

October 13, 2020

Submitted electronically

RE: BP-22/TC-22 September 29 Workshop

Northwest Requirements Utilities (NRU) submits these comments in response to the materials presented during the BP-22/TC-22 workshop held September 29, 2020.

Financial Planning

As BPA is aware, this will be a priority issue for NRU and other parties in the upcoming rate proceedings and beyond.

The agency and customers have invested tremendous time over the years developing strategies to maintain and improve the agency's financial health. NRU members rely on BPA for all or most of their power and transmission needs, meaning a financially healthy and responsive agency is critical to their ability to deliver affordable and reliable power to their end-users across the region.

Two of BPA's financial health objectives are debt utilization and debt capacity. To help address the former, BPA adopted a leverage policy in September 2018. To address help the latter, BPA and customers worked with Energy Northwest to extend the Regional Cooperation Debt (RCD) program in September 2018.

At the time, NRU supported the proposed Leverage Policy because it targets one of the key factors of BPA's financial health and establishes a plan to directly respond to it. However, NRU urged the agency to thoroughly scrub its capital plans, both for project need and efficiencies in completing the same work at less cost.

NRU supported extension of the RCD program for similar reasons. But NRU qualified its support by providing that BPA must include no revenue-financing of capital projects for Power Services and stating that BPA should continue to scrub its planned capital expenditures for necessity, timeliness, efficiencies, and to reflect actual deployment.

During the September 29 workshop, BPA shared that the agency continues to experience issues related to debt utilization and debt capacity, driven particularly by Transmission Services being a net borrower and in a capital-intensive cycle. While NRU appreciates BPA sharing this information as it became available, these issues are far larger than what we could prudently analyze and respond to in a two-week comment period immediately prior to the beginning of a rate case.

NRU remains committed to working with the agency and customers to develop prudent actions and business practices to maintain the agency's financial health while also maintaining affordable and reliable power supply to end-users. To that end, as Bonneville makes future financial planning decisions, Bonneville's transmission customers, not Bonneville's power customers, must be financially responsible for the capital financing needs of Transmission Services. It is Transmission Services that is a net borrower and in a capital-intensive cycle, while power customers have worked with the agency in recent years to ensure that Power Services is now a net repayer of debt.

It is imperative to identify a sustainable financing strategy that appropriately allocates costs between transmission customers and power customers and ensures Bonneville's long-term financial health while minimizing impacts on end users whose dollars ultimately support the strategy.

Transmission Losses

NRU continues to support its previously provided positions on transmission losses; in large part, NRU's positions track with Bonneville staff leanings expressed in the September 29 workshop.

NRU supports updating the transmission loss factor with a granularity that reflects the level of losses on the system while balancing administrative complexity. As we said previously, if seasonal factors are used (instead of monthly), "seasons" should be defined to capture the months that exceed the average loss factor of 2.03%, e.g., January, February, June, July and August.

NRU continues to strongly support proper compensation to the FCRPS for providing capacity. We continue to support using the embedded cost of capacity as the basis of the charge, and we support BPA expanding the data set to use three years of data. We look

forward to the documentation that will be provided in the Initial Proposal so we can better understand how the \$/MWh service fee is calculated.

NRU strongly supports BPA continuing to allow in-kind loss returns. However, it is also important for BPA to continue to offer a financial-only loss return option. This option will allow smaller customers the opportunity to use non-federal resources to serve Above Rate Period High Water Mark load without needing to separately arrange in-kind loss returns. NRU supports BPA allowing customers to switch between financial-only and in-kind loss returns on an annual basis.

NRU continues to support the Financial for Inaccuracy concept to ensure transmission customers are returning the correct amount of losses at the correct time. As we have said previously, the penalty rate should be structured to discourage customers from leaning on the system. We are not convinced the current proposal is sufficiently high.

Conclusion

NRU expresses appreciation to BPA staff for the time and energy they have invested in holding pre-rate case workshops over the past year. These have been useful in allowing us to informally engage in complicated issues prior to the start of the formal 7(i) proceedings. We appreciate BPA's careful consideration of these comments and of all of NRU's comments on the issues that will be part of the upcoming rate cases.

Thank you for the opportunity to submit written comments.

Sincerely,

A handwritten signature in black ink that reads "Megan Stratman". The signature is written in a cursive, flowing style.

Megan Stratman
Rates and Policy Director