

October 13, 2020

Via Email: techforum@bpa.gov
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Re: Shell Energy North America (US), L.P. comments to the Bonneville Power Administration's (BPA) TC-22, BP-22 and EIM Customer Workshop presented September 29, 2020.

Shell Energy North America (US), L.P. (Shell Energy) appreciates the opportunity to provide comments and feedback to Bonneville Power Administration's (BPA) September 29, 2020 TC-22, BP-22 and EIM Phase III Customer Workshop.

Transmission Loss Returns:

Shell Energy's comments regarding Transmission loss returns remain unchanged from the comments it submitted in response to BPA's August 25 and 26, 2020 BP/TC-22 Customer Workshops. Shell Energy respectfully requests BPA not include a capacity charge component in the calculation of transmission loss returns. Instead, shell requests BPA and its transmission customers begin to work toward determining how to return physical losses sooner than the current 168-hour window. Shell Energy notes that other transmission providers do not charge a capacity component for loss returns and applying such a charge is not an industry standard. Additionally, with BPA preparing to join the CAISO EIM there are already many other issues to consider during this rate proceeding. This has become even more evident after the presentation in the customer workshop on September 29th concerning BPA Long Term Strategic Financial Issues.

BPA's recommendation to move from an annual loss factor to the adoption of monthly loss factors creates an increased burden to its transmission customers to accurately calculate the net value associated with transactions that extend beyond a month. Shell Energy does recognize the importance of moving towards more accurate loss returns with in the month and is willing to consider BPA's monthly loss factor recommendation in exchange for BPA's commitment not to charge for a capacity component and work with its transmission customers to develop the processes necessary for returning transmission losses sooner.

Long Term Strategic Financial Issues:

Obviously, facing a 22% rate increase in BP-24 is a very troubling development. Shell Energy would be interested to know the information or event between BP-20 and BP-22 discussions that alerted BPA to this issue. Why wasn't slide 54 in BPA's September 29th presentation or something similar presented in

2018 when the industry was discussing BP-20? How is it that the severity of this issue is just now coming to light?

The issues surrounding BPA's Financial Policies is very concerning. Although Shell Energy has not identified specific steps to be taken, it suggests the approaches to address this issue will need to be all encompassing to include the examining and adjusting of BPA's financial policies, BPA's borrowing approaches, how EIM revenues are allocated and a review of future transmission projects and upgrades to determine which ones are crucial and which ones can be postponed.

Shell Energy recommends, in the future, presentations and discussions associated with the Integrated Program Review (IPR) and Strategic Asset Management Plans (SAMPS) also incorporate presentations and discussions of the impact to BPA's Long Term Strategic Financial Plan and projected rate increases if the IPR and SAMPs are adopted. It is believed, more timely and in depth discussions of the projects included in the IPR would have occurred if forecasted or projected rate increases associated with the IPR were presented at the same time.

Questions concerning the BPA's slides:

Slide 54

Looking at slide 54 at the end 2020, Transmission's use of Borrowing Authority is approximately \$3.5 billion. By the end of 2026 Transmissions borrowing authority is approximately \$5.75 billion. What are the projects between 2020 and 2026 that are driving this \$2.25 billion increase in borrowing authority?

What is adjusted leverage calculation? How does this impact borrowing authority?

What is RCD2 through 2030? How does this impact borrowing authority?

Slide 55

Please describe the Lease Purchase program. Why might the lease purchase program not be available in the same capacity as before?

Power's UST Bond Payments are (151) in 2020 but increase to (519) in 2021. How does this increase in payments have not resulted in a power rate increase in BP-20?

Slide 56

Comparing slide 56 to slide 55.... For Slide 55 in 2019 it shows Power with UST Bond Payments of 151 but UST Bond Issuances of 325. Slide 56 says Power has been a net re-payer from 2010 through 2019. So, is 2019 the only year in that period where Power was not a re-payer?

Slide 57

Trying to reconcile the \$8.0 Billion of Transmission's Debt outstanding to Transmissions \$6 billion in borrowing Authority. Should these two items match up? What are the projects driving this increase in Transmission's debt outstanding?

Slide 58

What steps were taken to reverse Powers increasing debt load to where it has declined back down to historic levels?

Slide 59

With Power's debt outstanding balance declining only slightly over time, how can it be that Power's interest expense is steadily decreasing?

Is Transmission interest expense increasing due to increasing debt outstanding or to higher interest rates or both?