



Energizing Life in Our Communities

Comments of Public Utility District No. 1 of Snohomish County in
Response to Bonneville Power Administration's September 29, 2020
BP-22/TC-22/EIM Phase III Workshop

Submitted to techforum@bpa.gov on October 13, 2020

Public Utility District No. 1 of Snohomish County (Snohomish) appreciates the opportunity to provide feedback on Bonneville Power Administration's (BPA's) final TC-22, BP-22 and EIM Phase III Customer Workshop held on September 29, 2020 (September 29 Workshop). We offer comments on the following issues discussed at that workshop: BP-22 Transmission Rates, Revenue Financing for Power, Transmission Donation, EIM Charge Code Allocation, and Transmission Loss Factor.

BP-22 Transmission Rates

Snohomish is concerned about the projected Transmission rate pressure in BP-22 and BP-24 needed in order to achieve BPA's debt-to-asset ratio and remaining Treasury Borrowing Authority objectives. Of equal concern for us is the discovery that the root cause is a forecasting error: *"Transmission leverage payments have decreased by ~\$1.0B due to aligning the forecast ratio calculation to the actuals calculation"* (TC-22, BP-22, EIM Phase III Workshop, p. 55). In the Administrator's Record of Decision on the Leverage Policy (September 2018), M-S-R Public Power Agency argued that basing a Leverage Policy on forecast capital spending is unreasonable because Bonneville has historically underspent its capital budget. Nonetheless, the Agency decided that it is reasonable to calculate the leverage ratio based on forecast capital spending since forecast and ratio calculations will be regularly updated to minimize the delta between actuals and rate case forecasts.¹

¹ <https://www.bpa.gov/news/pubs/RecordsofDecision/rod-20180925-Leverage-Policy.pdf>, p. 24

Discovery of the forecasting error is also disappointing because it comes a year after the conclusion of the Financial Reserves Review Process, and immediately after the closeout of the Integrated Program Review (IPR) for BP-22. Snohomish recognized the importance of catching forecast errors early in our Financial Reserves Review comments (August 21, 2019), where we suggested that BPA develop a strategy for a periodic review of all of its financial systems and legacy models. Further, Snohomish is concerned that customers may have lost the opportunity to scrutinize Bonneville's capital projections embedded in the IPR, and this lack of transparency and oversight will have bearing on Transmission rates going forward.

It is imperative for Bonneville to look for ways to limit this rate impact on customers either through prioritization/capital spending reductions, or through some other tools in the Bonneville toolbox. Before Snohomish could consider passing a large rate increase on to its customers, particularly where that increase was due to a forecasting error, Snohomish would need to demonstrate to its governing Board and to its ratepayer-owners that all avenues for reducing the impact had been examined. This would include a look at every capital project anticipated to be taken, prioritizing those projects, and examining the impact of cutting projects to recover the entire amount of the error as well as portions of the error. Only with that information in hand can Bonneville have an informed discussion with customers about the need for a rate increase. There is opportunity in IPR2 for the Agency to include thoroughly vetted capital spending assumptions that reflect these hard prioritization decisions. Snohomish looks forward to participating in IPR2 and Debt Management discussions to address this long-term issue.

Revenue Financing for Power

BPA Proposal: Include revenue financing in Power rates with a cap of up to 1% of rate pressure above base rates

Snohomish appreciates BPA Staff looking for ways to achieve rate stability and reduce debt for Power customers. However, given the size of the transmission rate increase BPA has recently proposed, Snohomish recommends delaying a decision on this topic for at least one rate period. With projected double-digit rate increases for Transmission in the next rate period, Snohomish does not see an immediate need to support revenue financing for Power this rate period.

However, Snohomish is not opposed to revisiting this proposal in BP-24, or on a rate period-by-rate period basis.

Transmission Donation

As discussed in our comments submitted on August 14 and September 18, Snohomish believes that congestion rents associated with EIM Transfer System Resources (ETSRs) should be allocated to Interchange Rights holders that donate the transmission that make transfers through ETSRs possible. Snohomish understands from BPA's response on Slide 5 of the September 29 Workshop presentation that CAISO allocates congestion rent associated with ETSRs (ETSR Congestion Rent) in the same charge code as it allocates internal congestion rent, and that it would not be appropriate to allocate this entire charge code to customers that donate transmission. BPA did not specify the charge code in question, but Snohomish assumes that it is 67740: *Real Time Congestion Offset EIM*.

