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Northwest Power and Conservation Council Comments Regarding Bonneville's Incremental Draft 2026 Average System Cost Methodology

The Northwest Power and Conservation Council is pleased to submit these comments on Bonneville's Incremental Draft of the 2026 Average System Cost Methodology. The Council appreciates Bonneville taking the time to develop this incremental draft, providing another opportunity to engage the region in the development of this methodology.

The Council continues to be supportive of many of the proposed updates included in this incremental draft. The Council reviewed the proposed changes between the preliminary and incremental draft and the comments Bonneville received. We continue to be supportive of those elements that remain unchanged from the preliminary draft, as well as the updates Bonneville made in support of comments.

Energy Storage

The Council would like to reiterate its recommended change around the treatment of energy storage costs. The updated proposed methodology states "Bonneville will allow DIRECT functionalization of [these costs] or PTD as a default ratio." The Council appreciates that Bonneville updated the approach in response to some of the comments received on the preliminary draft; however, these changes are not sufficient to address our previous comments. The Council continues to recommend that Bonneville functionalize these costs using PROD, consistent with all other resources, including conservation, considered under the methodology. As previously stated, we recognize that energy storage may be used as a transmission or distribution asset, similar to many other resources including conservation, demand response, natural gas, and hydro. In all cases, including energy storage, this value is due to the resource providing electricity to meet local loads, and thereby deferring transmission or distribution in the process. The Council continues to recommend that energy storage should be treated consistently with all other resources covered by this methodology.

The Council stated in its comments on the preliminary draft that “... functionalizing energy storage using the PTD ratio brings risk of setting precedent for the cost allocation of other resources in the future. The process of parsing out the specific attributes of each resource during a rate setting would require significant time and likely be contentious.” The Council believes that allowing DIRECT functionalization of energy storage costs is likely to result in a time-consuming and contentious process. The Council supports Bonneville’s historical approach to functionalizing resource costs using PROD, which sidesteps these complicated questions. Energy storage should also receive consistent treatment.

We appreciate Bonneville’s consideration of these comments on the treatment of energy storage. We also welcome follow-up discussion, if needed, on this or any other topics pertaining to the proposed Average System Cost Methodology in advance of Bonneville releasing the final draft for consideration.