



DEPARTMENT OF ENERGY

Bonneville Power Administration

[BPA File No.: BP-22]

Fiscal Year (FY) 2022–2023 Proposed Power and Transmission Rate Adjustments

Public Hearing and Opportunities for Public Review and Comment

AGENCY: Bonneville Power Administration (Bonneville or BPA), Department of Energy (DOE).

ACTION: Notice of FY 2022–2023 proposed power and transmission rate adjustments.

SUMMARY: Bonneville is initiating a rate proceeding under the Northwest Power Planning and Conservation Act (Northwest Power Act) to establish power, transmission, and ancillary and control area services rates for the period from October 1, 2021, through September 30, 2023.

Bonneville has designated this proceeding Docket No. BP-22.

DATES:

Prehearing Conference: The BP-22 proceeding begins with a prehearing conference at 9:00 a.m. on Monday, December 7, 2020, which will be held telephonically. Interested parties may obtain the call-in information by accessing Bonneville’s BP-22 rate case webpage at www.bpa.gov/goto/BP22 or by contacting the Hearing Clerk at BP22clerk@gmail.com.

Intervention: Anyone intending to become a party to the BP-22 proceeding must file a petition to intervene on Bonneville’s secure website. Petitions to intervene may be filed beginning on the date of publication of this Notice and are due no later than 4:30 p.m. on Tuesday, December 8, 2020. Part III of this notice, “Public Participation in BP-22,” provides details on requesting access to the secure website and filing a petition to intervene.

ADDRESSES:

Participant Comments: Written comments by non-party participants must be received by March 1, 2021, to be considered in the Administrator’s Record of Decision (ROD). Part III of this

notice, “Public Participation in BP-22,” provides details on submitting participant comments.

FOR FURTHER INFORMATION CONTACT: Ms. Abigail Rhoads, DKE-7, BPA

Communications, Bonneville Power Administration, P.O. Box 3621, Portland, Oregon 97208; by phone toll-free at 1-800-622-4519; or by e-mail to *amhoward@bpa.gov*.

The Hearing Clerk for this proceeding can be reached via e-mail at *BP22clerk@gmail.com* or via telephone at (503) 960-8722.

Please direct questions regarding Bonneville’s secure website to the Hearing Coordinator via e-mail at *cwgriffen@bpa.gov* or, if the question is time-sensitive, via telephone at (503) 230-3107.

Responsible Officials: Mr. Daniel H. Fisher, Power Rates Manager, is the official responsible for the development of Bonneville’s power rates, and Ms. Rebecca E. Fredrickson, Manager of Transmission Rates, Tariff and Regulatory, is the official responsible for the development of Bonneville’s transmission, ancillary, and control area services rates.

SUPPLEMENTARY INFORMATION:

Table of Contents

Part I. Introduction and Procedural Matters

Part II. Scope of BP-22 Rate Proceeding

Part III. Public Participation in BP-22

Part IV. Summary of Rate Proposals

Part V. Proposed BP-22 Rate Schedules

Part I – Introduction and Procedural Matters

A. Introduction and Procedural Matters

The Northwest Power Act provides that Bonneville must establish, and periodically review and revise, its power and transmission rates so that they recover, in accordance with sound business principles, the costs associated with the acquisition, conservation, and transmission of electric power, including amortization of the Federal investment in the Federal

Columbia River Power System (FCRPS) over a reasonable number of years, and Bonneville's other costs and expenses. Section 7(i) of the Northwest Power Act requires that Bonneville's rates be established according to certain procedures, including publication in the *Federal Register* of a notice of the proposed rates; one or more hearings conducted as expeditiously as practicable by a Hearing Officer; opportunity for both oral presentation and written submission of views, data, questions, and arguments related to the proposed rates; and a decision by the Administrator based on the record. Bonneville is conducting the BP-22 proceeding to establish rates for FY 2022-2023.

Bonneville's Rules of Procedure will govern the BP-22 proceeding. The rules are posted on Bonneville's website at <https://www.bpa.gov/Finance/RateCases/RulesProcedure/Pages/default.aspx> and published in the *Federal Register*, 83 FR 39993 (Aug. 13, 2018).

B. Proposed Procedural Schedule

A proposed schedule for the BP-22 proceeding is provided below. The official schedule will be established by the Hearing Officer and may be amended by the Hearing Officer as needed during the proceeding.

Prehearing Conference	December 7, 2020
BPA Files Initial Proposal	December 7, 2020
Deadline for Petitions to Intervene	December 8, 2020
Clarification	December 18, 2020 January 6-7, 2021
Motions to Strike Due	January 15, 2021
Data Request Deadline	January 15, 2021
Answers to Motions to Strike Due	January 22, 2021
Data Response Deadline	January 22, 2021
Parties File Direct Cases	February 3, 2021
Clarification	February 9-10, 2021
Motions to Strike Due	February 16, 2021

Data Request Deadline	February 16, 2021
Answers to Motions to Strike Due	February 23, 2021
Data Response Deadline	February 23, 2021
Close of Participant Comments	March 1, 2021
Litigants File Rebuttal Cases	March 16, 2021
Clarification	March 22, 2021
Motions to Strike Due	March 26, 2021
Data Request Deadline	March 26, 2021
Answers to Motions to Strike Due	April 2, 2021
Data Response Deadline	April 2, 2021
Parties Give Notice of Intent to Cross-Examine	April 5, 2021
Cross-Examination	April 8-9, 2021
Initial Briefs Filed	April 27, 2021
Oral Argument	May 4, 2021
Draft ROD Issued	June 11, 2021
Briefs on Exceptions Filed	June 25, 2021
Final ROD and Final Studies Issued	July 28, 2021

