

Signed on the 21st day of November, 2018.

Elliot E. Mainzer,

Administrator and Chief Executive Officer.

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DEPARTMENT OF ENERGY

Bonneville Power Administration

[BPA File No.: BP-20]

Fiscal Year (FY) 2020–2021 Proposed Power and Transmission Rate Adjustments Public Hearing and Opportunities for Public Review and Comment

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

ACTION: Notice of FY 2020–2021 proposed power and transmission rate adjustments.

SUMMARY: Bonneville is holding a proceeding pursuant to Section 7(i) of the Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act) to establish power and transmission rates for FY 2020–2021. Bonneville has designated this proceeding Docket No. BP-20. 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. For transmission rates only, the Northwest Power Act requires that the costs of the Federal transmission system be equitably allocated between Federal and non-Federal power utilizing the system. The Northwest Power Act requires that Bonneville's rates be established based on the record of a formal hearing. By this notice, Bonneville announces the commencement of a power and transmission rate adjustment proceeding for power, transmission, and ancillary and control area services rates to be effective on October 1, 2019.

DATES: *Prehearing Conference:* The BP-20 proceeding begins with a prehearing conference at 9:00 a.m. on Friday, December 7, 2018, in the Bonneville Rates Hearing Room, 1201 NE Lloyd Boulevard, Suite 200, Portland, Oregon 97232.

Intervention: Anyone intending to become a party to the BP-20 proceeding must file a petition to intervene on Bonneville's secure website no later than 4:30 p.m. on Tuesday, December 11, 2018. See Part III in **SUPPLEMENTARY INFORMATION** for 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, 2019, to be considered in the Administrator's Record of Decision (ROD). See Part III in **SUPPLEMENTARY INFORMATION** for details on submitting participant comments.

FOR FURTHER INFORMATION CONTACT: Ms. Heidi Helwig, 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 email to hyhelwig@bpa.gov.

The Hearing Clerk for this proceeding can be reached via email at BP-20clerk@martenlaw.com or via telephone at (503) 243-2200.

Please direct questions regarding Bonneville's secure website to the BP-20 Rate Hearing Coordinator via email at BP-20RateHearingCoordinator@bpa.gov or, if the question is time-sensitive, via telephone at (503) 230-3102.

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, Transmission Rates Manager, is the official responsible for the development of Bonneville's transmission, ancillary, and control area services rates.

SUPPLEMENTARY INFORMATION:

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Part I—Introduction and Procedural Matters

A. Introduction and Procedural Matters

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 has revised the Rules of Procedure that govern its rate proceedings. In a public process that concluded earlier this year, Bonneville updated and revised the version of the rules that had applied in Bonneville proceedings since 1986. The revised rules, which took effect September 12, 2018, will apply in the BP-20 proceeding. Bonneville has published the revised Rules of Procedure in the **Federal Register**, 83 FR 39993 (Aug. 13, 2018), and posted the rules on its website at <https://www.bpa.gov/Finance/RateCases/RulesProcedure/Pages/.aspx>.

B. Proposed Settlement of Rates for Transmission, Ancillary, and Control Area Services

Since early October, Bonneville has engaged customers with long-term transmission service to attempt to reach agreement on the transmission rates, including ancillary and control area services rates, for the FY 2020–2021 rate period. These discussions have resulted in the BP-20 Partial Rates Settlement Agreement that Bonneville is proposing to adopt in the BP-20 proceeding. This Partial Rates Settlement, which includes transmission, ancillary, and control area services rate schedules, is provided in Part V of this notice. The settlement does not address power rates or risk mitigation adjustment mechanisms.

Bonneville's agreement to the BP-20 Partial Rates Settlement is subject to certain contingencies. First, the partial settlement is contingent on customers with long-term transmission service entering into a separate settlement agreement with Bonneville regarding the terms and conditions of transmission service. That settlement agreement will be addressed in a separate proceeding that Bonneville will conduct under section 212(i)(2)(A) of the Federal Power Act ("TC-20 Proceeding"). If the settlement of the TC-20 proceeding does not move forward, the BP-20 Partial Rates Settlement will be void.

