BP-20E Expedited Rate Proceeding

ADMINISTRATOR’S FINAL RECORD OF DECISION

BP-20E-A-01

June 2020
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APPENDICES

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PARTY ABBREVIATIONS

AC    Avista Corporation
AR    Avangrid Renewables, LLC.
AW    Alliance of Western Energy Consumers
MS    M-S-R Public Power Agency
NI    Northwest and Intermountain Power Producers Coalition
NR    Northwest Requirements Utilities
PC    PacifiCorp
PP    Public Power Council
PS    Puget Sound Energy, Inc.
PX    Powerex Corp.
SE    City of Seattle
SH    Shell Energy North America (US) L.P.
SN    Public Utility District No. 1 of Snohomish County, Washington
TA    City of Tacoma
TC    TransAlta Energy Marketing (U.S.) Inc.
WG    Western Public Agencies Group and Members *

1.0 GENERAL TOPICS

1.1 Introduction

On March 13, 2020, the President declared the outbreak of a coronavirus pandemic, COVID-19, in the United States a national emergency. Since then, much of the United States has been under stay-at-home orders. The impacts of COVID-19 on the national economy are only beginning to be understood. With near-record unemployment in many regional communities, utility customers of the Bonneville Power Administration (Bonneville) have had to lay off staff, rely on cash reserves, and use short-term credit to maintain operations. Throughout the pandemic, Bonneville has remained committed to working with its customers to ensure that they are able to continue to provide essential utility services to regional homes and businesses.

In May 2020, organizations representing nearly all of Bonneville’s power customers requested Bonneville’s Administrator to consider providing immediate rate relief through the suspension of the Financial Reserves Policy Surcharge (FRP Surcharge). The FRP Surcharge is a charge applied above base rates in order to build Bonneville’s cash reserves under certain conditions. After considering this request as part of Bonneville’s examination of all its flexibilities for providing rate relief, Bonneville concurred that initiating a process to suspend application of the FRP Surcharge would be appropriate given the current challenges facing the region. Thereafter, Bonneville initiated this expedited rate proceeding, conducted under Section 7(i) of the Northwest Power Act, to propose suspending the FRP Surcharge for the remainder of the current rate period (Fiscal Years (FY) 2020-2021). Suspending the FRP Surcharge will provide immediate rate relief to utilities serving millions of consumers in the region.

1.2 Background

The BP-20 Rate Proceeding established power and transmission rate schedules and General Rate Schedule Provisions (GRSPs) for the FY 2020-2021 rate period (October 1, 2019, through September 30, 2021). The rates were filed with the Federal Energy Regulatory Commission (Commission) in July of 2019 and received final Commission approval on April 17, 2020. Among other rate provisions, the BP-20 Power and Transmission GRSPs contained the FRP Surcharge.

The FRP Surcharge collects additional revenue through adjustments to rates when Bonneville’s financial reserves (cash and cash equivalents) fall below certain identified financial thresholds. Fisher & Fredrickson, BP-20E-E-BPA-01, at 1. The surcharge is a component of the Financial Reserves Policy (FRP) which was developed in the BP-18 rate proceeding. Id. The FRP is designed to support the long-term financial health of the agency by ensuring Bonneville maintains a minimum level of financial reserves for liquidity and risk mitigation. Id. The policy establishes upper and lower financial reserves thresholds for Power Services, Transmission Services, and the agency as a whole. Id. The FRP also describes the actions Bonneville may take when financial reserve levels either fall below a lower threshold or exceed an upper threshold. Id. at 1-2. The lower financial reserves threshold for Power Services and Transmission Services is set at the equivalent to 60 days of operating cash. Id. at 2. For Power Services, 60 days cash is approximately $300 million; for Transmission Services, 60 days cash is approximately $100 million. Id. If a business unit’s financial reserves are below the identified threshold, the FRP Surcharge triggers, increasing that business unit’s rates up to a specified
amount for the fiscal year. *Id.* Power and Transmission financial reserves are evaluated each fiscal year, with the application of the FRP Surcharge (if any) on December through September bills.

The Power FRP Surcharge triggered for FY 2020, resulting in a $30 million increase to power rates beginning in December 2019. *Id.* Based on current end-of-year projections, the Power FRP Surcharge is expected to trigger again in FY 2021. *Id.* The Transmission FRP Surcharge did not trigger in FY 2020 and is not expected to trigger in FY 2021. *Id.*

1.3 Procedural History

On May 15 and 18, 2020, Bonneville received letters from three customer organizations requesting the Administrator take action to suspend the Power FRP Surcharge immediately for the remainder of the BP-20 rate period (FY 2020-2021). The letters highlighted the challenges facing regional utilities in light of the COVID-19 pandemic and encouraged Bonneville to take steps to assist regional utilities through rate reduction actions. The letters specifically highlighted the FRP Surcharge and requested Bonneville take action to immediately suspend its application for the remainder of the rate period.

