

Comments Regarding Scenario List and Timeline for Development of Long-Term Average System Cost Forecasting Methodology Presented at the Post-2028 REP Workshop on January 24, 2023

On Behalf of Avista Corporation, Idaho Power Company, NorthWestern Energy, PacifiCorp, Portland General Electric Company, and Puget Sound Energy, Inc.

Submitted to REP2028@bpa.gov

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These comments are submitted by Avista Corporation, Idaho Power Company, NorthWestern Energy, PacifiCorp, Portland General Electric Company, and Puget Sound Energy, Inc. (the “Pacific Northwest Investor-Owned Utilities”) regarding Bonneville Power Administration (“BPA”) proposals for (i) the proposed “Sub-Phase 2 Scenario List” for the post-2028 Residential Exchange Program Sub-Phase 2 workshops and (ii) the proposed ASC Methodology Timeline.¹ BPA requested comments on these proposals by January 31, 2023.² Subsequently, BPA provided notice that it was extending the deadline for comments to the close of business on February 14, 2023.³

1. BPA’s Proposed Scenario List

The January 24 Presentation provides the following “Sub-Phase 2 Scenario List” of thirteen Residential Exchange Program scenarios proposed by BPA:⁴

¹ See Bonneville Power Administration. *Post 2028 Residential Exchange Program*. Jan. 24, 2023, <https://www.bpa.gov/-/media/Aep/power/residential-exchange-program/post-2028-rep/20230124-post-rep-agenda.pptx>. PowerPoint Presentation (the “January 24 Presentation”).

² See *id.* at 19 and 28.

³ E-mail from Post-2028 REP Team to Participants in the Post-2028 REP Workshops (Jan. 31, 2023).

⁴ January 24 Presentation at 19.

SUB-PHASE 2 PROPOSED SCENARIO LIST	
1	Reference Case
2	Conservation = Gen Requirement with out costs
3	Conservation = Gen Requirement with costs
4	Conservation Resource Expensed 1 st Year vs 5 Years
5	Mid-C Resources in 7(b)(2) Resource Stack
6	Discount Rate - Not Applied
7	Discount Rate uses Inflation Rate
8	Discount Rate uses Investment Rate
9	Identical Secondary Credit in 7(b)(2) Case
10	No 7(b)(3) allocation to Surplus Sales
11	Single Repayment Study Used
12	ASCs – High (both loads and ASCs)
13	ASCs - Low (both loads and ASCs)

The provision of these scenarios is appreciated, but limitations of these scenarios should be understood.

BPA’s workshop scenarios and any resulting estimates for Post-2028 REP benefits should not be used or interpreted to circumscribe or set limits for the parameters or amounts of Post-2028 REP benefits. It was recognized at the January 24 workshop that the scenarios that have been presented by BPA do not establish bounds for REP benefits, notwithstanding that BPA’s presentation described the scenarios as “bookends”.

Any efforts of BPA or any participant in the post-2028 REP process to limit REP scenarios at this point is premature, particularly because BPA has not clearly explained its view of how such scenarios might be used and because the thirteen proposed workshop scenarios are only described very briefly and are not fully understood.

It should be axiomatic that all BPA rate methodologies, including the PF Exchange rate and the ASC Methodology, must be consistent with, and determined in accordance with applicable statutory requirements.⁵ Those statutory requirements include requiring that (i) final determinations regarding rates under section 7 of the Northwest Power Act “shall be supported by substantial evidence in the . . . record . . . considered as a whole”,⁶ and (ii) the BPA Administrator make a “final decision establishing a rate or rates based on the record,” and that such decision “shall include a full and complete justification of the final rates pursuant to [section 7].”⁷ Pursuant to these statutory provisions, BPA for example in performing the 7(b)(2) rate step must develop a full and complete justification for the resources to be included in the 7(b)(2) resource stack, information regarding these resources, and the appropriate costs attributable to those resources to be included in determining the 7(b)(2) Case costs. Such

⁵ See Section 7 of the Northwest Power Act, 16 U.S.C. § 839e.