C. *Ex Parte Communications*

Section 1010.5 of Bonneville’s Rules of Procedure prohibits *ex parte* communications. *Ex parte* communications include any oral or written communication (1) relevant to the merits of any issue in the proceeding; (2) that is not on the record; and (3) with respect to which reasonable prior notice has not been given. The *ex parte* rule applies to communications with all Bonneville and DOE employees and contractors, the Hearing Officer, and the Hearing Clerk during the proceeding. Except as provided, any communications with persons covered by the rule regarding the merits of any issue in the proceeding by other executive branch agencies, Congress, existing or potential Bonneville customers, nonprofit or public interest groups, or any

other non-DOE parties are prohibited. The rule explicitly excludes and does not prohibit communications (1) relating to matters of procedure; (2) otherwise authorized by law or the Rules of Procedure; (3) from or to the Federal Energy Regulatory Commission (Commission); (4) that all litigants agree may be made on an *ex parte* basis; (5) in the ordinary course of business, about information required to be exchanged under contracts, or in information responding to a Freedom of Information Act request; (6) between the Hearing Officer and Hearing Clerk; (7) in meetings for which prior notice has been given; or (8) as otherwise specified in Section 1010.5(b) of Bonneville’s Rules of Procedure. The *ex parte* rule remains in effect until the Administrator’s Final ROD is issued.

Part II – Scope of BP-22 Rate Proceeding

A. Joint Rate Proceeding

The BP-22 proceeding is a joint proceeding for the adoption of both power and transmission rates for FY 2022–2023. A summary of the proposal for Bonneville’s power and transmission rates is provided in Part IV of this notice.

B. 2020 Integrated Program Review

Bonneville began its 2020 Integrated Program Review (IPR) process in June 2020. The IPR process is designed to allow the public an opportunity to review and comment on Bonneville’s proposed expense and capital spending level estimates before the spending levels are used to set rates. On September 30, 2020, Bonneville issued the Final Close-Out Report for the IPR process, which establishes the expense and capital program level cost estimates that are used in the BP-22 Initial Proposal. At the discretion of the Administrator, Bonneville may hold additional processes to review these estimates outside of this rate proceeding.

C. Scope of the BP-22 Proceeding

This section provides guidance to the Hearing Officer regarding the scope of the rate proceeding and identifies specific issues that are outside the scope. In addition to the issues specifically listed below, any other issue that is not a ratemaking issue is outside the scope of this

proceeding.

Bonneville may revise the scope of the proceeding to include new issues that arise as a result of circumstances or events occurring outside the proceeding that are substantially related to the rates under consideration in the proceeding. *See* Rules of Procedure, Section 1010.4(b)(8)(iii), (iv). If Bonneville revises the scope of the proceeding to include new issues, Bonneville will provide public notice on its website, present testimony or other information regarding such issues, and provide a reasonable opportunity to intervene and respond to Bonneville's testimony or other information. *Id.*

1. Program Cost Estimates

Bonneville's projections of its program costs and spending levels are not determined in rate proceedings. These projections are determined by Bonneville in other forums, such as the IPR process described above, with input from stakeholders. In addition, Bonneville depreciates the capital spending on the Federal power and transmission system over the service lives of the associated assets. Transmission's depreciation is based on a depreciation study calculated consistent with industry standards. The service lives of power and transmission assets as well as the depreciation study and resulting depreciation rates are not determined in rate proceedings.

Pursuant to Section 1010.4(b)(8) of the Rules of Procedure, the Administrator directs the Hearing Officer to exclude from the record all argument, testimony, or other evidence that challenges the appropriateness or reasonableness of the Administrator's decisions on cost and spending levels, including decisions on the depreciation rates that are used to calculate depreciation expense. If any re-examination of spending levels is necessary, such re-examination will occur outside of the rate proceeding. The above exclusion does not extend to those portions of the revenue requirement related to the following: (1) interest rate forecasts, (2) interest expense and credit, (3) Treasury repayment schedules, (4) calculation of depreciation and amortization expense, (5) forecasts of system replacements used in repayment studies, (6) purchased power expenses, (7) transmission cost incurred by Power Services, (8) generation cost

incurred by Transmission Services, (9) minimum required net revenue, and (10) the costs of risk mitigation actions resulting from the expense and revenue uncertainties included in the risk analysis.

2. Federal and Non-Federal Debt Service and Debt Management

During the 2020 IPR process and in other forums, Bonneville provided the public with background information on Bonneville's internal Federal and non-Federal debt management policies and practices. While these policies and practices are not decided in the IPR process, these discussions were intended to inform interested parties about these matters so the parties would better understand Bonneville's debt structure. Bonneville's debt management policies and practices remain outside the scope of the rate proceeding.

Pursuant to Section 1010.4(b)(8) of the Rules of Procedure, the Administrator directs the Hearing Officer to exclude from the record all argument, testimony, or other evidence that seeks in any way to address the appropriateness or reasonableness of Bonneville's debt management policies and practices. This exclusion does not encompass how debt management actions are reflected in ratemaking.