The FRP Surcharge is a rate, the terms of which are described in the GRSPs of both Power and Transmission rates. Modification of these provisions requires a rate proceeding conducted pursuant to Section 7(i) of the Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act). 16 U.S.C. § 839e(i). Following the letters from power customer groups, Bonneville issued a letter to the region on May 29, 2020, agreeing to initiate a rate proceeding to suspend the FRP Surcharge for both Power and Transmission rates.

Bonneville’s Rules of Procedure permit the Administrator, at his discretion, to use expedited procedures when conducting a rate proceeding. *See* Bonneville Rules of Procedure, § 1010.22(a), 83 Fed. Reg. 39,993, at 40,009 (Aug. 13, 2018). These expedited procedures allow Bonneville to limit process and shorten the rate proceeding when appropriate. Bonneville chose to use the expedited process for this proceeding because base power and transmission rates would not change, the scope of the issues set for hearing are narrow, the number of changes proposed to the existing rate schedules is limited, and to help ensure rate relief could reach regional customers as soon as possible. A key consideration for the expedited schedule was the goal of enacting the rate relief by July 1, 2020. This goal could be achieved if Bonneville filed the record with the Commission by the end of June, requested an effective day of July 1, and the Commission agreed to waive the 60-day prior filing requirements of 18 C.F.R. § 300.10(a)(3)(ii).

Given the compressed nature of this schedule, Bonneville provided two opportunities to regional stakeholders to review and consider Bonneville’s proposal prior to the publication of the Federal Register Notice (FRN) that marks the initiation of the formal proceeding. The specific changes Bonneville proposed to the BP-20 GRSPs to suspend the FRP Surcharge were posted on June 2, 2020. This proposal was then discussed at a public workshop on June 5, 2020.

On June 15, 2020, Bonneville posted on its website for stakeholders pre-publication versions of its Initial Proposal, including its Direct Testimony and related attachments, and the FRN initiating the BP-20E Expedited Rate Proceeding. In these materials, Bonneville shared its proposal to require a party to file a notice of objection by June 24, 2020, if the party intended to contest Bonneville’s proposal or the use of expedited procedures. Bonneville also shared a
proposed procedural schedule for an uncontested proceeding and an alternative schedule in the event of a contested proceeding. If uncontested, the final Record of Decision would be issued on June 29, 2020. If contested, the Hearing Officer would adopt a procedural schedule following a discussion with parties at the prehearing conference on June 25, 2020.

On June 22, 2020, the FRN was published initiating the BP-20E Expedited Rate Proceeding. See 85 Fed. Reg. 37,444 (June 22, 2020). Bonneville’s Initial Proposal was simultaneously uploaded to the BP-20E Secure Website, making it available to all stakeholders. Interventions and notices of objection were due June 24, 2020. No party filed an objection in its petition to intervene.

A Prehearing Conference was held remotely on June 25, 2020. The Hearing Officer adopted the uncontested schedule. Participant comments were due June 26, 2020. No comments were received. The Hearing Officer certified the record on Monday, June 29, 2020.

1.4 Legal Guidelines Governing Establishment of Rates

1.4.1 Statutory Guidelines

Section 7(a)(1) of the Northwest Power Act directs the Administrator to establish, and periodically review and revise, rates for the sale and disposition of electric energy and capacity and for the transmission of non-Federal power. 16 U.S.C. § 839e(a)(1). Rates are to be set to recover, in accordance with sound business principles, the costs associated with the acquisition, conservation, and transmission of electric power, including the amortization of the Federal investment in the Federal Columbia River Power System (FCRPS) (including irrigation costs required to be paid by power revenues) over a reasonable period of years. Id. Section 7 of the Northwest Power Act also contains rate directives describing how rates for individual customer groups are established.

Section 7(a)(1) of the Northwest Power Act reaffirms the applicability of Section 5 of the Flood Control Act of 1944 (Flood Control Act), which directs that the Secretary of Energy shall transmit and dispose of electric power and energy in such manner as to encourage the most widespread use of power at the lowest possible rates to consumers consistent with sound business principles. 16 U.S.C. § 839e(a)(1); see also 16 U.S.C. § 825s. Section 5 of the Flood Control Act provides that rate schedules shall be drawn having regard to the recovery of the cost of producing and transmitting electric energy, including the amortization of the Federal investment over a reasonable number of years. 16 U.S.C. § 825s.