Snohomish agrees that allocating internal congestion rents to those that donate transmission is not appropriate, just as allocating ETSR Congestion Rents to all measured demand is not appropriate. BPA should pursue separating the portion of charge code 67740 associated with ETSR Congestion Rent and allocating that portion to the customers who donate. BPA should request from CAISO that it provide data containing the hourly congestion rent associated with each ETSR that it credits to BPA. BPA should then (1) suballocate the congestion credit for each ETSR to those customers who donated the associated transmission and (2) subtract the total ETSR Congestion Rent from charge code 67740 before suballocating the remaining portion to measured demand. Snohomish requests that BPA provide updates to customers on progress with CAISO on this issue.

EIM Charge Code Allocation

In general, Snohomish supports preserving the value of long-term firm transmission rights. We thank Powerex for raising the issue of the potential harm of BPA's proposed method of charge code allocation on the value of firm transmission rights, and for developing and sharing a possible solution to the issue.

Powerex's proposal has two main elements: (1) BPA should apply priority-based curtailments for all schedules submitted by T-57 prior to finalizing EIM base schedules at T-40 to ensure that its EIM base schedules are feasible; and (2) reverse congestion charges to firm schedules submitted after T-57 and apply congestion charges to non-firm schedules submitted before T-57. At this time, Snohomish sees clear merit in element (1) and support its implementation by BPA for BP-22.

We are working to understand the full implications for BPA and for customers of the proposed changes to congestion charges in element (2). We recognize that before this portion of Powerex's proposal could be implemented, there are many details still to be worked out, and we are open to continued discussion on this issue. In particular, Snohomish is interested in hearing a response from BPA on both the merits and feasibility of implementing the proposal. Whether or not this is implemented in BP-22, BPA should commit to monitoring and reporting on congestion impacts to firm and non-firm customers, and should reconsider the issue in BP-24.

Transmission Loss Factors

In our July 9 Comments, Snohomish supported an updated single annual loss factor in order to minimize administrative burden. In subsequent workshops, BPA has provided additional analysis comparing monthly, four-season, and two-season (summer/non-summer) granularity. Snohomish supports the Public Power Council comments of September 14 and October 13 suggesting that either two- or four-season granularity represent the appropriate balance between accuracy and administrative complexity. Based on our analysis below, Snohomish prefers a two-season approach.

To that end, Snohomish has some specific recommendations that appear to improve the accuracy of the two- and four-season approaches. These recommendations are based on the updated "Loss Return Totals by Factor Type" worksheet posted on October 9th (October 9th Analysis).

Two-Season Loss Factor Recommendations

Based on the provided monthly loss factors, Snohomish recommends BPA make two adjustments to the grouping of months into seasons that appear to improve the accuracy of the two-season approach. Snohomish suggests moving June from Non-Summer to Summer, and moving September from Summer to Non-Summer. In addition, BPA used customer-supplied loss factors that rounded to one decimal point when all other loss factors presented are rounded to two decimal points. Snohomish recommends that BPA use the same level of precision for each option in the comparison. Snohomish estimated updated seasonal loss factors by averaging the monthly loss factor of each month in the season. Table 1 below shows BPA’s suggested grouping and resulting loss factors (grey header rows) and the modified grouping suggested by Snohomish with resulting estimated seasonal loss factors (blue header rows). Changes are highlighted in yellow.

Table 1

Month	Monthly Loss Factor BPA	Two-Season Grouping BPA	Two Season Grouping SNPD	Two Season Loss Factor BPA	Two Season loss factor SNPD
January	2.05%	Non-Summer	Non-Summer	1.90%	1.94%
February	2.03%	Non-Summer	Non-Summer	1.90%	1.94%
March	1.93%	Non-Summer	Non-Summer	1.90%	1.94%
April	1.98%	Non-Summer	Non-Summer	1.90%	1.94%
May	1.97%	Non-Summer	Non-Summer	1.90%	1.94%
June	2.32%	Non-Summer	Summer	1.90%	2.31%
July	2.34%	Summer	Summer	2.30%	2.31%
August	2.26%	Summer	Summer	2.30%	2.31%
September	1.92%	Summer	Non-Summer	2.30%	1.94%
October	1.84%	Non-Summer	Non-Summer	1.90%	1.94%
November	1.83%	Non-Summer	Non-Summer	1.90%	1.94%
December	1.93%	Non-Summer	Non-Summer	1.90%	1.94%

Four-Season Loss Factor Recommendations

Snohomish similarly recommends BPA make two adjustments to the grouping of months in the four-season approach. Based on the provided monthly loss factors, Snohomish suggests moving March from Winter to Spring, and moving November from Winter to Fall. Table 2 below shows BPA’s suggested grouping and resulting loss factors (grey header rows) and the modified grouping suggested by Snohomish with resulting estimated seasonal loss factors (blue header rows). Changes are highlighted in yellow.

