

**Response to BPA Staff Questions Regarding Pacific Northwest Investor-Owned Utilities
Comments on Sub-Phase 2 Scenario List**

**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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On February 14, 2023, Avista Corporation, Idaho Power Company, NorthWestern Energy, PacifiCorp, Portland General Electric Company, and Puget Sound Energy, Inc. (the “Pacific Northwest Investor-Owned Utilities”) submitted comments regarding BPA proposals for the proposed “Sub-Phase 2 Scenario List” for the Post-2028 Residential Exchange Program Sub-Phase 2 workshops. After the February 21, 2023 Post-2028 Residential Exchange Program workshop, BPA Staff requested clarification of those comments, and, specifically, asked three clarifying questions. The Pacific Northwest Investor-Owned Utilities appreciate BPA Staff’s questions and respond as follows.

Question 1. Reserve Benefit Scenario. As noted, the REP-12 evaluation study did not produce a scenario for this issue. To model it, we want to make sure we understand what the IOUs are proposing. In the WP-07S case, it appears the IOUs argued that BPA should (or could) value the reserves benefit by applying BPA’s Operating Reserves rate to the aMW of secondary and withdrawable surplus power. Is that the scenario the IOUs would want modeled again?

Response

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. The reserve benefits provided by BPA’s surplus power¹ can be conservatively valued by application of BPA’s Operating Reserves rate to the forecasted MWHs of surplus power sales.² BPA should model a scenario that (i) conservatively values reserve benefits by application of BPA’s Operating Reserves rate to the forecasted MWHs of surplus power sales and (ii) adds such conservative value to 7(b)(2) Case rates as reserve benefits assumed to not be achieved.

Question 2. Uncontrollable Events. In terms of what costs to include as an uncontrollable event, the IOUs’ identified PNRR, Reserves available for risk, and the costs of the WNP-1 and 3. A few questions here. In regards to WNP-1, 3, do the IOUs want all of the costs of these resources removed or just the termination costs? Also, what amount of financial reserves for risk

¹ See Northwest Power Act (“NWPA”) section 5(f).

² Under NWPA section 5(f), surplus power sales (i) are BPA’s sales of electric power that are surplus to the Administrator’s obligations incurred pursuant to subsections (b), (c), and (d) of NWPA section 5(f), and (ii) thus include for example BPA’s sales of secondary and withdrawable surplus power.

and PNRR would the IOUs contend is a “cost” of an Uncontrollable Event and therefore be modeled in a scenario?

Response

A. All BPA costs of WNP-1 and 3 are costs of uncontrollable events and should be removed from Program Case Rates in the 7(b)(2) test.

All of BPA’s costs of the terminated WNP-1 and WNP-3 plants are costs of uncontrollable events. These nuclear plants were terminated after the Washington Public Power Supply System (“Supply System”) was unable to issue bonds to finance their completion. As a result, WNP-1 and WNP-3 were subsequently terminated without being completed or producing power. The Supply System’s inability to issue bonds was an uncontrollable event. BPA’s costs with respect to WNP-1 and WNP-3, from which BPA received no power, are costs of “uncontrollable events.”

In the performance of the 7(b)(2) test, all of BPA’s WNP-1 and 3 costs included in Program Case rates should be subtracted from the Program Case rates as Applicable 7(g) Costs³ of uncontrollable events. BPA should model a scenario in which all of BPA’s WNP-1 and 3 costs included in Program Case rates are subtracted from the Program Case rates as Applicable 7(g) Costs of uncontrollable events.

B. All of BPA’s costs of Financial Reserves for Risk and PNRR are costs of uncontrollable events and should be removed from Program Case Rates in the 7(b)(2) test.

BPA’s costs of Financial Reserves for Risk and Planned Net Revenues for Risk (“PNRR”) that are included in BPA’s Program Case rates should be treated as costs of uncontrollable events. Financial Reserves for Risk and PNRR are used by BPA to address the costs of uncontrollable events. In the performance of the 7(b)(2) test, all of BPA’s costs of Financial Reserves for Risk and PNRR included in Program Case rates should be subtracted from the Program Case rates as Applicable 7(g) Costs of uncontrollable events.

