

June 28, 2018

Via Email (techforum@bpa.gov)

U.S. Department of Energy
Bonneville Power Administration
Transmission Services

Re: BP-20--Comments of Avangrid Renewables LLC, Avista Corporation, Idaho Power Company, PacifiCorp, Portland General Electric Company, and Puget Sound Energy, Inc. on the Scheduling, System Control and Dispatch (SCD) Service and Additional Workshops to Address Revenue Financing and Capital Expenditure Forecasts

Avangrid Renewables LLC, Avista Corporation, Idaho Power Company, PacifiCorp, Portland General Electric Company, and Puget Sound Energy, Inc. (“Commenting Parties”) hereby (i) comment on Scheduling, System Control and Dispatch (SCD) service discussed in the BP-20 Rate Case Workshop: Transmission Rates presentation of Bonneville Power Administration (“BPA”) on May 30, 2018¹ and (ii) request workshops to address revenue financing and capital expenditure forecasts. Commenting Parties appreciate the opportunity to submit comments to BPA and look forward to working with BPA on these matters.

1. Scheduling, System Control and Dispatch (SCD) Service

In the May 30 Workshop, BPA set forth two possible options for Scheduling, System Control and Dispatch (SCD) service billing determinants:

- Alternative 1: Status Quo – don’t make any changes to the SCD rate design [i.e., continue use of a \$/kW-month billing determinant and apply it to multiple BPA segments of a transaction]
- Alternative 2: Charge SCD only once and base the billing determinant on schedules (i.e. use a \$/MWh billing determinant)²

From the general description of Alternative 2 at the workshop of May 30, 2018, it is unclear how BPA would calculate the billing determinants and the costs shifts associated with Alternative 2--although BPA indicated that the cost shifts would be “minimal.” (May 30 Workshop Presentation at 24.) Accordingly, several workshop participants requested that BPA provide sample calculations associated with Alternative 2.

¹ Bonneville Power Admin., BP-20 Rate Case Workshop: Transmission Rates (May 30, 2018), available at https://www.bpa.gov/Finance/RateCases/BP-20/Meetings/RateCase/2018.05.30_BP20_TxRates.pdf (the “May 30 Workshop Presentation”).

² May 30 Workshop Presentation at 22.

At the May 30 workshop, BPA indicated that it would provide examples of calculations associated with Alternative 2. Commenting Parties would appreciate any additional information that BPA can provide regarding Alternative 2 proposed billing determinants and costs shifts between Alternative 1 and Alternative 2. Without additional information regarding the potential impact of Alternative 2, Commenting Parties cannot provide detailed comments on Alternative 2 at this time.

Indeed, it appears, from the workshop discussion on June 14, 2018, that Alternative 2 is under development and that BPA does not have a comprehensive proposal for Alternative 2 billing determinants. In general, billing determinants for SCD under Alternative 2 should, to the maximum extent practicable, be comparable for different services. In other words, it appears that BPA contemplates billing factors for Alternative 2 that generally reflect energy flow rather than reserved capacity. If so, the billing factors for dynamic transfers, for example, should be based on energy flow rather than reserved capacity.

2. Workshops to Address Revenue Financing and Capital Expenditure Forecasts

The June 14 Workshop Presentation indicated that parties should “send comments on the proposed rate schedule changes or additional rate case topics you’d like to discuss during the workshops by June 28, 2018.”³

BPA has a proposed leverage policy upon which it is taking comments through August 2, 2018. From the information available to date, it appears that the transmission rate impacts of a leverage policy could be significant, and a proposed leverage policy raises a number of important issues that should be explored in BP-20 workshops if BPA is to proceed with a leverage policy. For example, section 6.3 of the proposed leverage policy states as follows:

BPA will use revenue requirements to calculate forecast ratios for the agency and each business line. When calculating forecast ratios, BPA will use its forecast of capital spending and investment as a proxy for new Plant in Service (an input into the Net Utility Plant components of the . . . debt-to-asset ratio formula).⁴

Under the proposed leverage policy, the forecast of capital expenditure will affect the leverage calculations and the level of revenue financing. However, it is apparent that forecast and actual capital expenditures will differ,⁵ and these differences should not be allowed to inflate the leverage calculations and result in increased revenue financing requirements.

³ Bonneville Power Admin., BP-20 Rate Case Workshop: Transmission Rates (June 14, 2018), available at https://www.bpa.gov/Finance/RateCases/BP-20/Meetings/RateCase/2018.06.14_BP20_TxRates.pdf (the “June 14 Workshop Presentation”) at 31.

⁴ Bonneville Power Admin., *Leverage Policy* at 3 (Apr. 20, 2018 Draft), available at <https://www.bpa.gov/Finance/FinancialPublicProcesses/Financial-Reserves-Leverage/frpdocs/Leverage%20policy%20draft%204.20.2018.pdf>.

⁵ To the extent that new plant in service is a proxy for forecast capital spending and investment, it is clear that forecast and actual plant in service can differ dramatically. For example, the difference between the BP-16

In short, adoption of the proposed leverage policy and any increase in revenue financing will raise substantial rate case implementation issues that should be addressed in workshops before BPA's initial proposal. The rate impacts of revenue financing, whether pursuant to the proposed leverage policy or otherwise, must be fully addressed in the BPA rate case, and any rate shock, from revenue financing or otherwise, must be avoided. Rate workshops in advance of BPA's initial proposal are essential elements of fully addressing these complex and interconnected matters.

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Commenting Parties appreciate BPA's review of these comments and consideration of the recommendations contained herein. By return e-mail, please confirm BPA's receipt of these comments.

forecast plant in service for FY2017 and the actual plant in service for FY2017 was \$278 million. *See* June 14 Workshop Presentation at 8.