3. Financial and Accounting Policies and Practices

Bonneville published its third Financial Plan in 2018, outlining objectives to help strengthen the agency's financial health and resiliency. The Financial Plan focused on four main areas: cost management; debt utilization; debt capacity; and liquidity. Since publishing the Plan, Bonneville has adopted certain financial policies to help further its financial objectives.

Bonneville's Financial Reserves Policy establishes lower and upper thresholds for agency and business line financial reserves and parameters for actions to be taken when financial reserves are above or below the thresholds. Bonneville's Leverage Policy provides guidance on managing the agency's and business lines' debt-to-asset ratios and establishes near-term, mid-term, and long-term targets for agency and business line ratios. The terms of Bonneville's Financial Plan and Policies, along with Bonneville's internal financial and accounting policies

and practices, are outside the scope of the BP-22 proceeding.

Pursuant to Section 1010.4(b)(8) of the Rules of Procedure, the Administrator directs the Hearing Officer to exclude from the record all argument, testimony, or other evidence that seeks in any way to visit or revisit the terms of Bonneville's Financial Plan, Financial Reserves Policy, Leverage Policy, internal financial and accounting policies and practices, and previous decisions regarding the adoption and implementation of the Financial Plan and Policies in the BP-18 ROD, the Financial Reserves Policy Phase-In ROD, the Leverage Policy ROD, and the BP-20E ROD.

4. Tiered Rate Methodology (TRM)

The TRM restricts Bonneville and its customers with Contract High Water Mark (CHWM) contracts from proposing changes to the TRM's ratemaking guidelines unless certain procedures have been successfully concluded. No proposed changes have been subjected to the required procedures.

Pursuant to Section 1010.4(b)(8) of the Rules of Procedure, the Administrator directs the Hearing Officer to exclude from the record all argument, testimony, or other evidence that seeks in any way to propose revisions to the TRM made by Bonneville, customers with CHWM contracts, or their representatives. This exclusion does not extend to a party or customer that does not have a CHWM contract.

5. Rate Period High Water Mark (RHWM) Process

The RHWM Process preceded the start of the BP-22 proceeding. In that process, as directed by the TRM, Bonneville established FY 2022–2023 RHWMs for Public customers that signed contracts for firm requirements power service providing for tiered rates, referred to as CHWM contracts. Bonneville established the maximum planned amount of power a customer is eligible to purchase at Tier 1 rates during the rate period, the Above-RHWM Loads for each customer, the System Shaped Load for each customer, the Tier 1 System Firm Critical Output, RHWM Augmentation, the Rate Period Tier 1 System Capability (RT1SC), and the monthly/diurnal shape of RT1SC. The RHWM Process provided customers an opportunity to

review, comment on, and challenge Bonneville’s RHWB determinations.

Pursuant to Section 1010.4(b)(8) of the Rules of Procedure, the Administrator directs the Hearing Officer to exclude from the record all argument, testimony, or other evidence that seeks in any way to visit or revisit Bonneville’s determination of a customer’s FY 2022–2023 RHWB or other RHWB Process determinations.

6. 2008 Average System Cost Methodology (2008 ASCM) and Average System Cost Determinations

Section 5(c) of the Northwest Power Act established the Residential Exchange Program, which provides benefits to residential and farm consumers of Pacific Northwest utilities based, in part, on a utility’s “average system cost” (ASC) of resources. The 2008 ASCM is not subject to challenge or review in a Section 7(i) proceeding. Determinations of the ASCs of participating utilities are made in separate processes conducted pursuant to the ASCM. Those processes began with ASC filings on July 1, 2020, and are continuing through July 2021.

Pursuant to Section 1010.4(b)(8) of the Rules of Procedure, the Administrator directs the Hearing Officer to exclude from the record all argument, testimony, or other evidence that seeks in any way to visit or revisit the appropriateness or reasonableness of the 2008 ASCM or of any of the ongoing ASC determinations.

7. 2012 Residential Exchange Program Settlement Agreement (2012 REP Settlement)

On July 26, 2011, the Administrator executed the 2012 REP Settlement, which resolved longstanding litigation over Bonneville’s implementation of the Residential Exchange Program (REP) under Section 5(c) of the Northwest Power Act, 16 U.S.C. 839c(c). The Administrator’s findings regarding the legal, factual, and policy challenges to the 2012 REP Settlement are explained in the REP-12 Record of Decision (REP-12 ROD). The Administrator’s decisions regarding the 2012 REP Settlement and REP-12 ROD were upheld by the U.S. Court of Appeals for the Ninth Circuit in *Association of Public Agency Customers v. Bonneville Power*

Administration, 733 F.3d 939 (9th Cir. 2013). Challenges to Bonneville's decision to adopt the 2012 REP Settlement and implement its terms in Bonneville's rate proceedings are not within the scope of this proceeding.

Pursuant to Section 1010.4(b)(8) of the Rules of Procedure, the Administrator directs the Hearing Officer to exclude from the record all argument, testimony, or other evidence that seeks in any way to visit or revisit in this rate proceeding Bonneville's determination to adopt the 2012 REP Settlement or its terms.

8. Service to the Direct Service Industries (DSIs)

Pursuant to Section 1010.4(b)(8) of the Rules of Procedure, the Administrator directs the Hearing Officer to exclude from the record all argument, testimony, or other evidence that seeks in any way to revisit the appropriateness or reasonableness of Bonneville's decisions regarding service to the DSIs, including Bonneville's decision to offer contracts to the DSIs and the method, level of service, or other terms embodied in the existing DSI contracts.