⁶ 16 U.S.C. § 839f(e)(2).

⁷ 16 U.S.C. § 839e(i)(5).

justification must be supported by substantial evidence in the record, and parties should be afforded an opportunity to review and respond in this proceeding to such justification.

The REP has a long and storied history of disputes over the past four decades. Although the 2012 REP Settlement resolved then-existing disputes and provided resolution of disputes through September 30, 2028, the disputes remain unresolved for the post-2028 period. Any scenarios consistent with applicable statutory requirements—and potential combinations thereof—should be evaluated, not just the thirteen scenarios presented in the January 24 Presentation.

The scenarios evaluated should reflect the interpretations set forth below, which were among those advanced by the Pacific Northwest Investor-Owned Utilities in prior proceedings, but which are not all encompassed in the thirteen scenarios proposed in the January 24 Presentation:

- (i) **Allocation of Section 7(b)(2) Trigger Amounts.** BPA must allocate section 7(b)(2) trigger amounts to all power sold by the Administrator to all customers, other than power sold for the general requirements of PF Preference rate customers. *See* 16 U.S.C. § 839e(b)(3). For example, trigger amounts must be allocated to surplus sales (such as surplus power sold at the Slice rate.)⁸
- (ii) **Not Increasing 7(b)(2) Case Loads By Conservation Load Reduction.** 7(b)(2) Case loads should be the actual general requirements of PF Preference customers, which reflect the reductions in such requirements achieved by actual conservation load reductions. Accordingly, BPA must not increase the combined general requirements of PF Preference rate customers in the 7(b)(2) Case by an amount equal to conservation load reduction. BPA must include all conservation costs that are Applicable 7(g) costs in the section 7(b)(2) Case. *See* 16 U.S.C. §§ 839e(b)(2), 839e(g).
- (iii) **7(b)(2) Accounting and Financing Treatment of Conservation Costs.** In past proceedings, BPA used a flawed financing and accounting treatment for conservation costs in the 7(b)(2) rate test. Even if BPA were to include PF Preference customer conservation load reduction in the resource stack--which it should not--(a) BPA should not increase 7(b)(2) Case loads for conservation savings that did not occur, and (b) BPA should expense all costs of conservation resources in the resource stack and recover costs in the first year the resource is selected from the stack.
- (iv) **Including All Acquired Conservation in the Resource Stack.** If BPA includes PF Preference customer conservation load reduction in the resource stack--which it should not--then BPA should (a) include all

⁸ Further, it appears that BPA, in performing the section 7(b)(3) reallocations, has failed to assess a full 7(b)(3) Supplemental Rate Charge on the surplus power associated with the Slice product sold to Slice customers under the Slice rate. This failure would understate the 7(b)(3) allocation to the Slice surplus power.

conservation acquisitions because these conservation resources meet the 7(b)(2)(D) definition of a “resource,” *see* 16 U.S.C. § 839a(19), and (b) adjust 7(b)(2) customer loads for the full amount of the conservation resource acquisitions.