Second, the BP-20 Partial Rates Settlement calls for Bonneville to file a motion with the BP-20 Hearing Officer to establish a deadline for parties to either object to the proposed settlement or waive the right to contest the settlement. Bonneville intends to file its motion soon after the BP-20 prehearing conference. If the settlement of the TC-20 proceeding continues to move forward, and no party objects to the BP-20 Partial Rates Settlement, Bonneville staff will recommend that the Administrator adopt the Partial Rates Settlement. Under those circumstances, Bonneville anticipates that the

Administrator would adopt the BP–20 Partial Rates Settlement in either the record of decision issued at the end of the BP–20 proceeding or a separate record of decision issued before that time.

If Bonneville and long-term transmission service customers cannot move forward with settlement of the TC–20 proceeding, then the BP–20 Partial Rates Settlement will be void, and Bonneville will notify all parties and publish alternative transmission, ancillary and control area services, and

power rate schedules that reflect proposed rates without settlement. If the settlement of the TC–20 proceeding goes forward, but a party in the BP–20 proceeding objects to the BP–20 Partial Rates Settlement, Bonneville will notify all parties and decide how to proceed with respect to rates proposed in the initial proposal.

C. Proposed Procedural Schedule

A proposed schedule for the BP–20 proceeding is provided below. A final schedule will be established by the

Hearing Officer and may be amended by the Hearing Officer as needed during the proceeding.

The deadline to intervene in BP–20 applies to all potential parties regardless of the proposed settlement under the BP–20 Partial Rates Settlement. If Bonneville and parties move forward with the BP–20 Partial Rates Settlement, the events in the procedural schedule after the deadline to intervene will apply only to issues that have not settled.

Prehearing Conference	December 7, 2018.
Deadline for Petitions to Intervene	December 11, 2018.
BPA Files Initial Proposal	January 14, 2019.
Clarification	January 18 & 22, 2019.
Motions to Strike Due	January 31, 2019.
Data Request Deadline	January 31, 2019.
Answers to Motions to Strike Due	February 7, 2019.
Data Response Deadline	February 7, 2019.
Parties File Direct Cases	February 21, 2019.
Clarification	February 28 and March 1, 2019.
Close of Participant Comments	March 1, 2019.
Motions to Strike Due	March 8, 2019.
Data Request Deadline	March 8, 2019.
Answers to Motions to Strike Due	March 15, 2019.
Data Response Deadline	March 15, 2019.
Litigants File Rebuttal Cases	March 28, 2019.
Clarification	April 4, 2019.
Motions to Strike Due	April 8, 2019.
Data Request Deadline	April 8, 2019.
Answers to Motions to Strike Due	April 15, 2019.
Data Response Deadline	April 15, 2019.
Parties Give Notice of Intent to Cross-Examine	April 18, 2019.
Cross-Examination	April 22–23, 2019.
Initial Briefs Filed	May 6, 2019.
Oral Argument	May 13, 2019.
Draft ROD Issued	June 13, 2019.
Briefs on Exceptions Filed	June 28, 2019.
Final ROD and Final Studies Issued	July 25, 2019.

D. Ex Parte Communications

Section 1010.5 of the 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). The *ex parte* rule remains in effect until the Administrator’s Final ROD is issued, which is scheduled to occur on or about July 25, 2019.

Part II—Scope of BP–20 Rate Proceeding

A. Joint Rate Proceeding

The BP–20 proceeding is a joint proceeding for the adoption of both power and transmission rates for FY

2020–2021. The proposal for Bonneville’s power and transmission rates is provided in Part IV of this notice.

B. 2018 Integrated Program Review

Bonneville began its 2018 Integrated Program Review (IPR) process in June 2018. 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 October 11, 2018, 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–20 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-20 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 public review process, with input from stakeholders. See Part II.B. of this notice. In addition, Bonneville allocates the capital spending on the Federal power and transmission system over the service life of the system, based on a depreciation study calculated consistent with industry standards. 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. Except for any portions of the revenue requirement that are settled in the BP-20 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 2018 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 forum, 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 Reserves Policy and Financial Reserves Policy Phase-In

In the Final ROD in the BP-18 proceeding (BP-18 ROD), Bonneville adopted a financial policy that established lower and upper thresholds for agency and business line financial reserves (Financial Reserves Policy). Challenges to Bonneville's decision to adopt the Financial Reserves Policy are not within the scope of this proceeding.

