

June 10, 2020

Submitted electronically to TechForum@bpa.gov

RE: BP-20E Expedited Rate Proposal

The Public Power Council (PPC) welcomes this opportunity to comment on the proposal to suspend implementation of the Financial Reserves Policy (FRP) Surcharge for the remainder of the BP-20 rate period presented at BPA's workshop of June 5, 2020. PPC is a trade association representing the interests of non-profit, consumer-owned utilities in the Pacific Northwest. PPC's diverse members have preference rights to purchase federal power at cost and represent over 90 percent of BPA's Tier 1 sales. All of PPC's members are also transmission customers. Overall, including power and transmission, Northwest public power pays for nearly 70 percent of the agency's costs.

PPC strongly supports BPA staff's BP-20E proposal in substance, scope, and procedure. In these unprecedented economic circumstances, BPA's public power customers need substantive financial rate relief. This can be most expeditiously achieved through a temporary suspension of the FRP Surcharge. This proposed action is not an abandonment of the underlying FRP or sound financial practices more generally. Rather, it is a targeted response to extraordinary economic circumstances created by the COVID-19 pandemic.

Because the FRP surcharge is a "risk adjustment" mechanism that floats on top of BPA's base power rates, its temporary suspension will not impact any of BPA's statutory ratemaking directives. Specifically, the targeted surcharge suspension will not materially affect BPA's overall cost recovery or financial condition. BPA is still forecast to have robust financial reserves heading into FY 2021. Foregoing the surcharge revenues as proposed will have no measurable impact on BPA's ability to meet its payment obligations to vendors and the U.S. Treasury.

The proposal is also equitable between power and transmission rates as the surcharge is suspended for both business lines. The reduction of approximately \$9 million in financial reserves will have no substantive effect on the probability of an RDC trigger for FY 2021. The expected value of this occurring based on BPA's first quarter forecasts was already extremely low. We expect the effect on the probability of a FY 2022 RDC will also be minimal, but regardless, that is an issue for the upcoming BP-22 rate proceeding. We hope that BPA may be able to provide additional analysis of this probability soon.

PPC also supports the very targeted scope of the proceeding. To the extent that there might be other proposals or ideas to provide rate relief to customers, those should be considered separately and not delay this effort. PPC believes that the proposed temporary suspension of the FRP Surcharge is uniquely situated and separable from other potential topics.

Public power utilities are already using every financial tool at their disposal to mitigate the economic impacts of COVID-19 in their communities, including the use of their own financial reserves. Given the low financial risk to BPA, the proposal presented by BPA staff is a prudent and justifiable response to the circumstances.

Finally, BPA staff's proposal to conduct an expedited 7(i) process to achieve temporary suspension of the surcharge meets the procedural requirements of the Northwest Power Act. Given the importance of this proposal for public power utilities, it is our sincere hope that BPA may proceed on the expedited, uncontested schedule as described at the workshop. PPC is ready to work with any parties to help resolve substantive concerns to achieve this outcome. This is not a time for gamesmanship or procedural maneuvers, given the economic toll this pandemic is having on Northwest communities and the consumer-owned utilities serving them. PPC appreciates the transmission customers who recognize this extraordinary economic toll and will not stand in the way of BPA offering the power customers some relief.

We thank BPA staff for their decisive, expedited and productive efforts to address customers' needs during these extraordinary times. Please do not hesitate to contact us with any questions regarding these comments or assistance we may provide to facilitate a successful outcome in this matter.