Northwest & Intermountain Power Producers Coalition and Renewable Northwest Comments on BP/TC-26 Workshop of August 27 and 28, 2024

The Northwest & Intermountain Power Producers Coalition ("NIPPC") and Renewable Northwest ("RNW") submit the following comments in response to topics raised at the BP/TC-26 August workshops. NIPPC is a membership-based advocacy group representing competitive electricity market participants in the Pacific Northwest and Intermountain region. NIPPC has a diverse membership including independent power producers and developers, electricity service suppliers, transmission companies, marketers, storage providers, and others. Nearly all NIPPC's thirty members purchase transmission service from BPA. Renewable Northwest is a non-profit advocacy organization that works to decarbonize the region by accelerating the transition to renewable electricity. Renewable Northwest has more than 80 member organizations that include renewable energy developers and manufacturers, as well as consumer advocates, environmental groups, and other industry advisers. Many of Renewable Northwest's members are also current or prospective BPA customers.

NIPPC and RNW appreciate the opportunity to provide initial comments in response to BPA Staff's presentation. We reserve the right to provide additional comments on these topics as new information becomes available and as discussions evolve. Our comments below first discuss some issues not covered at the August 27-28 workshop and then discuss topics in the order presented at the workshop.

General Comments and Requests

We repeat our request from prior comments that BPA provide initial projections regarding the proposed transmission rate increase that is expected based on updates from BPA's Integrated Program Review ("IPR") process. We seek to better understand the magnitude of the capital and expense increases announced in the IPR ahead of the formal BP/TC-26 process.

We also request additional detail regarding the forecasts BPA uses in proposing rates for BP-26. Specifically, the IPR provided only annual estimates of capital expenditure. The IPR does not break down the specific transmission projects that BPA has forecasted it will complete and energize during the upcoming rate period. Without this information, stakeholders cannot reach their own independent conclusions regarding the likelihood that BPA will be able to deliver on a program of transmission investment that is double and triple its current levels.

Generation Inputs Capacity Costs

We appreciate the explanation and reminder of how BPA calculates its generation inputs capacity costs and rates. Following the presentation, however, we continue to have specific questions, including the following:

- How does BPA derive the Mid-C price forecast that BPA incorporates into the Aurora model, which is then used to calculate the variable cost of reserves? Is it possible to compare forecasts of Mid-C prices in earlier rate cases to actual Mid-C prices?
- BPA proposes to replace the GARD model with Riverware. We would appreciate BPA explaining the significant differences between the two models' calculations of energy shift costs as reflected on Slide 30 of BPA Staff's presentation. Specifically, why are the energy shift costs in Riverware so much less than the energy shift costs using GARD?
- We would like additional detail comparing the revenues BPA received from generator imbalance energy charges after joining the Energy Imbalance Market ("EIM") to the comparable revenues it received before joining the EIM.

Reservation Priority (Rollover Rights)

NIPPC and RNW support BPA Staff's proposal to conform BPA's tariff to its existing practice of awarding rollover rights to customers who request a term of service of 5 years or longer.

Revenue Financing

NIPPC and RNW opposed BPA's target for its debt to asset ratio and a target to revenue finance a portion of BPA's capital investment program that were memorialized in the revised 2022 Sustainable Capital Financing Policy. We reiterate our objection to basing BPA's target ratio on inapt comparables of municipal utilities who share little in common with BPA as a federal transmission provider and power marketer. We do support the discretion retained in the Financial Plan for the Administrator to determine whether to use revenue financing on a case-by-case basis. In that context, we object to BPA Staff's proposed implementation of revenue financing in BP-26.

We recognize that BPA is entering a phase where it is both replacing aging infrastructure as well as expanding the transmission grid to meet demands for new services; in fact, NIPPC and RNW have been at the forefront in urging BPA to increase its investment in transmission expansion to meet regional clean energy targets. We acknowledge that increased investment in the transmission grid will necessarily put upward pressure on transmission rates. We support well-justified, targeted investment in increasing transmission capacity on BPA's system. We also recognize the strain that significantly expanding the capital investment program will place on BPA in meeting the adopted targets of its Sustainable Capital Financing Policy and its Leverage Policy. As noted above, NIPPC and RNW opposed those policies when they were adopted, partly in anticipation of the additional rate pressure BPA's customers face now, which could be mitigated through the continued historical use of debt rather than revenue (effectively, customer cash). At the time BPA adopted the financial policies, we already knew that the region would need to make significant investments to meet the regional demand for clean energy, and we were concerned that requiring customers to revenue finance 10-20% of the proposed capital investment would put significant additional upward pressure on rates far beyond any justifiable need to shore up BPA's finances. In apparent recognition of that concern, BPA incorporated a phase-in as part of its financial policies that would limit the rate impact of revenue financing to 1%. BPA Staff, however, now proposes to ignore that 1% limit on rate impacts from revenue financing and instead recommends BPA impose revenue financing in the BP-26 rates that would result in an incremental 3.4% upward rate pressure.

