UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
BEFORE THE
BONNEVILLE POWER ADMINISTRATION

	)	
IN THE MATTER OF	)	**BPA Docket No. BP-20E**
	)	
SUSPENSION OF THE FINANCIAL	)	**PETITION TO INTERVENE**
RESERVES POLICY SURCHARGE	)	**AND COMMENTS**
FOR THE REMAINDER OF THE	)	**OF NORTHWEST AND**
BP-20 RATE PERIOD; PUBLIC	)	**INTERMOUNTAIN POWER**
HEARING AND OPPORTUNITIES	)	**PRODUCERS COALITION**
FOR PUBLIC REVIEW AND	)	
COMMENT	)	

Pursuant to the notice appearing in the Federal Register Vol. 85, No. 120 on June 22, 2020 and Rule 1010.6 of the Bonneville Power Administration's ("BPA") Rules of Procedure (September 12, 2018), the Northwest and Intermountain Power Producers Coalition ("NIPPC") respectfully petitions to intervene as a party in this proceeding. NIPPC's concerns relate to the Bonneville Power Administration's ("BPA") proposed suspension of the financial reserve policy surcharge for the remainder of the BP-20 rate period. In support of this request, NIPPC states as follows:

I. MOTION TO INTERVENE IN BP-20E

NIPPC is a not-for-profit trade association that advocates for competition in the power sector. NIPPC's members include independent power producers who develop and operate power plants, power marketers, and independent transmission companies. NIPPC members have collectively invested billions of dollars in existing generation resources in the United States and have substantial operating assets in the Northwest along with renewable and thermal projects in advanced stages of development, many of which are tied to or rely on BPA's transmission system for access to power markets. NIPPC's intervention in this proceeding is in the public interest. NIPPC's interests will not be adequately represented by any other party. Therefore, NIPPC respectfully requests that this motion to intervene be granted.

II. COMMUNICATIONS

Communications in connection with this filing should be addressed to:

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III. COMMENTS OF NIPPC

NIPPC is a membership-based advocacy group representing electricity market participants in the Pacific Northwest. NIPPC has a diverse membership including independent power producers and developers, electricity service suppliers, transmission companies, marketers, storage providers, and others. NIPPC is committed to fair and open-access transmission service, cost effective power sales, consumer choice in energy supply, and fair, competitive power markets in the Northwest and its adjacent markets.

NIPPC recognizes the significant impact that the COVID-19 pandemic, the policy responses to that public health crisis, and the resulting economic impacts have had on BPA's Power customers. Accordingly, NIPPC will not object in the BP-20E expedited rate case to

BPA's proposal to suspend the Financial Reserves Policy surcharges. NIPPC provides the following comments in order to explain its views and its specific reservations about the broader implications and effects of BPA's proposal.

In addition, NIPPC requests that BPA take two actions:

(1) Release an analysis of the likelihood of a credit downgrade, the potential financial effects of a downgrade on all customers, and the steps BPA would take to prevent such a downgrade.

(2) Convene a dialogue with Transmission customers to evaluate the cumulative effect of recent and upcoming BPA policy decisions that affect the flexibility and competitiveness of the transmission network.

NIPPC recognizes that BPA's proposal suspends the Financial Reserves Policy surcharge for both Power and Transmission customers. While that approach appears balanced on paper, the suspension will provide short term rate relief of $39 million to Power customers. Because Transmission's financial reserves are already well above the policy's targets, the suspension will have no impact to Transmission customers' rates.

BPA's Transmission customers, including NIPPC's members, are facing the same public health and economic conditions as Power customers. To take one example, COVID-19-related delays in construction have upset carefully coordinated timelines for interconnection, transmission service, and project financing. More generally, the current economic recession and uncertainty regarding the speed of an economic recovery increase the financial risks associated with developing, supplying, and marketing some of the products and services that NIPPC members provide.