In the BP-18 ROD, the Administrator committed to hold a follow-on public process to determine and phase in for Power Services the parameters for the rate action to be taken when financial reserves fall below a business line's lower threshold. The Administrator decided the parameters for this rate action in the Financial Reserves Policy Phase-In Implementation Record of Decision, issued in September 2018 (FRP Phase-In ROD). Bonneville's decisions in the FRP Phase-In ROD 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 Bonneville's determinations in the BP-18 ROD regarding the Financial Reserves Policy

or the FRP Phase-In ROD in this rate proceeding.

4. Leverage Policy

In August 2018, Bonneville completed a public process to develop a new financial policy (Leverage Policy) that provides guidance on managing the agency's and business lines' debt-to-asset ratios. The Leverage Policy provides near-term, mid-term, and long-term targets for agency and business line leverage. On September 25, 2018, the Administrator issued a record of decision adopting the Leverage Policy (Leverage Policy ROD).

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 determinations in the Leverage Policy or Leverage Policy ROD.

5. 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.

6. Rate Period High Water Mark (RHWM) Process

The RHWM Process preceded the start of the BP-20 proceeding. In that process, as directed by the TRM, Bonneville established FY 2020-2021 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 RHWM 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 2020–2021 RHWM or other RHWM Process determinations.

7. 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 June 4, 2018, and are continuing through July 2019.

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.

8. 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.

9. 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.

10. 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.

11. Terms and Conditions of Transmission Service

Bonneville offers and provides transmission services, including interconnection service, and ancillary and control area services in accordance with terms and conditions specified in its open access transmission tariff (OATT), business practices, and applicable contracts. In addition to and concurrent with this rate proceeding, Bonneville may initiate the TC–20 proceeding to adopt generally applicable terms and conditions of transmission service. The terms and conditions of transmission and ancillary and control area services are non-rate matters that Bonneville will establish and otherwise address in a separate proceeding or other forums.

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, including hourly service, the procedures and standards for modifications to Bonneville's OATT, terms and conditions of existing and future transmission service agreements, and whether to include certain terms and conditions in the OATT or in business practices. This exclusion does not apply to the BP–20 Partial Rates Settlement or testimony supporting the settlement.

12. Oversupply Management Protocol

The proposed OS–20 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 OATT. Under the proposed formula rate, Bonneville would recover actual costs incurred during the BP–20 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.

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

Environmental impacts are addressed in a National Environmental Policy Act (NEPA) process Bonneville conducts concurrently with the rate proceeding. See Part II.D. of this notice. In addition, biological constraints on hydropower operations are determined outside of the rate case through interagency consultation under the Endangered Species Act, 16 U.S.C. 1536(a)(2).

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 potential environmental impacts of the rates being developed in this rate proceeding, potential biological effects of operations modeled in the proceeding, or appropriate hydroelectric system operations in response to the constraints defined in these environmental compliance processes.

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 in Part II.C.13, all evidence and argument addressing potential environmental impacts of the rate adjustments being developed in the BP-20 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 Stacy Mason, NEPA Compliance Officer, ECP-4, Bonneville Power Administration, 905 NE 11th Avenue, Portland, Oregon 97232. Any such comments received by

the comment deadline for Participant Comments identified in Part III.A 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-20

A. Distinguishing Between "Participants" and "Parties"

Bonneville distinguishes between "participants in" and "parties to" the hearings. 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 intervenor organizations.

Written comments by participants will be included in the record and considered by the Administrator if they are received by March 1, 2019. 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-20" in the subject line.

B. Interventions

Any entity or person intending to become a party in the BP-20 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-20 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 Rate Hearing

Coordinator via email at BP-20RateHearingCoordinator@bpa.gov (or via telephone at (503) 230-3102) with any questions regarding the submission process. Interventions must conform to the format and content requirements set forth in Bonneville's Rules of Procedure Sections 1010.6 and 1010.11. Interventions must be uploaded to the BP-20 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's 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 the record 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. 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. The rates described in this section assume the BP-20 Partial Rates Settlement goes forward. In the event

this settlement does not go forward, Bonneville will produce revised power rates at the time it publishes its Initial Proposal.