9. Operation and Maintenance of the Power and Transmission Systems

Bonneville, in coordination with other Federal entities, operates and maintains the Federal Columbia River power and transmission systems in accordance with good utility practice and with applicable reliability standards and operating requirements. Bonneville's power and transmission systems operation and maintenance practices and protocols, such as dispatcher standing orders, operating instructions, reliability of the system, compliance programs, and other operating requirements, are non-rate matters.

Pursuant to Section 1010.4(b)(8) of the Rules of Procedure, the Administrator directs the Hearing Officer to exclude from the record all argument, testimony, or other evidence that seeks in any way to address issues regarding operation and maintenance practices and protocols.

10. Terms and Conditions of Transmission Service

Bonneville offers and provides transmission services, including interconnection service, and ancillary and control area services in accordance with the terms and conditions specified in

its open access transmission tariff (Tariff), business practices, and applicable contracts. In addition to and concurrent with this rate proceeding, Bonneville is initiating the TC-22 proceeding to modify the Tariff terms and conditions. Bonneville's business practices provide implementation details for the Tariff. Bonneville's decisions regarding the business practices are determined in other forums and follow the procedures in Bonneville's Business Practice Process posted on its website. The Tariff terms and conditions, business practices, and the contracts and contract disputes between Bonneville and its customers are outside the scope of the BP-22 rate proceeding.

Pursuant to Section 1010.4(b)(8) of the Rules of Procedure, the Administrator directs the Hearing Officer to exclude from the record all argument, testimony, or other evidence that seeks in any way to address issues regarding terms and conditions of transmission service, including interconnection service, and ancillary and control area services. This includes, but is not limited to, argument, testimony, or other evidence regarding Bonneville's decisions whether to offer particular transmission services, the terms and conditions for participating in the EIM, the procedures and standards for modifications to Bonneville's Tariff or business practices, and whether to include certain terms and conditions in the Tariff or in business practices.

11. Oversupply Management Protocol

The proposed OS-22 Oversupply rate is a formula rate designed to recover Bonneville's oversupply costs. Bonneville incurs oversupply costs pursuant to the Oversupply Management Protocol, Attachment P of Bonneville's Tariff. Under the proposed formula rate, Bonneville would recover actual costs incurred during the BP-22 rate period rather than forecast costs.

Pursuant to Section 1010.4(b)(8) of the Rules of Procedure, the Administrator directs the Hearing Officer to exclude from the record all argument, testimony, or other evidence that seeks in any way to address the terms of the Oversupply Management Protocol; whether the Oversupply Management Protocol complies with orders of the Commission; and whether Bonneville took all actions to avoid using the Oversupply Management Protocol, including the

payment of negative prices to generators outside of Bonneville's balancing authority area. This exclusion does not extend to issues concerning the rates for recovering the costs of the Oversupply Management Protocol.

12. Energy Imbalance Market Policy Decisions

Since 2018, Bonneville has been exploring whether to join the Western Energy Imbalance Market (EIM). The EIM is an extension of the California Independent System Operator's (CAISO) real-time market. It economically dispatches resources that elect to participate in the EIM to solve for the energy imbalance of participating Balancing Authority Areas (BAAs), consistent with transmission and system constraints. Following an extensive public process, on September 26, 2019, Bonneville issued the Energy Imbalance Market Policy Administrator's Record of Decision, in which the Administrator made a number of policy decisions related to Bonneville's potential participation in the EIM. Later, on October 30, 2020 following another public process, Bonneville issued a follow-on decision document, the EIM Phase III Final Decision Document, addressing other policy issues related to Bonneville's potential EIM participation. Further, Bonneville will make its final decision on whether to join the EIM in a separate process that is expected to begin following completion of this case. None of these decisions are within the scope of the BP-22 proceeding.

Pursuant to Section 1010.4(b)(8) of the Rules of Procedure, the Administrator directs the Hearing Officer to exclude from the record all argument, testimony, or other evidence that seeks in any way to raise or revisit the issues or decisions addressed in the Energy Imbalance Market Policy Administrator's Record of Decision or Phase III EIM Decision Document. In addition, the Administrator directs the Hearing Officer to exclude from the record all argument, testimony, or other evidence that seeks to address whether Bonneville should join the EIM. This exclusion does not extend to issues concerning the recovery or distribution of EIM-related costs or credits, which are within the scope of the BP-22 proceeding.

13. Potential Environmental Impacts, Biological Constraints, and Related Operations

Environmental impacts are addressed in a National Environmental Policy Act (NEPA) process Bonneville conducts concurrent with the rate proceeding. *See* Section II.D of this notice. In addition, biological constraints on hydropower operations are determined outside of the rate case through intra-agency consultations under the Endangered Species Act, 16 U.S.C.1536(a)(2). Finally, implementation of the decision regarding operations, maintenance and configuration of the Columbia River System evaluated in the Columbia River System Operations Environmental Impact Statement (CRSO EIS) and associated joint Record of Decision with the U.S. Army Corps of Engineers and Bureau of Reclamation are also not issues to be addressed in this proceeding.