BPA should model a scenario in which all of BPA’s costs of Financial Reserves for Risk and PNRR included in Program Case rates are subtracted from the Program Case rates as Applicable 7(g) Costs of uncontrollable events.

Question 3. Mid-C Resource Data. BPA wants to update our Mid-C resource scenario and data tab. There was a bit of a confusing conversation around this issue during the workshop and we want to make sure we have our facts straight. To do this, we need to make sure we have the right amounts for the IOUs in regards to their Mid-C resource purchases. Can you clarify the following: (1) Which IOUs are purchasing the output of the Mid-C resources; (2) the amount (MW) of such purchases; and (3) are these resources dedicated to the IOUs’ 5(b) loads.

³ The section 7(g) costs enumerated in section 7(b)(2) — i.e., costs of conservation, resource and conservation credits, experimental resources and uncontrollable events — are referred to as “Applicable 7(g) Costs”.

Response

To the extent that the IOUs are to provide information to BPA regarding their individual purchases from Mid-C resources and whether such resources are dedicated to their loads, any such information would be provided separately by each IOU. Accordingly, the Joint Commenters are not providing Mid-C Resource Data in these comments.

It should be noted that the current BPA NR Block contracts expire on September 30, 2028, and do not specifically address dedication of specific resources to an IOU's 5(b) loads for FY 2028 or beyond. Such dedication will presumably be specifically addressed in any contracts for BPA service to 5(b) loads of IOUs after September 30, 2028.⁴

Other issues regarding a Mid-C Resource, if any, to be included in the 7(b)(2) resource stack include the following:

- (i) power from Mid-C generation (under the NWPA, such power is a resource⁵) that has been sold by the Mid-C PUD to an IOU (or other entity that is not a public body or cooperative) is not a "resource[] owned or purchased by public bodies or cooperatives"⁶ and hence is not includable in the 7(b)(2) resource stack; and
- (ii) there is no basis for assuming that power from Mid-C generation "not committed to load pursuant to section [5(b)] of the NWPA"⁷ would be made available by the owner of such power for the resource stack at a below-market price.

BPA should model a scenario in which all Mid-C Resources not dedicated to preference agency firm load are committed to regional IOU firm load. This would be consistent with the fact that existing regional preference agencies generally have access to below market Tier 1 power from BPA, the fact that regional IOUs have been historical purchasers of Mid-C

⁴ However, it should also be noted that there may be arguments that dedication of a resource in such a contract is not necessary under some circumstances in order for a resource to be committed to load for purposes of the 7(b)(2) test. For example, the 2007 Supplemental Wholesale Power Rate Case, Administrator's Final Record of Decision, WP-07-A-05, ("WP-07S ROD") (which was withdrawn in at least in some respects) includes the following arguments at page 584 (citations omitted):

Furthermore, even assuming for the sake of argument that the IOUs would not have wanted to dedicate their Mid-Columbia resources to their loads under their requirements contracts, they would have had no choice but to do so. BPA's Section 5(b)/9(c) Policy states that as long as a utility acquired a resource prior to enactment of the Northwest Power Act and used it to meet its native load, the utility must continue to dedicate that resource to native load and cannot place a larger requirement on BPA. Furthermore, even if a power sales contract expired after enactment of the Northwest Power Act, if there were a follow-on contract for the same resource, this would not be treated as a loss of contract right. Instead, the follow-on purchase would also have to be dedicated to the utility's native load.

⁵ Under NWPA section 3(19), "resource" means —

- (A) electric power, including the actual or planned electric power capability of generating facilities, or
- (B) actual or planned load reduction resulting from direct application of a renewable energy resource by a consumer, or from a conservation measure.

⁶ NWPA section 7(b)(2)(D).

⁷ NWPA section 7(b)(2)(D)(ii).

Resources not dedicated to preference agency firm load, and the fact that NWPA section 9(c) tends to discourage sales of Mid-Columbia Resources outside the region. However, to the extent that BPA elects to include *any* Mid-C Resources in the resource stack, then the cost of those resources in the 7(b)(2) resource stack should reflect the appropriate *market price* of each resource, including the market price of all the associated resource attributes.

The Pacific Northwest Investor-Owned Utilities look forward to continuing the dialog with BPA and parties on the development of scenarios and other issues regarding post-2028 Residential Exchange Program benefits.