- (v) **Reserve Benefits from Surplus Power Sales.** BPA’s surplus power provides reserve benefits that protect PF Preference customer loads. BPA’s sales of surplus power are made under the Northwest Power Act (*see, e.g.,* 16 U.S.C. §839c(f)), and the reserve benefits of such sales must be assumed to not be achieved in the 7(b)(2) Case and, therefore, must be added to the 7(b)(2) Case costs. *see* 16 U.S.C. § 839e(b)(2)(E)(ii).
- (vi) **Discounting of the Stream of 7(b)(2) Rate Projections.** In the 1984 7(b)(2) Implementation Methodology, BPA decided that after calculating the stream of annual rates in the Program and 7(b)(2) Cases, it would be appropriate to discount the rates to the beginning of the rate test period before averaging the rate streams to perform the 7(b)(2) rate test. The purpose of the statutory directive to include four years beyond the rate period is to ensure that the rate period 7(b)(2) rate test trigger in one rate case is similar to the rate test triggers in later rate cases, all else being equal, by discounting rate period anomalies through the inclusion of more normalized forecast years. The Pacific Northwest Investor-Owned Utilities agree that it is appropriate to discount the rates to perform the 7(b)(2) rate test, and support use of BPA’s risk adjusted discount rate (Investment Rate).
- (vii) **Costs of Uncontrollable Events.** BPA should subtract the costs of uncontrollable events from the Program Case costs and include the costs of uncontrollable events in the 7(b)(2) Case costs. If BPA properly includes the costs of uncontrollable events in the 7(b)(2) Case costs, it is particularly important that the costs of uncontrollable events be properly determined for the purpose of such inclusion. *see* 16 U.S.C § 839e(b)(2) and *see* 16 U.S.C § 839e(g).
- (viii) **Not Including in Resource Stack Output from the Mid-Columbia Dams sold to Non-Preference Purchasers.** BPA must not include in the 7(b)(2) Case resource stack the portion of the output from the Mid-Columbia dams sold to non-preference purchasers because such output is not a resource “owned or purchased by public bodies or cooperatives”. 16 U.S.C. § 839e(b)(2)(D).

If BPA has questions about any of the points set forth above, such questions should be addressed as agenda topics for future REP workshops.

BPA has not yet presented the detailed scenario analyses for each of its scenarios. Additionally, the Pacific Northwest Investor-Owned Utilities have not yet had the opportunity to examine BPA’s analyses. Accordingly, each of the Pacific Northwest Investor-Owned Utilities

reserves the right to pursue additional or different scenarios and provide additional comments on any scenarios or analysis provided by BPA.

2. Proposed ASC Methodology Timeline

In the January 24 Presentation, BPA Staff presented timelines for the post-2028 REP settlement/non-settlement process and the ASCM Revision Process. BPA Staff stated that the two processes will run in parallel but be independent formal processes.

Phase 1 of the REP process shows sub-phase 2 (REP Contract Negotiation) occurring from Fall 2023 through Summer 2024, with sub-phase 3 (REP Settlement Evaluation Process and Decision (7i)) occurring from Fall 2024 through Spring 2025. In the event that settlement is not possible, Phase 2 (Traditional REP Preparation) is scheduled to occur from 2026 until 2029.

In BPA Staff's proposed ASCM Revision timeline, BPA will share its straw proposal for the ASCM mid-2025, will draft the ASCM from mid-2025 through October 2025, release an ASCM Draft Record of Decision (ROD) in October 2025, with parties submitting formal comments on the draft ROD in Fall 2025, and then the ASCM Final ROD would be issued late in 2025.

The 2008 ASCM sections that BPA Staff proposes evaluating include:

- Transmission investments and expenses.
- Treatment of Carbon Policy implications.
- Implementation of the In Lieu provision of the Northwest Power Act.
- Timing of inclusion of New Major Resource additions/removals.
- Coordination with new contracts – implications of new TRM and CHWM contracts.

BPA's decision in the Final ROD regarding each of the ASCM Revision topics identified by BPA Staff (and others that may be also evaluated) would likely impact each utility's ASC, and consequently, the REP benefits that would accrue to each utility's residential and small farm customers. This is true under a traditional REP process and is likely true under a settlement agreement framework. The treatment of these issues in a revised ASCM would likely impact the allocation of REP benefits among the Pacific Northwest Investor-Owned Utilities under a future settlement agreement given that the current settlement agreement allocates REP benefits in this manner and any future settlement agreement is likely to do the same.

Under the proposed timelines, negotiation of the REP would occur in late 2023/early 2024, long before a Revised ASCM straw proposal. Any Revised ASCM straw proposal should be provided earlier, so that there is an opportunity for meaningful settlement discussions of both the REP and the ASCM at the same time. Therefore, the Pacific Northwest Investor-Owned Utilities request that BPA Staff review the proposed timelines and propose revised timelines that facilitate such discussions at the same time.

These Comments should not be construed as suggesting that any revisions to the current ASCM are required or appropriate. It is premature to conclude that any revisions to the ASCM are required at this time.