Pursuant to Section 1010.4(a)(8) of Bonneville's Procedures, the Administrator directs the Hearing Officer to exclude from the record all argument, testimony, or other evidence that seeks in any way to address the potential environmental impacts of the rates being developed in this rate proceeding, potential biological effects of operations modeled in the proceeding, the appropriate hydroelectric constraints defined in these environmental compliance processes, or the operations, maintenance, and configuration, assumptions, studies, decisions, or matters addressed in the CRSO EIS or CRSO EIS joint Record of Decision.

D. *The National Environmental Policy Act*

Bonneville is in the process of assessing the potential environmental effects of its proposed power and transmission rate adjustments, consistent with NEPA. The NEPA process is conducted separately from the rate proceeding. As discussed above, all evidence and argument addressing potential environmental impacts of the rate adjustments being developed in the BP-22 rate proceeding are excluded from the rate proceeding record. Instead, comments on environmental effects should be directed to the NEPA process.

Based on its most current assessment of the proposed power and transmission rate adjustments, Bonneville believes this proposal may be the type of action typically excluded from further NEPA review pursuant to U.S. Department of Energy NEPA regulations, which apply to

Bonneville. More specifically, the proposal appears to solely involve changes to Bonneville's rates and other cost recovery and management mechanisms to ensure that there are sufficient revenues to meet Bonneville's financial obligations and other costs and expenses, while using existing generation sources operating within normal limits. As such, it appears this rate proposal falls within Categorical Exclusion B4.3, found at 10 CFR part 1021, subpart D, app. B4.3 (2015), which provides for the categorical exclusion from further NEPA review of "[r]ate changes for electric power, power transmission, and other products or services provided by a Power Marketing Administration that are based on a change in revenue requirements if the operations of generation projects would remain within normal operating limits."

Nonetheless, Bonneville is still assessing the proposal, and, depending upon the ongoing environmental review, Bonneville may instead issue another appropriate NEPA document. Comments regarding the potential environmental effects of the proposal may be submitted to Katey Grange, NEPA Compliance Officer, EC-4, Bonneville Power Administration, 905 NE 11th Avenue, Portland, Oregon 97232, and to kcgrange@bpa.gov. Any such comments received by the comment deadline for Participant Comments identified in Section III.A of this notice will be considered by Bonneville's NEPA compliance staff in the NEPA process that is being conducted for this proposal.

Part III – Public Participation in BP-22

A. Distinguishing Between "Participants" and "Parties"

Bonneville distinguishes between "participants in" and "parties to" the BP-22 proceeding. Separate from the formal hearing process, Bonneville will receive written comments, views, opinions, and information from participants who may submit comments without being subject to the duties of, or having the privileges of, parties. Participants are not entitled to participate in the prehearing conference; may not cross-examine parties' witnesses, seek discovery, or serve or be served with documents; and are not subject to the same procedural requirements as parties. Bonneville customers whose rates are subject to this proceeding, or their

affiliated customer groups, may not submit participant comments. Members or employees of organizations that have intervened in the proceeding may submit participant comments as private individuals (that is, not speaking for their organizations) but may not use the comment procedures to address specific issues raised by their intervener organizations.

Written comments by participants will be included in the record and considered by the Administrator if they are received by March 1, 2021. Participants should submit comments through Bonneville's website at www.bpa.gov/comment or by hard copy to: BPA Public Involvement, DKE-7, Bonneville Power Administration, P.O. Box 3621, Portland, Oregon 97208. All comments should contain the designation "BP-22" in the subject line.

B. Interventions

Any entity or person intending to become a party in the BP-22 proceeding must file a petition to intervene through Bonneville's secure website (<https://www.bpa.gov/secure/Ratecase/>). A first-time user of Bonneville's secure website must create a user account to submit an intervention. Returning users may request access to the BP-22 proceeding through their existing accounts, and may submit interventions once their permissions have been updated. The secure website contains a link to the user guide, which provides step-by-step instructions for creating user accounts, generating filing numbers, submitting filings, and uploading interventions. Please contact the Hearing Coordinator via e-mail at cwgriffen@bpa.gov or, if the question is time-sensitive, via telephone at (503) 230-3107 with any questions regarding the submission process. A petition to intervene must conform to the format and content requirements set forth in Bonneville's Rules of Procedure Sections 1010.6 and 1010.11 and must be uploaded to the BP-22 proceeding secure website by the deadline established in the procedural schedule.

A petition to intervene must state the name and address of the entity or person requesting party status and the entity or person's interest in the hearing. Bonneville customers and affiliated customer groups will be granted intervention based on petitions filed in conformance with the

Rules of Procedure. Other petitioners must explain their interests in sufficient detail to permit the Hearing Officer to determine whether the petitioners have a relevant interest in the hearing. The deadline for opposing a timely intervention is two business days after the deadline for filing petitions to intervene. Bonneville or any party may oppose a petition for intervention. All petitions will be ruled on by the Hearing Officer. Late interventions are strongly disfavored. Opposition to an untimely petition to intervene must be filed within two business days after service of the petition.

C. Developing the Record

The hearing record will include, among other things, the transcripts of the hearing, written evidence and argument entered into the record by Bonneville and the parties, written comments from participants, and other material accepted into the record by the Hearing Officer. The Hearing Officer will review and certify the record to the Administrator for final decision.

The Administrator will develop final rates based on the record and such other materials and information as may have been submitted to or developed by the Administrator. The Final ROD will be made available to all parties. Bonneville will file its rates with the Commission for confirmation and approval after issuance of the Final ROD.

