COMMENTS OF THE WESTERN PUBLIC AGENCIES GROUP ON THE BP-22, TC-22 AND EIM PHASE III MARCH 17, 2020 WORKSHOP

The utilities comprising the Western Public Agencies Group ("WPAG") appreciate this opportunity to comment on select topics presented by the Bonneville Power Administration ("BPA") at its BP-22, TC-22 and EIM Phase III workshop held on March 17, 2020.

1. Transmission Losses – Alternatives.

Of the six alternatives for loss returns presented by BPA, the WPAG utilities favor alternatives 3 and 5. We value the optionality that both alternatives feature to settle returns financially, in-kind or through Slice. We also support the shared requirements that inaccurate returns of in-kind energy are to be settled financially and that the rate for financial settlements will be established in the rate case. As to the sole distinction between the two alternatives, we can support BPA retaining the 168-hour timeline to make in-kind returns but are also willing to consider a change to use concurrent returns under the right circumstances. At this time, we believe the benefits customers would derive from the optionality provided under alternative 3 or alternative 5 outweigh the relatively modest efficiency gains BPA identified for the financial settlement only alternative 6.

2. Transmission Losses – Clarification on the Treatment of the Financial Settlement of Loss Returns Under the TRM.

BPA's transmission customers can currently return transmission losses to BPA using one of three methods: (1) in-kind returns, (2) financial settlement, or (3) for Slice/Block customers, decrementing their Slice Right-To-Power. Most returns are made in-kind (approximately 89%). Less than 1% of loss returns on BPA's system are settled financially.[1]

Financially settled loss returns are essentially sales of federal power from BPA to transmission customers that both generate revenue for BPA and reduce BPA's inventory of available energy. In the event BPA decides to either (i) incent more financial loss returns (e.g., by settling financial loss returns at a lower rate) or (ii) eliminate in-kind returns altogether and require transmission customers to settle loss returns financially, we respectfully request that BPA clarify whether the financial settlement of loss returns for wheeling customers would be deemed a Designated BPA System Obligation under BPA's Tiered Rates Methodology ("TRM") or, alternatively, a reduction of the energy available to BPA for secondary sales.

The distinction is important because it could impact the size of the Tier 1 System. We note that "Federal system transmission losses for power deliveries" are a Designated BPA System Obligation under Table 3.4 of the TRM.[2] This means that for each rate period under the TRM, BPA subtracts the forecasted amount of such losses (along with other Tier 1 System Obligations) from the rate period's Firm Critical Output of Tier 1 System Resources in its calculation of the Tier 1 System Firm Critical Output ("T1SFCO") used to set Rate Period Highwater Marks

[1] TC-22, BP-22 and EIM Phase III Customer Workshop, at 15 (December 12, 2019).
[2] TRM, BP-12-A-03, Table 3.4, line 45 (July 2011).

("RHWMs").[3] For the BP-20 rate period, Federal system transmission losses for power deliveries reduced the size of the T1SFCO by 237 aMW for FY2020 and 232 aMW for FY2021.[4]

Our understanding is that the phrase "Federal system transmission losses for power deliveries" in TRM Table 3.4 only includes losses associated with certain power deliveries made from the FCRPS (e.g., losses related to deliveries of BPA's load following and block products) and not financially settled loss returns for BPA's wheeling customers. BPA's preference customers need to know if BPA shares this understanding before BPA adopts any alternative to either incent more financial loss returns or require all loss returns to be settled financially. If BPA does not share this understanding, then a new requirement that all loss returns be settled financially, for example, could result in an objectionable reduction of the size of the Tier 1 System by potentially several hundred megawatts.[5] In addition, there could be a potential revenue impact to BPA power services if such megawatts, formerly sold by BPA to preference customers at the PF rate, were instead sold at a lower rate to wheeling customers to financially settle their loss returns.

In the alternative, but in the same vein, BPA should further clarify whether financially settling loss returns for its wheeling customers would be deemed a "generation input for ancillary, control, and other services" under Table 3.4 of the TRM,[6] in which case such treatment would also result in a decrease to the T1SFCO used to establish RHWMs. We again submit that this should not be the case but seek BPA's confirmation that it agrees with our assessment.[7]

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[3]TRM, Tiered Rate Methodology Definitions and §3.1.

[4] BP-20 Rate Proceeding, Power Loads and Resources Study Documentation, BP-20-FS-BPA-03A, Table 9.1.1 (July 2019).

[5] In FY2019, the in-kind obligation of BPA's transmission customers averaged approximately 225,000 MWh per month or 310 aMW. TC-22, BP-22 and EIM Phase III Customer Workshop, at 18 (December 12, 2019). The extent that the in-kind returns identified at the December 2018 workshop are additive or duplicative of those loss returns accounted for as a Designated BPA System Obligation in BPA's rate studies is unclear, but the amount identified exceeds the forecasted loss returns for power deliveries used to calculate to the T1SFCO in BPA's BP-20 rate studies of 237 aMW for FY2020 and 232 aMW for FY2021.

[6] TRM Table 3.4, Line 44.

[7] Real power losses are not a required ancillary or control area service under either the pro forma open access transmission tariff or under BPA's tariff. *See*, Order 888, 61 FR 21540, at 21853; Order 888A, 62 FR 12274, 12310; BPA OATT, §§15.7, 28.5.