ICNU BP-18 Risk Comments

The Industrial Customers of Northwest Utilities ("ICNU") appreciates the opportunity to submit comments on the subject of "BP-18 Risk," specifically in regard to the Bonneville Power Administration's ("BPA") presentation during the BP-18 rate case workshop held August 10, 2016. While not necessarily having a definite position yet, ICNU presently believes that a "risk aggregation" approach may be preferable to a potential "risk allocation" option in regard to Transmission rates risk mitigation. That said, ICNU understands that BPA's recent presentation was intentionally offered at a "high-level,"[1/] such that ICNU looks forward to more detailed analysis and future stakeholder commentary.

Among the factors justifying initial support for a risk aggregation approach, ICNU notes that this option would most likely reduce both "the overall cost of risk" and "rate volatility/uncertainy."[2/] Conversely, ICNU is hesitant to support a risk allocation option more likely to "[i]ncrease[] rate volatility/uncertainty in some products,"[3/] given the potential for such volatility to overshadow any possible benefits achieved through increased risk isolation and allocation. Also, ICNU is concerned that a risk allocation approach may pose technical difficulties in practical execution, translating to both future calculation errors and increased administrative costs, especially in light of recent risk aggregation via BP-16 settlement that might need to be unwound in some fashion.[4/]

Going forward, ICNU requests that BPA consider offering more detailed analysis and illustration of the potential cost, rate volatility, and technical feasibility issues associated with both risk mitigation approaches. Based on the premium attached to BPA's time and resources in the current environment of heightened efforts to achieve cost competitiveness, and in recognition of the greater likelihood that overall costs will be reduced through risk aggregation, ICNU hopes that any movement toward a risk allocation approach will not be undertaken without careful consideration.

1/ BPA Presentation, BP-18 Rate Case Workshop: Risk at 5 (August 10, 2016).
2/ Id. at 5.
3/ Id. at 5.
4/ Id. at 6.