Part IV – Summary of Rate Proposals

A. Rate Proposals Affecting Power and Transmission Rates

Bonneville will be introducing a number of rate proposals that will affect power and transmission rates for the BP-22 rate period.

1. Energy Imbalance Market (EIM) Rate Proposals

Since 2018, Bonneville has been exploring whether to join the Western Energy Imbalance Market (EIM), which is an extension of the California Independent System Operator's (CAISO) real-time market. Currently, six regional BAAs have joined the EIM. The EIM is operated by the CAISO, which uses market software to economically dispatch participating generation resources to balance supply, transfers between balancing authority areas

(interchange), and load across the market's footprint, while also simultaneously ensuring generation and transmission limitations are respected. For balancing authorities in the EIM (EIM Entities), the EIM replaces the Energy Imbalance and Generator Imbalance services under the EIM Entities' respective Open Access Transmission Tariffs. In September of 2019, following an extensive public process, Bonneville issued the Energy Imbalance Market Policy Administrator's Record of Decision, in which the Administrator made a number of policy decisions related to Bonneville's potential participation in the EIM and signed an EIM Implementation Agreement – a first step to joining the EIM. In that ROD, Bonneville explained its intent to continue through the EIM evaluation process, with the expectation that a final decision on EIM participation would be made in 2021 after the completion of BP-22 rate case. If Bonneville decides to join the EIM, actual participation is projected to begin in March of 2022. To position Bonneville to join the EIM by March 2022, Bonneville must set its rates for the BP-22 rate period to recover or distribute EIM-related costs and credits. Thus, a major portion of the BP-22 rate case will be dedicated to developing the cost allocations, methodologies, and rate schedule language necessary to facilitate potential Bonneville participation in the EIM in 2022.

2. Compensation for Real Power Losses

Bonneville provides two loss settlement methods for customers wheeling non-Federal resources over the Federal transmission system. Customers may opt to return losses 168 hours (one week) after the original wheeling transaction (“in-kind loss returns”), or may purchase the losses from Bonneville (“financial settlement”). Bonneville has identified and calculated a capacity cost associated with each method and is proposing charges applicable to wheeling customers to recover capacity costs. For in-kind loss returns, the proposed capacity charge is included in the transmission rate schedules. For financial settlements, the proposed power rate for purchasing losses from Bonneville includes an energy charge and a capacity charge. In addition, the transmission rate schedules include a proposed penalty rate designed to incent accurate and timely return of in-kind loss return obligations.

3. Revenue Financing

Bonneville is proposing to include the cost of revenue financing in power rates to provide longer-term benefits to power customers. The amount of revenue financing included in power rates would be set at a level that would keep the PF Tier 1 Rate flat relative to the BP-20 rates – a zero percent base rate increase. For the Initial Proposal, Bonneville is proposing to include an average of \$95 million per year in revenue financing for capital projects.

For Transmission Rates, Bonneville's Initial Proposal includes an average of \$45 million per year in revenue financing to help address the financial impacts from the increasing amount of debt outstanding from funding transmission capital projects.

B. Summary of the Power Rate Proposal

Bonneville is proposing four primary rates for Federal power sales and services, along with general rate schedule provisions to implement such rates.

1. Priority Firm Power Rate (PF-22)

The PF rate schedule applies to sales of firm power to public body, cooperative, and Federal agency customers to meet their requirements pursuant to Section 5(b) of the Northwest Power Act. The PF Public rate applies to the sale of Firm Requirements Power under CHWM contracts with customers taking Load Following, Block, or Slice/Block service. Consistent with the TRM, Tier 1 rates include three charges: (1) customer charges, (2) a demand charge, and (3) a load shaping charge. In addition, two Tier 2 Short-Term rates are proposed, the Short-Term and Load Growth rates. These rates would be applicable to customers that have elected to purchase power from Bonneville for service to their Above-RHWM Load.

Because very few of Bonneville's customers are subject to exactly the same mix of PF rate components, Bonneville has developed a PF rate measure for an average customer purchasing at PF Tier 1 rates. This quantification, the Tier 1 Average Net Cost, is \$35.81/MWh for the PF-22 rate, resulting in no change from the PF-20 rate.

The Base PF Exchange rate and its associated surcharges apply to sales pursuant to

Residential Purchase and Sale Agreements and Residential Exchange Program Settlement Implementation Agreements with regional utilities that participate in the REP established under Section 5(c) of the Northwest Power Act, 16 U.S.C. 839c(c). The Base PF Exchange rate establishes the threshold for participation in the REP; only utilities with ASCs above the appropriate Base PF Exchange rate may receive REP benefits. If a utility meets the threshold, a utility-specific PF Exchange rate will be established in this proceeding for each eligible utility. The utility-specific PF Exchange rate is used in calculating the REP benefits each REP participant will receive during FY 2022–2023.

The proposed PF-22 rate schedule also includes resource support services rates for customers with non-Federal resources, and a melded PF rate for Public customers that have elected power sales contracts other than CHWM contracts for firm requirements service.

2. New Resource Firm Power Rate (NR-22)

The NR-22 rate applies to firm power sales to investor-owned utilities (IOUs) to meet their net requirements pursuant to Section 5(b) of the Northwest Power Act. The NR-22 rate is also applied to sales of firm power to Public customers when this power is used to serve new large single loads. In addition, the NR rate schedule includes rates for services to support Public customers serving new large single loads with non-Federal resources. In the BP-22 Initial Proposal, Bonneville is forecasting no sales at the NR rate. The average NR-22 rate in the Initial Proposal is \$77.48/MWh, a decrease of 2.8 percent from the NR-20 rate.

