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**via email ([techforum@bpa.gov](mailto:techforum@bpa.gov))**

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

**Re: Comments of Avangrid Renewables, LLC on the BP-26 and TC-26 September Workshops**

Avangrid Renewables, LLC (“Avangrid”) appreciates the opportunity to provide comments to the Bonneville Power Administration (“Bonneville”) regarding the issues discussed at the BP-26 and TC-26 informal workshops on September 25<sup>th</sup> and 26<sup>th</sup> (the “September Workshops”).<sup>1</sup> Avangrid recommends Bonneville use a traditional formula rate to provide balancing reserves that would include an annual true-up, and thus be based on actual costs rather than calculated monthly or incorporate forecasted costs as proposed in Alternative 3 by Bonneville. Please see further explanation below on the proposed approach.

Bonneville is forecasting a larger need for balancing reserves than the agency believes it can provide from the Federal Columbia River Power System (“FCRPS”) but is basing its forecast on projects going into service that it does not control, and the agency does not currently have a plan to meet the gap. For these reasons we recommend Bonneville should not include any additional *forecasted* costs into rates. A traditional formula rate, with an annual true-up calculation, appears to be a superior alternative than those considered by the agency.

At the September Workshops, Bonneville explained the agency is planning to provide 900 MW of incremental (“INC”) capacity while expecting to need 1127 MW.<sup>2</sup> It is Bonneville’s policy to use reasonable efforts to acquire additional capacity from non-federal sources to meet this shortfall, but the method for filling the 200 MW gap has yet to be identified. The agency believes multiple methods will

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<sup>1</sup> Additional details regarding the BP-26 and TC-26 proceeding, including the slide deck for September Workshops (“September Slide Deck”) and customer comments are available at <https://www.bpa.gov/energy-and-services/rate-and-tariff-proceedings/bp-26-rate-case>.

<sup>2</sup> The agency is also planning to provide 1127 MW of DEC capacity while expecting to need 1200 MW, but the agency’s policy does not require any acquisition to cover DEC shortfalls unless the agency determines that an acquisition is necessary to maintain system reliability. See September Slide Deck at 13 (referencing Bonneville’s Balancing Reserve Capacity Business Practice).

most likely be utilized and is considering four options to include costs associated with the potential acquisition(s) in the BP-26 rates, including: 1) price the shortfall with the same price as the 900 MW provided by Bonneville's Power business line; 2) price the shortfall using another price; 3) use what Bonneville describes as a formula rate to recalculate after additional balancing capacity purchases; and 4) conduct an ad-hoc 7(i) rate proceeding, if needed.<sup>3</sup> Bonneville also provided preliminary BP-26 rates for each option detailing the increase from the BP-24 rates, and in all cases would increase the preliminary BP-26 base solar VERBS rate 524%.

Under Alternative 1, Bonneville would price the entire 1127 MW at \$6.05 per kW/mo, which would add \$30 million to cover the shortfall and bring the entire amount forecasted for reserves to \$175 million.<sup>4</sup> Bonneville cautioned, however, that this introduces a risk of under-recovery since the Power business line price is generally lower than market. Alternative 2 would price the shortfall at \$7.04 per KW/mo, which would add \$33 million and bring the total amount to \$178 million.<sup>5</sup> Bonneville noted an increased risk of over or under-recovery since the actual costs of filling the shortfall would most likely differ from this price. Alternative 3, which Bonneville describes as a formula rate, would recover any additional funds used to procure for the shortfall but be charged only to those customers that used services that required the acquisition.<sup>6</sup> Bonneville attributes this option with additional workload and a potentially confusing structure since the charge would fluctuate as the cost for purchasing or producing the additional capacity fluctuates. Under Alternative 4, the agency would hold a mini 7(i) rate proceeding to set a new VERBS rate once the method for filling the shortfall is determined and put in place.<sup>7</sup> Bonneville described this option as administratively burdensome and potentially confusing because rates would change during the BP-26 rate period. Bonneville staff expressed a preference for Alternative 3 because it would allow rates to start relatively low while still permitting the agency to recover actual costs incurred to fill the balancing reserves gap.