NIPPC does not at this time propose a specific form of rate relief that would provide savings to Transmission customers analogous to relief provided by suspending the power surcharge, but NIPPC does note that BPA's Financial Reserves Policies have relied disproportionately on Transmission customers. BPA's earliest financial reserves policy was implemented to demonstrate to bond rating agents that BPA had adequate reserves of cash. Since then, reserves attributable to Transmission have ensured that BPA as a whole has sufficient days cash to meet the ratings agencies' metrics. Reserves attributable to Power have not met BPA's internal targets.

The Financial Reserves Policy Surcharge was implemented in order to ensure that both Power and Transmission were contributing equitably to BPA's cash reserve targets. Over time, BPA has implemented additional Financial Reserves policies — including the Leverage Policy — whose effect is to ensure continued collection of revenues from transmission customers above Transmission's revenue requirement. BPA's long-term financial health, an objective that all customers share, should be supported monetarily by all customers in proportionately equal measure. Relying disproportionately on extra cash provided by either class of customers is not a sound policy to perpetuate.

Nevertheless, as noted above, NIPPC understands and appreciates the alarming economic conditions that form the basis for BPA's proposed suspension of the surcharge. NIPPC urges BPA to provide more clarity to all customers about the potential financial impacts BPA and its customers could face as a result of suspending the Power surcharge, specifically the risk of a credit rating downgrade in the future. NIPPC encourages BPA to develop a plan to avoid such an outcome, because credit downgrade could quickly result in a materially significant basis point increase in BPA's capital costs, the effect of which might dwarf the value of the suspended surcharge and raise costs for both Power and Transmission customers.

NIPPC understands that rating agencies factor in multiple BPA policies and financial metrics in establishing a credit rating. Among those factors are financial reserves. Isolating the effects of any single factor (and of BPA signaling that it may back away from collecting reserves in the future) on a credit rating will require some qualitative judgment. But BPA should nonetheless provide some level of analysis of the potential risk of a credit rating downgrade and the measures it would take in the interim to avoid it. For example, after lifting the surcharge, what developments during the current rate period could trigger a cost recovery adjustment clause?

Finally, NIPPC recommends that BPA consider convening a dialogue, after the completion of this expedited rate case, with Transmission customers to evaluate the cumulative effect of recent and upcoming discrete BPA policy decisions. By viewing these decisions in isolation BPA and its customers are prevented from seeing the aggregated effect of these policy decisions. For example, NIPPC has noted in separate proceedings the following dynamics:

1. BPA joining the Western Energy Imbalance Market may negatively alter the value of the transmission products that BPA offers by changing scheduling paradigms and ancillary service requirements.
2. In TC-20, BPA initially proposed eliminating and ultimately significantly limited the use of the Hourly Firm Product.
3. Similarly, the flexibility of BPA's transmission network may be reduced in TC-22 as a result of methodological changes to the calculation of Short-Term Available Transfer

Capability and as a result of BPA's failure to adhere to its tariff, and consistently apply the "de minimis" Business Practices to all, long-term and short-term transmission requests and redirects.

4. BPA's Grid Modernization program allocates 65 percent of costs to Transmission customers in support of what BPA has described as non-economic benefits represented by a reduction in the need to curtail transmission schedules; conversely, BPA estimates that the program will result in over $30 million annually in new secondary revenues for power customers.

Transmission customers have proposed alternatives in the above proceedings that would more equitably distribute costs and benefits among customers. Rather than repeating those proposals here, NIPPC recommends that BPA use this occasion to convene a dialogue with Transmission customers to account for the cumulative effect of the above developments and explore ways to maintain the flexibility and competitiveness of BPA's transmission network.

IV. CONCLUSION

For the reasons stated herein, NIPPC respectfully requests that it be allowed to intervene in the BP-20E proceeding as a party and that BPA consider additional relief in subsequent proceedings as stated above.

DATED this 24th of June, 2020.

Respectfully submitted

<u>/s/ Spencer Gray</u>
Spencer Gray
Executive Director for NIPPC