3. Industrial Firm Power Rate (IP-22)

The IP rate is applicable to firm power sales to DSI customers authorized by Section 5(d)(1)(A) of the Northwest Power Act, 16 U.S.C. 839c(d)(1)(A). The average IP-22 rate in the Initial Proposal is \$41.36/MWh, an increase of 0.9 percent compared to the IP-20 rate.

4. Firm Power and Surplus Products and Services Rate (FPS-22)

The FPS rate schedule is applicable to sales of various surplus power products and surplus transmission capacity for use inside and outside the Pacific Northwest. The rates for

these products are negotiated between Bonneville and the purchasers. The FPS-22 rate schedule also includes rates for customers with non-Federal resources; the Unanticipated Load Service rate; rates for other capacity, energy, and scheduling products and services; and rates for reserve services for use outside the Bonneville balancing authority area. Bonneville is proposing a new FPS rate for customers that elect financial settlement of real power losses that includes an energy charge based on a market index and a capacity charge.

5. Power General Rate Schedule Provisions (GRSPs)

The Power GRSPs include general rate schedule terms and conditions applicable to Bonneville's power rates. In addition, the Power GRSPs contain special rate adjustments, charges, credits, and pass-through mechanisms for specific events and customer circumstances. Among other matters covered by the Power GRSPs are provisions related to calculating rates, resource support services, charges associated with transfer service, risk adjustments, Slice True-up, the Residential Exchange Program, conservation, payment options, and other charges.

C. Summary of Transmission Rates

Bonneville is proposing an overall 11.6 percent weighted average increase in transmission rates for the two-year rate period, or 5.8 percent on an average annual basis. Bonneville is proposing separate transmission rates for its Network segment, intertie segments, ancillary and control area services, and for various specific purposes.

1. Network Rates

Network Integration Transmission Rate (NT-22) – The NT-22 rate applies to customers taking network integration service, which allows customers to flexibly serve retail load.

Point-to-Point Rate (PTP-22) – The PTP-22 rate is a contract demand rate that applies to customers taking Point-to-Point service on Bonneville's network. Point-to-Point service provides customers with service from identified points of receipt to identified points of delivery. There are separate rates for long-term firm service, and various increments of firm and non-firm short-term service.

Formula Power Transmission Rate (FPT-22) – The FPT-22 rate is based on the cost of using specific types of facilities, including a distance component for the use of transmission lines, and is charged on a contract demand basis.

2. Intertie Rates

The Southern Intertie Rate (IS-22) is a contract demand rate that applies to customers taking Point-to-Point service on the Southern Intertie.

The Montana Intertie Rate (IM-22) applies to customers taking Point-to-Point service on the Eastern Intertie and that are not parties to the Montana Intertie Agreement.

The Townsend-Garrison Transmission Rate (TGT-22) applies to parties to the Montana Intertie Agreement taking firm service over Bonneville's section of the Montana Intertie.

The Eastern Intertie Rate (IE-22) applies to parties to the Montana Intertie Agreement taking non-firm service on the portion of the Eastern Intertie capacity that exceeds Bonneville's firm transmission rights.

3. Other Transmission Rates and General Rate Schedule Provisions

The Use-of-Facilities Rate (UFT-22) establishes a formula rate for the use of a specific facility based on the annual cost of that facility.

The Advance Funding Rate (AF-22) allows Bonneville to collect the capital and related costs of specific facilities through an advance-funding mechanism.

The Regional Compliance Enforcement and Regional Coordinator rate (RC-22) recovers costs assessed to Bonneville for regional reliability compliance monitoring, enforcement, and reliability coordination services.

The Oversupply Rate (OS-22) recovers the costs Bonneville incurs to displace generation under the Oversupply Management Protocol, Attachment P to Bonneville's Tariff.

Other proposed transmission rates and charges include: a Utility Delivery Charge for the use of low-voltage delivery substations; a Reservation Fee for customers that postpone the service commencement date of transmission service; incremental cost rates for transmission

service requests that require new facilities; a penalty charge for failure to comply with dispatch, curtailment, redispatch, or load shedding orders; an Unauthorized Increase Charge for use of the transmission system in excess of contracted-for demand; and rate adjustment mechanisms consistent with Bonneville's Financial Policies.

Bonneville's proposed transmission rates for BP-22 include two new charges associated with real power loss returns. First, Bonneville is proposing a charge to recover capacity costs associated with in-kind loss returns. The charge will apply to customers that opt for this settlement method. In addition, the Financial for Inaccuracy penalty charge is proposed to incent accurate and timely return of in-kind loss return obligations.

4. Ancillary Service and Control Area Service Rates

The BP-22 Transmission Rates Proposal includes rates for Bonneville's Ancillary and Control Area Services, along with certain updates to those rates and new rates that would be necessary if Bonneville joins the EIM. A description of the new rates and changes to existing rates is included below.

1. Energy Imbalance Market Services and Rates

Bonneville proposes to adopt a series of new rates to position the agency to recover its costs, or distribute credits, if Bonneville joins the EIM beginning in March of 2022. The new rate schedules include the following:

Schedule 4E (Energy Imbalance) and Schedule 9E (Generator Imbalance). Schedule 4E will replace the current Schedule 4 (Energy Imbalance) and Schedule 9E will replace the current Schedule 9 (Generator Imbalance) when Bonneville is in the EIM. Both schedules 4E and 9E contain new terms to enable Bonneville to recover its costs or distribute credits from the EIM to loads and resources located in the Bonneville BAA.

