IP Mid-C market prices in all months. The average forward Mid-C market price shown above is $29.40/MWh or 27 percent greater than the average BP-22 pre-IP Mid-C market price of

[7] $45 million was calculated by applying the approximate 20% increase in the forecasted Mid-C market price ($3.86/MWh increase = 20% increase) to the $229M (FY20) and $221.3M (FY21) of secondary revenues shown in Table 18 of BP-20-FS-BPA-05A.

$23.12/MWh. It is our understanding that, assuming BPA's secondary revenue proposal is not adopted, the net secondary revenues included in the initial rate proposal will be based on BPA's forecast of BP-22 Mid-C market prices that will be adopted at the time of the Initial Proposal. The gap between BP-22 Mid-C IP market prices and forward market prices will likely be similar to the gap shown in the above graph. In BP-20, WPAG argued and BPA agreed that there are gradations of uncertainty within BPA's secondary inventory. While BPA cannot sell all surplus energy in the forward market, BPA should endeavor to sell surplus energy that has a high degree of certainty in the forward market and then build the additional revenue of such sales into the secondary revenue forecast BPA uses to set BP-22 rates. While WPAG commends BPA's recent efforts to lock in revenues from long-term sales of firm surplus energy, WPAG believes that BPA should also pursue forward sales of secondary energy that have a high confidence of coming to fruition. Any action BPA can take to enhance its secondary revenues without taking on meaningful additional risk, such as taking advantage of forward market prices when possible, should be pursued in order to keep BPA power rates as low as possible.