Northwest **Power** and **Conservation** Council

January 21, 2026

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

The Northwest Power and Conservation Council is pleased to submit these comments on Bonneville's Preliminary Draft of the 2026 Average System Cost Methodology. The Council appreciates Bonneville's consultation with it throughout this process.

The Council is supportive of many of the proposed updates included in the preliminary draft, including the treatment of New Large Single Loads, the updated approach to transmission costs, and the method for incorporating costs for injuries and damages that have been approved by state commissions for rate recovery. The rationale for these updates to the methodology is sound and provides a logical basis for determining costs in comparable terms to those included in Bonneville's power system rates.

Energy Storage

The Council recommends one change in the preliminary draft on the treatment of energy storage costs. Currently, the methodology is "Bonneville will functionalize Energy Storage Plan costs using the PTD [Production/Transmission/Distribution] ratio." We recommend that Bonneville functionalize these costs using PROD [Production], consistent with all other resources, including conservation, considered under the methodology. This would ensure that costs connected to energy storage are accounted for as production and included in the average system cost, rather than excluding some portion of "transmission" costs based on the utility's specific PTD ratio.

The Council believes that energy storage meets the definition of a "resource" under the Northwest Power Act. Section 3(19)(A) of the Power Act defines a "resource" to mean "electric power, including the actual or planned electric power capability of generating facilities." This definition covers anything that provides "electric power", which energy storage does. Beyond simply meeting the Power Act definition, there has been long precedence of utilities treating

energy storage as a resource in their planning and procurement of resources to meet energy and capacity needs.

The Council understands Bonneville's proposed approach is to functionalize this resource using the PTD ratio based, in part, on the fact that energy storage may be used as a transmission asset. It is true that energy storage can support transmission by providing electric power to meet load, and in doing so free up transmission capacity. The same can be said for many other resources in the system. Conservation, demand response, and other demand side resources reduce loads, and in turn free up transmission capacity. Natural gas resources have also provided effective means of mitigating transmission congestion. Bonneville has also long recognized the role of the hydropower system in providing voltage stability and other transmission support. All these resources can be used as "non-wires" solutions to address transmission system needs, all doing so by providing energy closer to load and mitigating or deferring the need for additional transmission. Energy storage is no different and, therefore, should not be treated differently than other resources in this methodology.

Additionally, the Council believes 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 supports Bonneville's historical approach to functionalizing resource costs using PROD, which side steps 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.