Section 7(a)(1) of the Northwest Power Act also reaffirms the applicability of Sections 9 and 10 of the Federal Columbia River Transmission System Act of 1974 (Transmission System Act), 16 U.S.C. §§ 838g-838h, which contain requirements similar to those of the Flood Control Act. Section 9 of the Transmission System Act, 16 U.S.C. § 838g, provides that rates shall be established (1) with a view to encouraging the widest possible diversified use of electric power at the lowest possible rates to consumers consistent with sound business principles; (2) with regard to the recovery of the cost of producing and transmitting electric power, including amortization of the capital investment allocated to power over a reasonable period of years; and (3) at levels that produce such additional revenues as may be required to pay, when due, the principal, premiums, discounts, expenses, and interest in connection with bonds issued under the Transmission System Act. Section 10 of the Transmission System Act, 16 U.S.C. § 838h, allows
for uniform rates for transmission and for the sale of electric power and specifies that the costs of the Federal transmission system shall be equitably allocated between Federal and non-Federal power utilizing the system.

1.4.2 The Broad Ratemaking Discretion Vested in the Administrator

The Administrator has broad discretion to interpret and implement statutory directives applicable to ratemaking. These directives focus on cost recovery and do not restrict the Administrator to any particular rate design methodology or theory. See Pac. Power & Light v. Duncan, 499 F. Supp. 672 (D. Or. 1980); accord City of Santa Clara v. Andrus, 572 F.2d 660, 668 (9th Cir. 1978) (“widest possible use” standard is so broad as to permit “the exercise of the widest administrative discretion”); ElectriCities of N.C. v. Se. Power Admin., 774 F.2d 1262, 1266 (4th Cir. 1985).

The United States Court of Appeals for the Ninth Circuit has recognized the Administrator’s ratemaking discretion. Cent. Lincoln Peoples’ Util. Dist. v. Johnson, 735 F.2d 1101, 1120-29 (9th Cir. 1984) (“Because BPA helped draft and must administer the Northwest Power Act, we give substantial deference to BPA’s statutory interpretation”); PacifiCorp v. FERC, 795 F.2d 816, 821 (9th Cir. 1986) (“BPA’s interpretation is entitled to great deference and must be upheld unless it is unreasonable”); Atl. Richfield Co. v. Bonneville Power Admin., 818 F.2d 701, 705 (9th Cir. 1987) (BPA’s rate determination upheld as a “reasonable decision in light of economic realities”); Dep’t of Water and Power of Los Angeles v. Bonneville Power Admin., 759 F.2d 684, 690 (9th Cir. 1985) (“Insofar as agency action is the result of its interpretation of its organic statutes, the agency’s interpretation is to be given great weight”); Pub. Power Council v. Bonneville Power Admin., 442 F.3d 1204, 1211 (9th Cir. 2006) (“[The GRSPs] are entirely bound up with BPA’s rate making responsibilities, and we owe deference to the BPA in that area”). The United States Supreme Court has also recognized the deference given to the Administrator’s interpretation of the Northwest Power Act. Aluminum Co. of Am. v. Cent. Lincoln Peoples’ Util. Dist., 467 U.S. 380, 389 (1984) (“The Administrator’s interpretation of the Regional Act is to be given great weight.”).

1.5 Federal Energy Regulatory Commission Confirmation and Approval of Rates


1.5.1 Standard of Commission Review

The Commission reviews BPA’s rates under the Northwest Power Act to determine whether they (1) are sufficient to ensure repayment of the Federal investment in the FCRPS over a reasonable number of years after first meeting BPA’s other costs; and (2) are based on BPA’s total system
2.0 JOINT POWER AND TRANSMISSION ISSUES

2.1 Suspension of the FRP Surcharge for Remainder of the BP-20 Rate Period

The sole issue in this proceeding is whether to suspend the FRP Surcharge for the remainder of the BP-20 rate period. Fisher & Fredrickson, BP-20E-E-BPA-01, at 2. The suspension would be accomplished through revisions to the GRSPs in both the Power and Transmission rate schedules. See Appendix A; see also Fisher & Fredrickson, BP-20E-E-BPA-01, at 2-3. The suspension would go into effect upon the effective date of the rate schedule as approved by the Commission. Id. at 4. However, if the Commission gives an effective date of anything other than the first day of the month, then the suspension would go into effect the first day of the following month. Id. Thus, for example, if the Commission gives an effective date of July 2, 2020, to the changes described herein, the FRP Surcharge would be suspended beginning August 1, 2020.

