

June 7, 2018

RE: PPC Comments on BPA's Spill Surcharge Proposal

Thank you for this opportunity to comment on the Bonneville Power Administration's (BPA) preliminary Spill Surcharge proposal. While this Spill Surcharge is the result of yet another in the surging tide of costs undermining BPA's efforts towards cost-competitiveness, we appreciate the agency's best efforts in managing this issue. We recognize that this increased spill and the its costs are the product of a legal process outside of BPA's control that is ill-suited to produce environmental mitigation actions consistent with the best available science.

In listening to its customers, BPA chose to delay collection of these costs to scour budgets for offsets and to better understand the cost impacts of the operation in order to prevent a possible overcharge. Even though the direct surcharge impact to non-Slice rates has been reduced to \$10.2 million, the total cost to BPA and its preference power customers has been modeled at an average of \$38.6 million across all water conditions. This larger impact remains very serious. Without this cost, the agency could have otherwise applied the significant cost savings achieved towards reducing the chances of a future rate adjustment and toward working for a more cost-competitive future. It is also crucial to remember that these costs are incremental to the many billions of dollars already funded by citizens and ratepayers of the Northwest for salmon recovery.

The diligence of BPA staff in finding cost reductions and efficiencies in the Integrated Fish and Wildlife Program is appreciated. This effort should continue and additional reductions in the robust program found where appropriate. Further, as operations for fish reduce power production, BPA should manage the integrated program by reducing direct expenditures commensurate with operational costs. Tradeoffs between operations and direct program expenses are reasonable and illustrate that the consumers paying BPA's costs have a finite capacity for mitigation.

We also strongly encourage BPA to continue efforts in disciplined cost management in all areas of its business. Although the probability of a Cost Recovery Adjustment Clause (CRAC) trigger for FY 2019 is reduced from previous estimates, significant variability remains in the current fiscal year and diligence must be maintained. In the longer term, these spill costs emphasize the need for BPA to take proactive cost control measures where possible.

PPC appreciates the work of BPA staff in managing the impacts of a high-cost, court-ordered operation under difficult circumstances. Thank you for your consideration of these comments; we look forward to working closely together to create value for preference power customers and the consumers they serve at cost.