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Submitted via email: [prdm@bpa.gov](mailto:prdm@bpa.gov)

### **Comments on BPA's Public Rate Design Methodology (PRDM) Initial Draft**

Thank you for hosting BPA's PRDM work group to go over the PRDM initial draft on August 1<sup>st</sup>. BPA's workshops offer a platform for parties to voice their positions. Below, City Light provides its feedback on select topics of the PRDM initial draft.

#### *4.2: Marginal Energy True-Up*

BPA has proposed that the marginal energy true-up, which looks at differences between customer annual forecasted and actual loads for a year and charges and credits customers based on deviations, would apply to not only Load Following customers but also Planned Product customers. BPA has additionally proposed effectively a 2% penalty for any error between forecasted and actuals.<sup>1</sup>

City Light opposes BPA applying the marginal energy true-up to Block customers. In contrast to the Load Following product, the amount of energy delivered through the Block product, at least without shaping capacity, is defined on the planning horizon and cannot be adjusted in the operational horizon. While BPA may over or underdeliver a customer's actual power needs based on error between forecast and actuals, so too a Block customer cannot adjust their Block deliveries if their expected delivery for the year in the operating horizon is greater than planned. It is inequitable to deliver a product that meets only planning needs yet add a new charge for operational changes.

#### *4.5.2: Rate Impact Credit, Mitigation (RIC<sub>m</sub>)*

In its July 31<sup>st</sup> comments to BPA, City Light expressed its disappointment with how BPA has reduced the taper rate of the RIC<sub>m</sub>, how BPA's reduced taper rate could actually increase the costs of the RIC<sub>m</sub> to Planned Product customers, and how the reduced taper rate makes BPA's proposal as a package not responsive to City Light's comments. Another area of consideration is the method of cost recovery for the RIC<sub>m</sub>. Prior to the July 9<sup>th</sup> PRDM work group, BPA proposed the RIC<sub>m</sub> would be recovered from all customers. In contrast, from July 9<sup>th</sup> onwards BPA has proposed to recover RIC<sub>m</sub> revenue requirement first from the customers who have the greatest rate decreases due to PRDM. This new cost recovery

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<sup>1</sup> PRDM initial draft, p. 37.

proposal causes the vast majority of the RIC<sub>m</sub> revenue requirement to fall on Planned Product customers. Combined with the relatively large pool of dollars the RIC<sub>m</sub> represents over the contract period if BPA does not taper the RIC<sub>m</sub> at or near \$0.50/MWh per rate period (or \$0.25/MWh per year), BPA's new cost recovery proposal contributes to an unreasonably large cost shift to Planned Product customers. City Light supports a \$0.50 per rate period taper rate.

#### *4.7: Disaggregation of Risks within Tier 1 Non-Slice Products*

During the PRDM work groups, there was discussion on disaggregating revenues and costs related to high risk "tail" events between products. The direction that BPA expressed in the last work group was that it would not adopt a specific risk cost disaggregation between products at this time, but that BPA would add language in the PRDM stating BPA could potentially study the impacts of such events to potentially implement a mechanism in the future.

City Light is disappointed that the language in Section 4.7 instead states that BPA would not further sub allocate costs associated with risks between products in Provider of Choice.<sup>2</sup> City Light agrees with other Planned Product customers that while there is general agreement that the form of a sub allocation of costs is premature at this time, BPA should not preclude the possibility of such a mechanism prior to 2044.

Additionally, the language as currently written appears to dismiss the importance of studying the impacts of risks, rather than encouraging such a study as data becomes available. City Light recommends BPA reword the last sentences to (proposed changes underlined): "Customers discussed the allocation of risk to Load Following differently than Block or by each utility's load characteristics. While the concept was deemed plausible and may prove to be supported by the principle of cost causation, the consensus was that we did not have enough data, systems, and tools to effectively either prove or disprove the merits of the concept, and linkage to rate design at this time. Bonneville intends to study potential cost shifts of risks between customers during the Provider of Choice contract period, subject to availability of data. Based on the studies BPA will make a determination of how to proceed on this topic in its before post-September 30, 2044, power contracts."

Thank you again for hosting the workshop. We look forward to continuing the discussion on these and other PRDM topics as BPA continues its PRDM process.

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<sup>2</sup> PRDM initial draft, pp. 55-56.

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