Table 2

Month	Monthly Loss Factor BPA	Four-Season Grouping BPA	Four- Season Grouping SNPD	Four-Season Loss Factor BPA	Four-Season loss factor SNPD
January	2.05%	Winter	Winter	1.94%	2.00%
February	2.03%	Winter	Winter	1.94%	2.00%
March	1.93%	Winter	Spring	1.94%	1.96%
April	1.98%	Spring	Spring	1.98%	1.96%
May	1.97%	Spring	Spring	1.98%	1.96%
June	2.32%	Summer	Summer	2.31%	2.31%
July	2.34%	Summer	Summer	2.31%	2.31%
August	2.26%	Summer	Summer	2.31%	2.31%
September	1.92%	Fall	Fall	1.88%	1.86%
October	1.84%	Fall	Fall	1.88%	1.86%
November	1.83%	Winter	Fall	1.94%	1.86%
December	1.93%	Winter	Winter	1.94%	2.00%

Updated Comparison

Snohomish estimated monthly losses for the two-season and four-season approaches using the estimated updated loss factors from above Table 1 and Table 2 above.² Figure 1 is the

² Snohomish estimated revised monthly loss quantities by (a) dividing BPA-produced monthly loss amounts by the relevant BPA-produced loss factor, and (b) multiplying the resulting value by the relevant Snohomish-produced loss factor. For example, for January 2017, Two-Season: we divided the BPA-provided loss amount of 358,821 MWh by the BPA-provided loss factor of 1.90% and multiplied by the Snohomish-estimated loss factor of 1.94% resulting in estimated monthly losses of 366,795 MWh.

comparison chart included in BPA’s October 9th Analysis. Figure 2 is an updated comparison using Snohomish-estimated monthly losses under each approach, showing that the two-season and four-season approaches track the monthly approach much more closely than in Figure 1. Over the three-year period, Snohomish estimates the average difference between the monthly approach and both seasonal approaches to be less than 1 aMW. Snohomish notes that its results are estimated based only on information provided by BPA, and encourages BPA staff to perform its own analysis to confirm these results.

Given the size of BPA’s system, Snohomish considers the improved accuracy by using monthly loss factors to be negligible and not worth any additional administrative burden or potential for error associated with frequently changing loss factors. This administrative burden and consequences of errors may become a larger concern if BPA moves to concurrent loss returns. Snohomish prefers that BPA adopt a two-season (Summer/Non-Summer) loss factor granularity.