We also question whether BPA has the capacity to execute a capital program of the magnitude forecasted for the rate period. In the recent past, BPA has consistently fallen behind on executing its forecast capital investment program. While that gap may have closed in recent years, BPA's current forecast is aggressive in that it proposes to double and triple the annual capital spending program over the next three years. We question whether BPA can deliver on capital projects at such an increased pace.

According to the financial policies it has adopted, BPA sets its revenue financing levels based on its forecast capital spending for the rate case. If BPA overestimates its ability to spend capital in the rate period, it effectively overstates the amount of revenue financing it should collect during the rate period. In recognition of this, BPA in the past has applied a "lapse factor" to reduce the forecast capital spending (and the associated revenue financing). While we oppose applying any level of revenue financing to customer rates, it would be particularly egregious for BPA to impose a revenue financing requirement on its transmission customers based on a capital spending forecast it cannot deliver and beyond the 1% limit that BPA itself adopted only two years ago. Accordingly, we ask BPA to provide the list of projects that it intends to energize during the rate period, including the dollar investment and confidence level for each project (i.e., the likelihood that a given project will be successfully completed within the rate period).

We were very appreciative of the investor-owned utility presentation on the potential for over-recovery from BPA's revenue financing policy. We are much more persuaded by the investor-owned utility presentation that BPA is unnecessarily accelerating repayment of capital than BPA's explanation for why there is not a problem. In its response to the investor-owned utilities, BPA describes the benefits it perceives from revenue financing. BPA does not, however, explicitly recognize the significant upward rate pressure associated with revenue financing or the available alternatives to revenue financing. This is especially troubling given the significant projected rate increases even without revenue financing.

We urge BPA Staff to recommend to the Administrator that BPA waive revenue financing for the rate period in its entirety—as is within his discretion under the Sustainable

Capital Financing Policy—to mitigate a significant rate increase. Similarly, in the event BPA does include revenue financing or other mechanisms to mitigate risk, then we encourage BPA to commit to return any accumulated surpluses to customers, not to deploy those surpluses to early repayment of debt.

Ancillary and Control Area Services ("ACS") Rates for Energy Storage Devices

We agree with BPA's decision to postpone development of a use-based charge for balancing reserves for energy storage devices. Given the significant proposed increases in rates for ancillary services for renewable energy generation (discussed in more detail below), we expect to see an increase in developers seeking to co-locate energy storage devices with renewable generation to qualify for BPA's proposed new technology pilot. We look forward to BPA presenting more details on the new technology pilot to shed light on the criteria to qualify for the pilot and anticipated costs of pilot participation.

Preliminary Generation Input Rates

BPA has indicated that ACS rates for generation are likely to increase dramatically—especially the Dispatchable Energy Resource Balancing Service ("DERBS") Inc and solar Variable Energy Resource Balancing Service ("VERBS") rates. The increase in the solar VERBS rate appears to be driven by a significant increase in the amount of solar generation that BPA forecasts will come online in its balancing area during the rate period.

We ask BPA to provide information that compares the BPA forecast for wind and solar generation additions used in prior rate cases to actual energization of new generation. We recognize that the accuracy of past forecasts does not necessarily guarantee a similar accuracy for the current forecast, but we believe it would be useful information in evaluating the likelihood that the projected generation will actually come online. Considering that BPA anticipates it will no longer be able to meet the demand for balancing reserves from the federal system but will have to procure additional capacity to meet the forecast need for balancing reserves, having confidence in BPA's forecast of generation additions for the rate period is particularly important.

While more data would be beneficial in analyzing the accuracy of BPA's forecast of wind and solar generation additions, we suspect that the forecast may be too high. Among other factors, the significant proposed increase to the solar VERBS rate is likely to act as a deterrent to those resources coming online in BPA's balancing area or cause those resources to co-locate energy storage devices with their projects, respectively eliminating or reducing those resources' reliance on BPA balancing reserves.

Generator Interconnection Withdrawal Penalties

NIPPC and RNW have already submitted several rounds of comments on the proposed withdrawal penalties in the generator interconnection process. We recognize – and appreciate – that BPA Staff appears to have carefully considered our comments and those of other stakeholders in reaching its proposed recommendation on withdrawal penalties. As we shift to considering settlement of withdrawal penalties as part of the TC-26 process, we would like to share our high-level settlement principles:

- We have always considered meaningful withdrawal penalties to be an integral part of BPA's generation interconnection queue reform process, even as we settled other elements in TC-25;
    - Customers whose decisions create additional costs and delays for other customers should bear those costs directly, not socialize them to customers remaining in the interconnection queue;
    - BPA should use any penalties collected to mitigate the harm that a customer's withdrawal imposes on customers continuing in the interconnection queue;
- Withdrawal penalties and exemptions must be largely consistent with the Federal Energy Regulatory Commission's *pro forma* Open Access Transmission Tariff with minimal modifications to conform to the process the region developed in TC-25; and
- We support reasonable exemptions along the lines outlined by BPA Staff in the presentation.

Thank you for the opportunity to comment.