As a threshold matter, the solar VERBS rate is projected to increase by 524% under any of the alternatives proposed, which alone warrants immense scrutiny and additional conversations with generators that would be subject to the rate to determine whether it would result in project modifications. Moreover, the longer rate period Bonneville has selected for BP-26 also exacerbates issues associated with inherently inaccurate forecasting. Requests for details on the historic accuracy of the balancing-reserves forecasts were not granted during the informal workshops, which leaves uncertainty regarding how likely it is that Bonneville will in fact have a balancing reserves shortfall, which methods Bonneville might have available to acquire capacity over the rate period, and how much should be pre-loaded into rates to account for any such shortfall.

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<sup>3</sup> September Slide Deck at 18.

<sup>4</sup> \$145 million for the 900 MW provided by BPA Power + \$30 million for the shortfall = \$175 million. *Id.* at 19-20.

<sup>5</sup> *Id.* at 21-22.

<sup>6</sup> *See id.* at 23-24 (indicating each individual customer's monthly charges would be based on their portion of the services used).

<sup>7</sup> *Id.* at 25-26.

Avangrid has also requested the agency reevaluate its balancing reserves policies and specifically discuss whether its 99.7% planning standard may be too high, which also did not occur during the informal workshops. While Avangrid supports Bonneville meeting its NERC standards and OATT requirements to maintain load-resource balance, an inflated planning standard would result in unnecessary reserves capacity being set aside by the agency and in turn impose unnecessary costs on generators.

Given the magnitude of the uncertainty behind the BP-26 reserves forecasts, Avangrid recommends Bonneville consider a formula rate based on actuals that is calculated annually. Avangrid proposes that Bonneville set the solar VERBS rate at the BP-24 rate, plus the costs associated with any additional reserves for solar projects that are subject to the VERBS rate and online by the start of the rate period October 1, 2025. For each subsequent year, the rate would be updated annually according to a formula rate and based on actual reserves needs as of day 1 of each subsequent fiscal year.

Historically Bonneville has relied on cost of service rates set through the agency's unique 7(i) process, but the Federal Energy Regulatory Commission ("FERC") routinely allows the use of formula rates for transmissions service to avoid the administrative burden associated with a formal rate case. Typically, the formula itself is reviewed by FERC to ensure it correctly calculates the cost of service and that there is sufficient clarity about how inputs will be used to update the utility's costs through an annual true-up process.<sup>8</sup> Protocols are also set out in advance to review the automatic adjustments, but not to change the predetermined formula.

While likely only necessary due to new generator interconnections to Bonneville's system, Avangrid recommends that Bonneville would also include an annual true-up specific to the VERBS rate case if indeed there is a need to surcharge or refund customers. In addition to avoiding potential cost-causation issues, an annual true up would also permit VERBS customers the opportunity to receive rate relief if the VERBS rate is set too high. Bonneville's alternatives would theoretically permit some rate relief through a Reserves Distribution Clause ("RDC") adjustment, but that would provide rate relief (or other high-value purpose) to all transmission customers rather than to those that were paying for balancing reserves services, if rate relief were deemed a priority by the Administrator.

Avangrid proposes this new approach for a few reasons. Avangrid is concerned that Bonneville's formula rate option (Alternative 3) will effectively lead to different customers paying different rates based upon their use of the system after a relatively arbitrary threshold is reached. In addition to the concerns raised by the agency, *i.e.*, increased workload and potentially confusing rates, Avangrid believes this alternative also raises cost-causation complications. This approach would also address the uncertainty associated with forecasting online dates of projects and costs of procuring reserves by basing rates entirely on known and actual costs.

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<sup>8</sup> See *e.g.*, FERC, Formula Rates in Electric Transmission Proceedings: Key Concepts and How to Participate, available at <https://www.ferc.gov/formula-rates-electric-transmission-proceedings-key-concepts-and-how-participate>.

To the extent there are shortfalls in covering the costs incurred to provide reserves throughout the year, Avangrid advocates that Bonneville consider sharing the benefits of the Energy Imbalance Market to address those costs. This issue is further explored in comments by Renewable Northwest (“RNW”) and the Northwest Intermountain Power Producers Coalition (“NIPPC”).

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Avangrid appreciates Bonneville’s consideration of these comments and the recommendations contained herein. Nothing contained in these comments constitutes a waiver or relinquishment of any rights or remedies provided by applicable law or under Bonneville’s tariff or otherwise under contract.