Figure 1

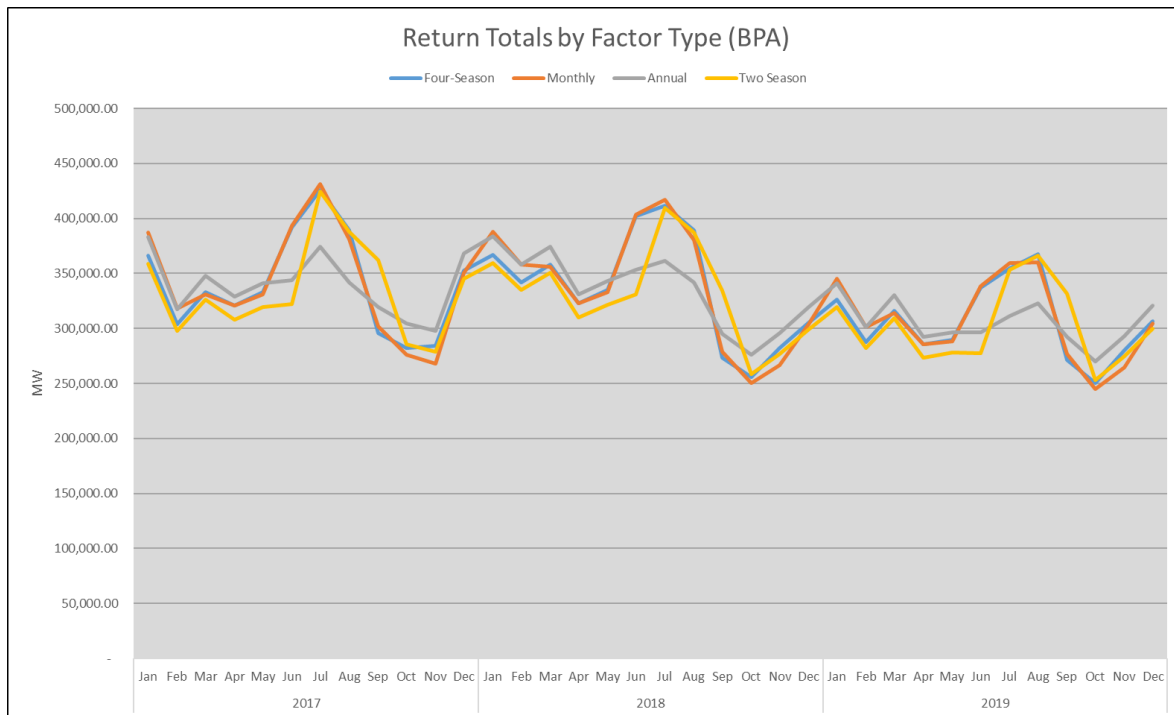
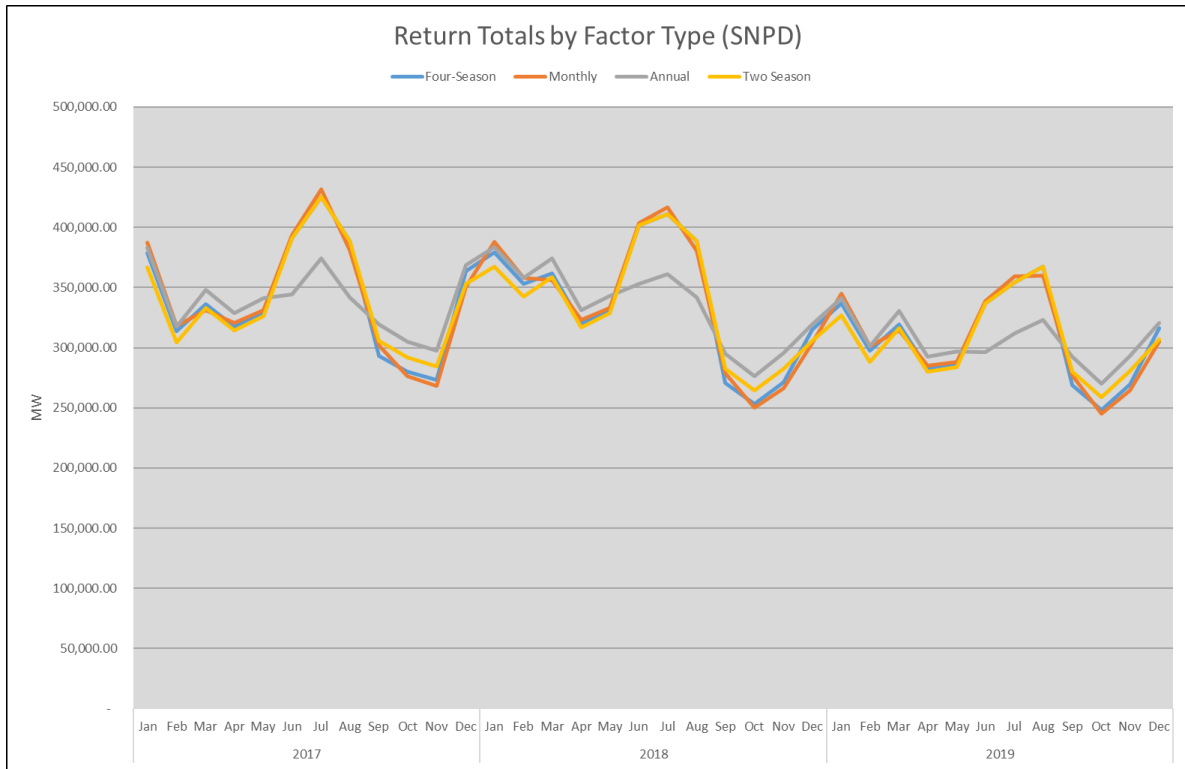


Figure 2



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Snohomish thanks BPA staff for its efforts and customer engagement throughout this workshop series. Please feel free to contact us with any questions about these comments.