

January 21, 2025

*Via electronic submission****Re: Draft Average System Cost Methodology***

The Alliance of Western Energy Consumers (“AWEC”) appreciates the opportunity to submit comments on Bonneville Power Administration’s (“BPA” or “Agency”) informal draft Average System Cost Methodology (“ASCM”) Parts I and II. AWEC is a trade organization representing the interests of its members that include large energy consumers located within the Region. AWEC members represent industries such as agriculture, aeronautics, air products, pulp and paper, food processing, information technology, healthcare, technology, and more. AWEC’s members are directly affected by BPA’s rates, terms, and conditions of service in a manner similar to the Agency’s preference customers and, thus, are also affected by costs associated with the Residential Exchange Program (“REP”). Over the life of the 2012 REP Settlement, benefits to the region’s Investor-Owned Utilities (“IOUs”) are likely to exceed \$4 billion – meaning roughly 10 cents of every dollar that Consumer-Owned Utility (“COU”) end-use customers, such as AWEC’s members, pay goes to residential and small farm customers served by IOUs. As such, given the potential magnitude of costs to COUs from the REP, AWEC is interested in an ASCM that is structured to discern prudent costs incurred by IOUs in providing service via a process that is transparent and allows for stakeholder engagement.

AWEC understands that determination of Average System Cost (“ASC”) has been resource-intensive in the past and therefore is generally supportive of a more streamlined approach for determining the cost of an exchanging utility’s resources. However, AWEC finds that key changes to the draft are nevertheless necessary in order to ensure that only reasonable and prudent costs of an exchanging utility are used to determine the exchanging utility’s ASC. AWEC therefore offers proposed changes below; however, AWEC will also review the positions of other stakeholders prior to finalizing its positions on other changes that may be necessary.

ASC Part I

Disallowed Costs. AWEC supports removal of costs disallowed by a state commission from an IOU’s Base Period ASC Filing inputs submitted for ASC purposes. As public power has pointed out, FERC Form 1 data is a financial accounting record that does not reflect costs disallowed by state commissions. By definition, costs that a state commission has disallowed are unreasonable (in the case of expenses) and imprudent (in the case of capital costs), and therefore do not meet applicable state public interest standards such as “fair, just, reasonable and sufficient rates”¹ and “fair, just and reasonable rates.”² There is no sound policy basis for including costs in an IOU’s ASC that a state commission has determined are inconsistent with the public

¹ RCW 80.28.425(3)(d), requiring the Washington Utilities and Transportation Commission to consider utility costs in setting rates using any method “reasonably calculated to arrive at fair, just, reasonable and sufficient rates.”

² ORS 757.210(1)(a), requiring the Oregon Public Utility Commission to determine whether utility proposed rates are “fair, just and reasonable.”

interest. Doing so would create disproportionate benefits for IOU ratepayers at the expense of COU ratepayers – if these costs are not removed, IOU customers are fully absolved from direct cost responsibility for unreasonable or imprudent costs but also benefit from a higher ASC leading to higher REP benefits, all things considered equal. This leaves COU customers indirectly responsible for a portion of unreasonable and imprudent costs, again without a sound policy basis for doing so.

In order to effectuate the removal of disallowed costs, AWEC supports public power’s recommendation to amend the “Senior Financial Officer Attestation” in Attachment A, paragraph 2 to include a new subsection (d) stating “any costs or like costs reported in a utility[y’s] FERC Form 1 filing that were disallowed by any Regulatory Body(ies) with jurisdiction to approve retail or wholesale rates in the region.”

FERC Account 925 – Injuries and Damages. FERC Account 925 includes, among other items, losses not covered by insurance related to injuries and damages claims of others and expenses incurred in settlement of injuries and damages claims. AWEC appreciates BPA Staff’s proposal to functionalize FERC Account 925, Injuries and Damages, to Dist/Other, creating a default presumption that such costs are excluded from inclusion in an IOU’s ASC. AWEC can also understand BPA Staff’s inclination to allow a utility to “add back” all “state approved” injuries and damages costs for inclusion in an IOU’s ASC; however, AWEC is concerned that a blanket allowance for “state approved” injuries and damages could result in the inclusion of significant wildfire liability costs being included in a utility’s ASC, some of which could be the result of gross negligence on the part of the utility. While there are policy considerations as to whether some or all of such costs should be recovered from a utility’s ratepayers, which AWEC takes no position on here, wildfire liability costs should not be included in the calculation of a utility’s ASC. Wildfire liability costs are, or can be, significant – for example, PacifiCorp just filed Form 8-K detailing settlement figures from the 2022 McKinney wildfire (California) totaling \$110 million,³ and late last year, reported that it had settled claims associated with the 2020 Labor Day fires (Oregon) totaling \$150 million.⁴ Since 2020, PacifiCorp states that it has settled claims in Oregon and California for \$1.6 billion.⁵ These costs are significant, call into question whether they were prudently incurred, but may nevertheless be included in rates from state commissions given the impacts to utility earnings, etc. that could result if cost recovery is excluded. Again, from a ratemaking perspective in state retail rates, wildfire liability costs present challenging questions. These complexities should not spill over into ASC determinations. AWEC recommends that all wildfire liability costs be excluded from inclusion in ASC, regardless of whether state commissions ultimately approve cost recovery for some all costs. Alternatively, in order to ensure equitable results, AWEC recommends additional discussion to identify alternatives.

³ [PacifiCorp January 2025 Wildfires Settlement Form 8-K-2025-01-10-12-32.](#)

⁴ [PacifiCorp reaches settlement with 1,434 plaintiffs related to the 2020 Labor Day Fires.](#)

⁵ *Id.*

***ASC Part II***

Review Process – Initial Workshop. AWEC supports the recommendation made by Public Power Council (“PPC”), Northwest Requirements Utilities (“NRU”), Western Public Agencies Group (“WPAG”) and Pacific Northwest Generating Cooperative (“PNGC”) to enhance transparency of the ASC review process by beginning the process with a publicly noticed workshop to be held at least two weeks before the review process formally begins. AWEC understands that formal participation requires a stakeholder to submit a formal request in accordance with Section 3 of the ASC Rules of Procedure but nevertheless finds that an informal workshop ahead of the formal process would ensure that interested stakeholders are notified and able to efficiently participate, if desired.

AWEC appreciates BPA Staff’s consideration of these comments and looks forward to continued engagement in the development of the ASCM.

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Alliance of Western Energy Consumers