COMMENTS OF CONSUMER-OWNED UTILITIES REGARDING BPA'S PRELIMINARY AVERAGE SYSTEM COSTS METHODOLOGY

Submitted: November 25, 2025

In response to the October 23 Average System Cost (ASC) Workshop, PPC, NRU, WPAG and PNGC (hereafter referred to as the "the COU's") provide the following recommendations to enhance ASC filings and to bolster the transparency of the ASC review process.

ASC Review Process

To enhance transparency and ensure stakeholder engagement, BPA should incorporate into its ASC review procedures a requirement that each review process begin with a publicly noticed workshop (such as via tech forum) held at least two weeks before the review process formally begins. BPA should post all workshop materials online in advance or promptly thereafter, and ensure that each workshop is included on BPA's public events calendar. Establishing this consistent, open kickoff step will provide stakeholders with early notice of BPA's planned approach for the cycle and support informed participation throughout the ASC review process.

Variance Analysis

Utility regulators commonly use variance analysis to flag individual FERC accounts that meaningfully deviate from past years for further review. Requiring variance analysis on all Appendix 1 inputs will similarly support BPA's ASC development. In the October 24 draft of BPA's ASC Rules of Procedure, §2.1.1.1(d) obligates participating utilities to incorporate variance analysis into their Base Period ASC Filing. We are encouraged by this explicit language; however, a broader set of years is necessary to provide the requisite scrutiny. The COU's contend that it would be prudent to analyze the four years immediately preceding the Base Case year. Therefore, BPA should amend §2.1.1.1(d) to require utility's ASC filings to include the Appendix 1 inputs for both the two prior Base Period ASC Filings and the two prior Informational ASC Fillings. For each Appendix 1 input, the Base Period ASC filling should establish variance between the current filing year and each of the four previous years as well as between the current filing year and the four-year historical average. Furthermore, BPA should overtly reserve the right in the ASC Rules of Procedure to normalize Appendix 1 inputs if the utility cannot provide adequate justification for major deviations.

Exclusion of Disallowed Costs

To protect customers, IOU's rate making requires robust regulatory review which routinely disallows costs from being borne by utility ratepayers. In the REP, each IOU's ASC will be developed using Appendix 1 inputs which rely on FERC Form 1 data. FERC Form 1 is a financial accounting record, not a ratemaking document. It can, and will, include disallowed costs. Costs included in FERC accounts that are disallowed by the IOU's regulatory commission(s) for retail ratemaking must be identified (nature and amount) and removed for ASC purposes. This will better align utility ASC filings with retail ratemaking. If the utility's ASC FERC accounting period doesn't match the test period used by the regulatory commission for IOU retail ratemaking, such like disallowed costs should be identified and removed from specific accounts in the utility's ASC filings if applicable[1].

To ensure IOU compliance with the recommended cost exclusions, BPA should amend Attachment A "Senior Financial Officer Attestation" to read:

> 2. The Base Period ASC Filing excludes the costs associated with: (a) the cost of additional resources in an amount sufficient to serve any New Large Single Load (NLSL) after September 1, 1979; (b) the cost of additional resources in an amount sufficient to meet any additional load outside the region occurring after December 5, 1980; (c) the costs of any generating facility which is terminated prior to initial commercial operation; and <u>(d) any costs or like costs reported in a utilities FERC Form 1 filing that were disallowed by any Regulatory Body(ies) with jurisdiction to approve retail or wholesale rates in the region.</u>

The COU's offer this solution to align ASC development with the intent of the Northwest Power Act. In the legislative history[2], the express purpose of the REP – subject to statutory limitations – is to reduce retail rate disparity between residential and small farm customers regionwide. To the extent Regulatory Body(ies) direct costs to be borne by shareholders as opposed to rate payers – by disallowing costs – there is no reason REP payers should subsidize costs that have been excluded from retail rates. The prospect of unrecoverable costs decreasing earnings is part of the regulatory risk equity investors readily accept in exchange for higher expected returns. If IOUs are allowed to include their equity inflated weighted cost of capital (WCC) in ASC development, then regulatory orders providing the counterbalance actually experienced by IOU ratepayers should likewise be fully incorporated.

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[1] Consistent with the requirements of WAC 480-100-257 and WAC 480-07-510 for WUTC regulated utilities or analogous requirements in other regulatory jurisdictions.

[2] House Report (Interior) at 35

Moreover, the COU’s believe that BPA’s proposed escalation codes gross up IOU’s ASCs, on a forecast basis, similarly to the ‘pro forma’ adjustments that are frequently ordered by regulatory commissions. If disallowed costs – the primary downward adjustment – are not identified and excluded in developing ASCs, then the analysis will only capture the upward adjustments omitting the actions regulators take to protect ratepayers.

The COU’s appreciate your consideration of these comments.