In suspending the FRP Surcharge, the Power GRSPs must also be revised to accommodate small adjustments required for calculating the effect of suspending the FY 2020 surcharge on the Load Shaping Charge True-Up and the PF Melded Equivalent Scalar for FY 2020. Id. at 5. These changes only apply to FY 2020. These specific adjustments are needed to address the particular way the FY 2020 Power FRP Surcharge is collected from these rates. See id.

As noted above, no party filed an objection to the proposed suspension in its petition to intervene. Certain petitions to intervene included comments about potential impacts of the proposal, requests that Bonneville supplement the record or expand the scope of the proceeding, suggestions for a dialogue on the cumulative effects of recent policy decisions, and recommendations about rate relief options for all Bonneville customers in future rate proceedings. Bonneville acknowledges the submission of those comments and the concerns about impacts and rate levels both related and unrelated to the suspension of the FRP Surcharge. Addressing the broad array of requests and issues in the comments, which cover both rate and non-rate issues, would go beyond the focus and scope of this proceeding and the time available to maintain a June 30, 2020, target date for a filing with the Commission. Given the limited scope and expedited nature of this proceeding, this Record of Decision does not address those comments other than to note that the BP-22 workshops and other forums would be more appropriate for the issues and proposals discussed in the parties’ interventions. See id. at 8-9.

This Record of Decision is dedicated to the suspension of the FRP Surcharge as a means of recognizing the impacts of a national and regional crisis by providing immediate and substantive relief without jeopardizing Bonneville’s longer-term financial health. Bonneville will suspend the FRP Surcharge, as provided in Appendix A, for the reasons explained on page 3 of Staff’s testimony and in Chapter 5.0 of this Record of Decision. Id. at 3.

2.2 Impact on Bonneville’s Base Power and Transmission Rates

Suspension of the FRP Surcharge has no material impact on Bonneville’s ability to recover its forecasted costs with base Power or Transmission rates. As noted above, the FRP Surcharge is intended to build Bonneville’s cash reserves under certain circumstances. By design, the FRP Surcharge assesses charges above the costs Bonneville recovers with its base Power and Transmission rates. Bonneville performs two primary analyses to determine the sufficiency of
base rates to meet minimum statutory cost recovery obligations: the Repayment Study and the Treasury Payment Probability (TPP) analysis. The Repayment Study considers Bonneville’s ability to repay the Federal investment with base power and transmission rates. See id. at 4. It does not take into account extra revenue generated by the FRP Surcharge. Id. Suspending the FRP Surcharge has no effect on the Repayment Study performed for the BP-20 rate period. Id. The FRP Surcharge was included in the risk mitigation study for TPP, but was not needed to ensure the agency could meet its 95 percent TPP target. Id. That is, the agency’s 95 percent TPP goal would have been met regardless of the FRP Surcharge. For these reasons, the original analyses conducted for the BP-20 rate period for both the Repayment Study and TPP remain valid, and Bonneville’s base Power and Transmission rates will continue to recover Bonneville’s costs even with the suspension of the FRP Surcharge for the remainder of the BP-20 rate period. Id.
3.0 PARTICIPANT COMMENTS

This chapter summarizes and evaluates the comments of participants in the rate case. As defined in BPA’s procedures for conducting rate proceedings, “participants” are persons who comment on BPA’s rate proposal but do not take part in the formal hearing process with the responsibilities of “parties.” Parties to the case file testimony and briefs and are not allowed to submit comments as participants. Participant comments are part of the official record of the rate proceeding and are considered when the Administrator makes his final decisions.

4.0 NATIONAL ENVIRONMENTAL POLICY ACT ANALYSIS

Bonneville has assessed the potential environmental effects from the proposed suspension of the FRP Surcharge for the remainder of the BP-20 rate period, consistent with the National Environmental Policy Act (NEPA), 42 U.S.C. § 4321 et seq.

As previously discussed in this ROD, the proposed temporary suspension of the FRP Surcharge for the balance of the BP-20 rate period has been deemed by Bonneville as necessary to alleviate customer financial hardships arising from COVID-19. The suspension is likely to provide power customers estimated rate relief of $9 million for the remainder of FY 2020 and $30 million for FY 2021.

The current decision to suspend the FRP Surcharge for the remainder of the BP-20 rate period is an administrative and financial action that is not expected to result in reasonably foreseeable environmental effects. Any further action would be implemented in accordance with the FRP and the procedures stated in Section 4 of the FRP Phase-In Implementation ROD adopted by Bonneville in September 2018.

