

July 13, 2022

Via Electronic Submission

John Hairston
Administrator and Chief Executive Officer
Bonneville Power Administration
911 NE 11th Avenue
Portland, OR 97232

Re: June 29, 2022 BP-24 Rate Case & TC-24 Tariff Proceeding Workshop

Dear Administrator Hairston:

The Alliance of Western Energy Consumers (“AWEC”) appreciates the opportunity to provide feedback on Bonneville Power Administration’s (“BPA” or “Agency”) June 29, 2022 BP-24 Rate Case & TC-24 Tariff Proceeding Workshop.

During the June 29th workshop, BPA addressed Tier 2 Power Rates and set forth multiple proposals, including but not limited to the Agency’s proposed methodology for setting BP-24 Tier 2 Rates, a carbon cost adder, and a Western Resource Adequacy Program (“WRAP”) adjustment. First, BPA proposes “to use the same methodologies used in BP-22 to set BP-24 Tier 2 rates,” in which “[i]f BPA has Firm Surplus power to meet its entire Tier 2 obligation in a fiscal year, then that fiscal year’s Tier 2 rate would be based on ICE settlement prices (pulled during the last full week of September 2022 and the last full week of March 2023) for a flat block of power in the same fiscal year, plus \$0.50” and “[i]f BPA purchases an annual flat block of power to meet all or a portion of its Tier 2 obligation in a fiscal year, then that fiscal year’s Tier 2 rate would be based on the purchase price for such power, even if some portion is supplied from the federal system.”¹ BPA proposes to apply this methodology for both Short Term and Load Growth rates. AWEC generally supports BPA’s proposed methodology for setting BP-24 Tier 2 Rates.

Second, BPA proposes a “[c]arbon cost adder to account for the low carbon attributes associated with power sold at Tier 2 rates.”² As BPA explained during the June 29th workshop, the Agency previously considered such a carbon cost adder in the BP-22 pre rate case proceeding but ultimately made no proposal based on customer feedback. However, “[g]iven the increased NW market value BPA is realizing from [its] low carbon power, BPA is interested in customer’s thoughts on whether BPA should propose including a carbon cost adjustment in Tier 2 rates in the BP-24 rate case.”³ Accordingly, the carbon cost adjustment “could be based on the low carbon premium realized from actual forward sales” and revenues from the adjustment would flow through to Tier 1 rates, specifically the composite cost pool.⁴

¹ Bonneville Power Administration, BP-24 Rate Case & TC-24 Tariff Proceeding Workshop, at 13 (June 29, 2022).

² *Id.* at 14.

³ *Id.* at 15.

⁴ *Id.*

AWEC finds BPA's potential proposal for a carbon cost adder to be interesting, and could ensure that benefits of the Federal Columbia River Power System are accurately reflected in sales, which would have an offsetting effect in BPA's Tier 1 rates. However, whether such a proposal would be supportable is unknown at this time. Additional information regarding the carbon cost adder is necessary before AWEC can take a final position on the issue. It is unclear whether such information can or will be provided during the BP-24 pre rate case proceeding so that stakeholders have adequate time to review a detailed proposal, provide comments, and further discuss outstanding concerns with the Agency, so that such an adder may be included in BP-24 rates. Notably, during the June 29th workshop, several stakeholders raised questions and concerns regarding the potential adder, addressing the lack of detail and potential implications with other matters such as Provider of Choice and other monetization opportunities for carbon benefits. AWEC requests that BPA respond to this customer feedback and develop a more concrete proposal prior to inclusion in BP-24 so that stakeholders may have something more focused to respond to.

Third, BPA proposes to include an adjustment to Tier 2 Rates associated with the WRAP if the following three conditions are met: "BPA joins the binding phase of the WRAP...BPA develops a credit for non-federal resources serving Above-RHWM Load that can be traced to a physical resource; and...BPA makes a purchase to support its Tier 2 obligations from a market purchase that can be traced to a physical resource or uses Firm Surplus to meet Tier 2 obligations."⁵ According to BPA, the credit "should be equal to the WRAP credit that BPA develops (if any) for non-federal resources serving Above-RHWM Load." Similar to the carbon cost adjustment, the WRAP adjustment would affect Tier 1 Rates, specifically the non-slice customer cost pool. However, unlike the carbon cost adjustment, the WRAP adjustment would result in an effectively higher rate for Tier 1 Rate customers, given the payment of a credit to Tier 2 customers for providing Resource Adequacy to the system. AWEC continues to be interested in further understanding BPA's proposal for WRAP credits and charges as they relate to Above-RHWM load, and will provide more detailed comments once certain aspects of the WRAP program treatment for unspecified resource amounts serving Above-RHWM are better understood through the WRAP workstream. Additionally, AWEC requests BPA clarify whether there is a WRAP charge to the Tier 2 cost pool absent a purchase tied to a specific resource.

AWEC looks forward to continuing to work with BPA and stakeholders to determine the appropriate adjustments to Tier 2 Rates for BP-24, if any, in order to ensure that the full benefits of the Federal Columbia River Power System are realized in BP-24 rates.

/s/ Bill Gaines
Executive Director
Alliance of Western Energy Consumers

⁵ *Id.* at 16.