1. Priority Firm Power Rate (PF-20)

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, a Tier 2 Short-Term rate, corresponding to a contract option, is applied to customers that have elected to purchase power from Bonneville for service to their Above-RHWM Load. Bonneville is proposing to revise the Tier 2 Short-Term rate methodology.

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 increasing to \$36.78/MWh for the PF-20 rate, which is an increase of 2.9 percent for the two-year rate period, or 1.4 percent on an average annual basis. The PF-20 rate increase assumes that the proposed financial reserves policy surcharge will be needed and will collect an additional \$30 million per year. See Part IV.C. of this notice for information on the financial reserves policy surcharge.

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 2020-2021.

The proposed PF-20 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-20)

The NR-20 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-20 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-20 Initial Proposal, Bonneville is forecasting no sales at the NR rate. The average NR-20 rate in the Initial Proposal is \$79.69/MWh, an increase of 0.8 percent from the NR-20 rate. The NR-20 rate increase assumes that the proposed financial reserves policy surcharge will be needed and will collect an additional \$30 million per year. See Part IV.C. of this notice for information on the financial reserve policy surcharge.

3. Industrial Firm Power Rate (IP-20)

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-20 rate in the Initial Proposal is \$41.84/MWh, a decrease of 4.2 percent compared to the IP-18 rate. The IP-20 rate decrease assumes that the proposed financial reserves policy surcharge will be needed and will collect an additional \$30 million per year. See Part IV.C. of this notice for information on the financial reserve policy surcharge.

4. Firm Power and Surplus Products and Services Rate (FPS-20)

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-20 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.

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. Bonneville is proposing the following changes to the GRSPs:

Customers served by transfer are currently charged for delivery, operating reserves, and regional compliance assessments. Bonneville is proposing a new transfer service charge for regulation and frequency response to replace the billing for this service that is currently done under the FPS rate schedule.

Bonneville is proposing a new Financial Reserves Policy Surcharge (see Part IV.C. of this notice) and a rate for an additional Transmission Scheduling Service option.

Bonneville is proposing to remove the NFB (National Marine Fisheries Service Federal Columbia River Power System Biological Opinion) Mechanisms.

Bonneville is also proposing to eliminate three appendices from the rate schedules and GRSPs: the Residential Exchange Program refunds that end in FY 2019, the Product Conversion Charge, and the Spill Surcharge.

B. Summary of the Proposed BP-20 Partial Rates Settlement

Bonneville is proposing transmission rates, including all ancillary and control area services rates, consistent with the BP-20 Partial Rates Settlement described above. The transmission rates under the settlement include a weighted average increase of approximately 3.6 percent for the two-year rate period, or 1.8 percent on an average annual basis. In the event the proposed settlement does not go forward, Bonneville will produce revised transmission rates at the time it publishes its Initial Proposal.

The BP-20 Partial Rates Settlement specifically excludes the proposed Transmission Cost Recovery Adjustment Clause, the Transmission Reserves Distribution Clause, and a new Financial Reserves Policy Surcharge (see Part IV.C.). Bonneville is proposing those rate adjustment mechanisms independent of the BP-20 Partial Rates Settlement, and those proposals can be contested in the BP-20 proceeding.

Bonneville divides its transmission system into "segments" for ratemaking purposes and has separate rates for the segments. The rates for the network and

intertie segments are described below, along with other proposed transmission rates and GRSPs under the settlement.

1. Network Rates

Network Integration Transmission Rate (NT-20)—The NT rate applies to customers taking network integration service and allows customers to flexibly serve their retail load.

Point-to-Point Rate (PTP-20)—The PTP-20 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-20)—The FPT 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-20) is a contract demand rate that applies to customers taking Point-to-Point service on the Southern Intertie.

The Montana Intertie Rate (IM-20) applies to customers taking Point-to-Point service on the Eastern Intertie that are not parties to the Montana Intertie Agreement.

The Townsend-Garrison Transmission Rate (TGT-20) is a rate for firm service over Bonneville's section of the Montana Intertie and is available to parties to the Montana Intertie Agreement.

The Eastern Intertie Rate (IE-20) is a rate for non-firm service on the portion of the Eastern Intertie capacity that exceeds Bonneville's firm transmission rights and is available to parties to the Montana Intertie Agreement.

