September 9, 2020

Via Electronic Submission

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

Re: August 26, 2020 TC-22/BP-22/EIM Phase III Power and Transmission Risk

Dear Administrator Hairston:

The Alliance of Western Energy Consumers (“AWEC”) appreciates the opportunity to provide feedback regarding Bonneville Power Administration’s (“BPA or “Agency”) August 26, 2020 Power and Transmission Risk TC-22/BP-22/EIM Phase III workshop presentation. BPA provides two risk-related proposals for consideration and comment: 1) The trigger metric for the risk mechanisms and 2) Business Line vs Agency Treasury Payment Probability (“TPP”).

Power and Transmission Risk

BPA’s first proposal, the trigger metric for the risk mechanisms, requires BPA to move from Actual Accumulated Calibrated Net Revenue (“ACNR”) to Actual Reserves for Risk (“RFR”). ACNR is the accumulation of net revenues since the start of the year before the rate period and is adjusted for certain events. RFR are the subset of BPA financial reserves associated with “normal operations” and “best reflects BPA’s cash performance.”1 BPA has proposed RFR as the appropriate metric since models have been recently retooled to produce a more reliable Power and Transmission split. While AWEC is open to using the best metric available, it is unable to form an opinion on whether this shift would be appropriate because insufficient analysis has been provided. Given the issues that BPA has had with this subject in the past, additional analysis demonstrating the accuracy of this metric since the model updates and new financial controls have been established are necessary. Likely, this metric should be fully vetted in the BP-22 Rate Adjustment Proceeding.

BPA’s second proposal, Business Line vs Agency TPP, results in BPA changing how the Agency tests for TPP. Rather than testing each business line to assess the need for additional liquidity to ensure the Agency meets its TPP standard, BPA is proposing to revert to a prior practice of using an Agency TPP test. As such, if the Agency test produces a TPP of less

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1/ Bonneville Power Administration, BP-20 Rates Case Workshop: Power and Transmission Risk, at slide 14, 16 (Aug. 8, 2018).
than 95%, then BPA will revert to the business line specific tests. The benefits of moving to the proposed approach and/or the problems with the current approach are unclear from the August 26th workshop materials and related discussion. Additional analysis and further discussion are needed in order to clearly illustrate the reasons, anticipated benefits, and potential consequences for adopting the proposed change. As with the first proposal, AWEC is potentially open to supporting the change if it is able to fully analyze it during BP-22.

/s/ John Carr
Executive Director
Alliance of Western Energy Consumers