Interchange and Intrachange Imbalance Charges. Interchange and Intrachange imbalance charges are new charges Bonneville is proposing to recover costs and credits associated with EIM participation. Interchange Imbalance Charges assess charges or pays credits resulting from

interchange schedules that create imbalance in the EIM. Intrachange imbalance is an optional imbalance settlement that transmission customers may elect to use to align EIM costs and credits for loads and resources located within the Bonneville BAA.

Under and Over Scheduling Penalties or Proceeds. As a participant in the EIM, Bonneville may be assessed under or over scheduling penalties or payments. The Under-Schedule or Over Scheduling Penalty or Proceeds rate schedule describes how Bonneville intends to recover the costs or payout the proceeds from these penalties.

EIM Neutrality and Uplift Charges and Credits. Costs and credits not otherwise distributed by the EIM through application of the foregoing charges or credits are distributed by the CAISO to EIM Entities as neutrality and uplift costs. Bonneville will recover these costs or distribute the credits from neutrality and uplifts from the CAISO to transmission customers through new rate scheduling provisions.

2. Other Changes to Ancillary and Control Area Service Rates

Bonneville is proposing changes to the Variable Energy Resource Balancing Service (VERBS), Intentional Deviation, and Persistent Deviation rates to put in place provisions that account for a potential decision by Bonneville to join to EIM. In order to operate in the EIM, Bonneville would have to change the way it calculates balancing reserve capacity from three components (regulating, following, and imbalance) to two (regulating and non-regulating). In addition, Bonneville would be unable to offer the scheduling elections for Variable Energy Resources that it currently does, as the EIM scheduling timelines make the scheduling elections unworkable. Bonneville is proposing to update the VERBS and Intentional Deviation rates to reflect these differences.

Bonneville is also proposing changes to the Persistent Deviation rate. First, Bonneville is proposing to include the Persistent Deviation rate in a separate section of the General Rate Schedule Provisions rather than a specific provision in each of the Energy Imbalance and Generation Imbalance rate schedules. Second, Bonneville is proposing certain changes to

account for the potential to join the EIM, such as extending certain timing requirements for when Persistent Deviation applies and only assessing Persistent Deviation to the portion of imbalance that affects Bonneville's operations.

D. Risk Mitigation Tools

Bonneville is proposing three rate adjustment mechanisms for BP-22 power and transmission rates, primarily to buffer against poor financial performance over the rate period and protect the agency's solvency and strong credit rating. These mechanisms implement Bonneville's Financial Reserves Policy and provide for adjustments to a business line's rates or other action in the event the business line's financial reserves for risk (Financial Reserves) fall below or exceed certain thresholds.

The Cost Recovery Adjustment Clause (CRAC) will adjust rates upward to generate additional revenue within the rate period if business line Financial Reserves fall below a defined lower threshold.

The Financial Reserves Policy Surcharge (FRP Surcharge) will also adjust rates upward to generate additional revenue within the rate period if business line Financial Reserves fall below a defined lower threshold. Bonneville is proposing to reinstate the FRP Surcharge following the suspension of the mechanism in the BP-20E proceeding and to increase the maximum Power FRP Surcharge from \$30 million to \$40 million per year, consistent with Bonneville's previous decisions regarding the phase-in of the Financial Reserves Policy.

Finally, the Reserves Distribution Clause (RDC) will trigger if Financial Reserves exceed upper thresholds for the business line and the agency as a whole. If the RDC triggers, Bonneville will consider the amount of Financial Reserves above the threshold for rate relief or investment in high-value, business line-specific purposes such as debt retirement.

For each of the three rate adjustment mechanisms, Bonneville proposes to change the trigger metric for BP-22 from a calculation of Accumulated Calibrated Net Revenue to Reserves for Risk. In addition, Bonneville is proposing modifications to the CRAC and FRP Surcharge

for both Power and Transmission rates to account for the revenue financing proposals discussed in Section IV.A.3.

Part V – Proposed BP-22 Power Rate Schedules and BP-22 Transmission Rates Schedules

Bonneville’s proposed BP-22 Power Rate Schedules and BP-22 Transmission Rate Schedules, which includes Transmission, Ancillary, and Control Area Services Rate Schedules, are a part of this notice and are available for viewing and downloading on Bonneville’s website at www.bpa.gov/goto/BP22.

Signing Authority

This document of the Department of Energy was signed on November 19, 2020, by John L. Hairston, Acting Administrator and Chief Executive Officer of the Bonneville Power Administration, pursuant to delegated authority from the Secretary of Energy. That document with the original signature and date is maintained by DOE. For administrative purposes only, and in compliance with requirements of the Office of the Federal Register, the undersigned DOE Federal Register Liaison Officer has been authorized to sign and submit the document in electronic format for publication, as an official document of the Department of Energy. This administrative process in no way alters the legal effect of this document upon publication in the *Federal Register*.

Signed in Washington, DC, on November 19, 2020.

Treana V. Garrett,
Federal Register Liaison Officer,
U.S. Department of Energy.

[FR Doc. 2020-26016 Filed: 11/30/2020 8:45 am; Publication Date: 12/1/2020]