3. Other Transmission Rates and Transmission General Rate Schedule Provisions

In addition to the rates for use of the network and interties, the BP-20 Partial Rates Settlement includes Bonneville's other transmission rates, including ancillary and control area services rates:

The Use-of-Facilities Rate (UFT-20), which establishes a formula rate for the use of a specific facility based on the annual cost of that facility.

The Advance Funding Rate (AF-20), which 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-20), which recovers costs assessed to Bonneville for regional reliability compliance monitoring and enforcement and reliability coordination services.

The Oversupply Rate (OS-20) recovers the costs Bonneville incurs to displace generation under the Oversupply Management Protocol, Attachment P to Bonneville's OATT.

Other proposed rates and charges include: A Delivery Charge for the use of low-voltage delivery substations; a Reservation Fee for customers that postpone their service commencement dates; incremental rates for transmission requests that require new facilities; a penalty charge for failure to comply with dispatch, curtailment, redispatch, or load shedding orders; and an Unauthorized Increase Charge for customers whose use exceeds their contracted amounts.

The BP-20 Partial Rates Settlement also includes rates for the six Ancillary Services and six Control Area Services including rates for balancing services.

C. Risk Mitigation Tools

Bonneville uses risk mitigation tools to buffer against poor financial performance over the rate period to protect the agency's solvency and strong credit rating. The main financial risk mitigation tool Bonneville relies upon is financial liquidity, which consists of financial reserves and a short-term liquidity facility with the U.S. Treasury. In the BP-18 ROD, the Administrator adopted the Financial Reserves Policy, which establishes lower and upper thresholds for agency and business line financial reserves. In the FRP Phase-In Implementation ROD, the Administrator determined the parameters for the rate action to be taken when financial reserves fall below a business line's lower threshold, including a phase-in for Power Services.

Bonneville proposes to include three rate adjustment mechanisms in the power and transmission rate schedules that may adjust rates in the event the business line's financial reserves fall below or exceed certain thresholds. For each of the three adjustment mechanisms, financial reserves attributed to a business line are measured over the rate period in terms of accumulated net revenue (ANR).

First, the Cost Recovery Adjustment Clause (CRAC) will adjust rates upward to generate additional cash within the rate period if business line ANR fall below a defined lower threshold. When available liquidity, the CRAC, and the Financial Reserves Policy Surcharge are

insufficient to meet the Treasury Payment Probability (TPP) standard of at least 95 percent, Bonneville may include Planned Net Revenues for Risk (PNRR) in rates. The TPP is the probability of Bonneville making all its Treasury payments on time and in full over the two-year rate period. In the Initial Proposal, Bonneville proposes to include no PNRR in power and transmission rates and to cap the maximum revenue recoverable through the Power CRAC at \$300 million per year, and through the Transmission CRAC at \$100 million per year.

Second, Bonneville is proposing a new Financial Reserves Policy Surcharge for both power and transmission rates to adjust rates upward if business line ANR is below its lower threshold (set at the ANR equivalent of 60 days cash on hand). Bonneville does not forecast this surcharge triggering for Transmission Services during the BP-20 rate period. Bonneville is forecasting that the proposed surcharge will trigger for Power Services at \$30 million for each year of the BP-20 rate period. The proposed surcharge would be calculated annually and, if it triggers, would result in a rate adjustment over 10 months (December through September) of each fiscal year of the rate period.

Finally, Bonneville is proposing a Reserves Distribution Clause (RDC), which will trigger if ANR exceeds a business line upper threshold (set at the ANR equivalent of 120 days cash on hand) and the agency upper threshold (set at the ANR equivalent of 90 days cash on hand). Bonneville will consider those financial reserves for investment in high-value business line-specific purposes such as debt retirement or for rate reduction.

Part V—Proposed BP-20 Rate Schedules and BP-20 Partial Rates Settlement

Bonneville's proposed BP-20 Power Rate Schedules and BP-20 Partial Rates Settlement, 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 <http://www.bpa.gov/goto/BP20>.

Signed on the 21st day of November, 2018.

Elliot E. Mainzer,

Administrator and Chief Executive Officer.

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