Accordingly, Bonneville has determined that the decision to suspend collection of the FRP Surcharge for the remainder of BP-20 rate period does not require further consideration or documentation under NEPA.
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5.0 CONCLUSION

As required by law, the revised rate schedules adopted in this Final Record of Decision to suspend the FRP Surcharge for the rest of the FY 2020-2021 rate period are consistent with the provisions of the Northwest Power Act. The suspension of this charge does not affect Bonneville’s base FY 2020-2021 Power and Transmission rates, which continue to recover the costs associated with the acquisition, conservation, and transmission of electric power, including the amortization of the Federal investment in the FCRPS (including irrigation costs required to be repaid out of power revenues) over a reasonable period of years, and the other costs and expenses incurred by the Administrator in carrying out the requirements of the Northwest Power Act and other provisions of law. In addition, with the suspension of the FRP Surcharge, Bonneville’s rates remain set to be the lowest possible rates consistent with sound business principles, to encourage the widest possible use of Bonneville’s power, and to satisfy Bonneville’s other ratemaking obligations. The transmission and ancillary services rates also remain designed to equitably allocate the costs of the Federal transmission system between Federal and non-Federal power utilizing such a system. Finally, all interested parties and participants were afforded an opportunity to participate in the evidentiary hearing, as required by law.

Consistent with NEPA, BPA has evaluated the potential environmental impacts that could result from suspending the FRP Surcharge.

Based upon the record compiled in this proceeding, the decisions expressed herein, and all requirements of law, I hereby establish the accompanying suspension of the FRP Surcharge for both Power and Transmission rates complies with the Commission’s requirements in 18 C.F.R. § 300.10(g), and further certify that with the suspension of the FRP Surcharge, the base Power and Transmission rate schedules and GRSPs adopted previously in the BP-20 rate proceeding remain the lowest possible rates consistent with sound business principles and are consistent with other applicable laws.

Issued at Portland, Oregon, this 29th day of June, 2020.

/s/ Elliot E. Mainzer

Elliot E. Mainzer
Administrator and Chief Executive Officer
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Appendix A

Financial Reserves Policy Surcharges
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Financial Reserves Policy Surcharges

I. 2020 Power Rate Schedules and General Rate Schedule Provisions

The BP-20 Power Financial Reserves Policy (Power FRP) Surcharge, GRSP Section II.Q, shall be deleted in its entirety and replaced with the following language.

Q. Power Financial Reserves Policy (Power FRP) Surcharge

1. Suspension of Power FRP Surcharge

The Power FRP Surcharge is suspended as of the effective date of the confirmation and approval of this rate schedule by the Federal Energy Regulatory Commission (Commission); provided, however, if the effective date given by the Commission is on any day other than the first day of the month, then this rate schedule shall go into effect the first day of the following month. See Administrator’s Final Record of Decision, BP-20E-A-01.

2. Adjustments to Load Shaping Charge True-up Rate and PF Melded Equivalent Scalar for Fiscal Year 2020

Prior to suspension, the Power FRP Surcharge triggered and was billed to customers during FY 2020 on a monthly basis. To recognize this FY 2020 charge for the months prior to suspension, the Load Shaping Charge True-up Rate and PF Melded Equivalent Energy Scalar shall be adjusted as follows:

\[
\text{Annual Power FRP Surcharge rate} = \frac{\$30,000,000 \times \text{Applicable months}}{10} \quad \frac{\text{44,625,581 MWh}}{}
\]

Where:

“Applicable months” is the number of months in Fiscal Year 2020 that the Power FRP Surcharge was applied prior to suspension as described in Section Q.1.

The Annual Power FRP Surcharge rate will be:

(1) Subtracted from the Load Shaping Charge True-up Rate (GRSP II.E, Section 1)
(2) Subtracted from the PF Melded Equivalent Energy Scalar Rate (GRSP II.R, Section 1(c)).
II. 2020 Transmission Rate Schedules and General Rate Schedule Provisions

The BP-20 Transmission Financial Reserves Policy (Transmission FRP) Surcharge, GRSP Section II.I, shall be deleted in its entirety and replaced with the following language.

I. Transmission Financial Reserves Policy (Transmission FRP) Surcharge

The Transmission FRP Surcharge is suspended as of the effective date of the confirmation and approval of this rate schedule by the Federal Energy Regulatory Commission (Commission); provided, however, if the effective date given by the Commission is on any day other than the first day of the month, then this rate schedule shall go into effect the first day of the following month. See Administrator's Final Record of Decision, BP-20E-A-01.