

August 12, 2020

RE: Comments on Bonneville's July 28-29, 2020 BP-22/TC-22/EIM Phase III Workshops

Powerex appreciates Bonneville staff's continued efforts to engage its stakeholders on in the workshop process. Powerex offers the following comments in response.

Southern Intertie Studies

This issue involves whether Bonneville should revise its Tariff to set forth a different process for addressing requests for the long-term firm service on the Southern Intertie, given that upgrades to the Southern Intertie are unlikely due to the significant costs and extensive coordination with third-party transmission owners.

In Bonneville's July workshops, it recapped two previously-reviewed alternatives and outlined a third approach: merging the two alternatives. In Alternative 1, Bonneville would study upgrades to the Southern Intertie in its discretion, and in Alternative 2, Bonneville would study upgrades at the request of the eligible customer. Under both alternatives Powerex previously understood that Transmission Service Requests (TSRs) on the interties will remain in queue in the Study state until ATC becomes available. As stated in its March 31, 2020 and July 8, 2020 comments, Powerex does not oppose an approach that will address Bonneville's concerns but which will allow for TSRs to remain in the queue in a Study state. Bonneville's July 28 presentation now indicates that Alternative 2 and the merged alternative would allow "one customer to trigger a study that would impact all other customers."¹ Powerex supports Alternative 1 and opposes any alternative, including the merged alternative and Alternative 2, that would allow a lowered-queued customer to effectively "clear-out" all higher-queued customers simply by requesting a study.

Transmission Revenue Requirements

During the July 28, 2020 workshop, Bonneville reviewed the Transmission revenue requirements, and in particular it explained that a further review of the definitions of "debt" and "assets", as used in the Leverage Policy, revealed certain improvements that would better align the forecasted ratio with the actual ratio. Powerex appreciates these efforts and the acknowledgement that there is a significant deviation or variance between the forecasted and actual levels of debt and assets.² Powerex notes that these variances illustrate how the Leverage Policy can drive significant rate increases (through revenue financing) based on forecasted leverage ratios that are later found to be inaccurate, perhaps significantly so. But, as Bonneville appropriately seeks to mitigate the sources of variance, such as proposed in the July 28 workshop, the concerns with the Leverage Policy are lessened.

¹ BPA, July 28, 2020 Workshop Presentation at Slide 102.

² See also *Bonneville Power Admin.*, Leverage Policy Record of Decision at 22 (Sept. 25, 2018) ("Bonneville agrees that actual capital spending is often different from forecast capital spending."). In a similar vein, capital spending for the BP-20 rate period is expected to be significantly lower than forecasted, which is another source of variance. While certainly Bonneville could not have predicted the pandemic and resulting capital spending implications, nonetheless, these circumstances highlight the fundamental concern with relying on a forecasted capital spending and revenue financing: potentially significant transmission rate increases later found to be unnecessary. Powerex again urges Bonneville to consider how this source of variance could be mitigated. See also Leverage Policy ROD at Issue 4.3.2.2.



Aside from the two newly identified sources of variance described in the presentation, Powerex urges Bonneville to consider and provide additional explanation in several areas. For instance, the Leverage Policy Record of Decision addressed financial reserves and the relationship to deferred borrowing, and Powerex would appreciate additional explanation of how the deferred borrowing variance identified at the July 28 workshop affects Bonneville's analysis in the Leverage Policy ROD of whether financial reserves (cash on hand) should be included as an asset.³ Further, additional explanation regarding the development of deferred borrowing forecasts and how such forecasts might change for BP-22 also would be helpful.

The Leverage Policy provides a high-level description of debts and assets and the formula for calculating the leverage ratio. Bonneville's July 28 presentation indicated that Bonneville intends to clarify its interpretation of assets and debt to better align forecast elements in the leverage ratio to actuals.⁴ Powerex would appreciate an explanation of how Bonneville intends to provide this clarification and whether more detailed definitions of "debts" and "assets" will be included in the Leverage Policy itself. Finally, Powerex also would appreciate further discussion of the nexus between COVID-19 spending and why any associated higher expenses would qualify for regulatory asset treatment.⁵

Again, Powerex appreciates Bonneville engaging customers on these important topics.

Sincerely,

Raj Hundal

Market Policy and Practices Manager

³ *Bonneville Power Admin*, TC-22, BP-22 and EIM Phase III Customer Workshop Presentation at Slide 146 (July 28, 2020) ("July 28 Presentation"); Leverage Policy ROD at Issue 4.3.2.4. (Sept. 18, 2018)

⁴ July 28 Presentation at Slide 145.

⁵ *Id.* at Slide 151.