

**COMMENTS OF THE WESTERN PUBLIC AGENCIES GROUP
REGARDING 2016 RHWB PROCESS**

Dated: June 3, 2016

The utilities that comprise the Western Public Agencies Group (“WPAG”) submit this request to the Bonneville Power Administration’s (“BPA”) regarding its preliminary Rate Period High Water Marks (“RHWB”) and preliminary Tier 1 System Firm Critical Output (“T1SFCO”) to be used in the BP-18 rate case to establish power rates for fiscal years 2018 and 2019.

Based on BPA’s presentation of May 10, 2016, the T1SFCO is forecasted to be 31 aMW lower for the BP-18 rate period than the final T1SFCO used to establish power rates in the BP-16 rate case. This projected decrease will follow the significant decrease of over 140 aMW from the BP-14 rate period to the BP-16 rate period. In all, by the time the BP-18 rate period commences, the T1SFCO will have lost over 200 aMW since the first rate period (*i.e.*, BP-12) under the Regional Dialogue Contracts. The decline in the size of the T1SFCO from rate period to rate period is the direct opposite of the rate period to rate period increases to the Tier 1 rate that have occurred over the same timeframe. Together, the decreases in the size of the T1SFCO and the increases in the Tier 1 rate mean that for each new rate period under the TRM BPA’s preference customers pay more for less than they did in the prior rate period.

While we recognize that the forecasted decrease in the size of the T1SFCO for the BP-18 rate period is not as severe as the actual decrease for the prior BP-16 rate period, we do think that BPA should do whatever it can to, at a minimum, maintain the size of the T1SFCO from rate period to rate period, as this is an important factor that BPA’s preference customers consider when reviewing the overall cost-effectiveness of BPA vis-à-vis other power supply options over the long-term.

With the above concerns in mind, we respectfully request that BPA consider whether the recent amendments to BPA’s 2012 Power Sales Agreement with Alcoa provide an opportunity to increase the forecasted size of the T1SFCO for the BP-18 rate period with energy BPA is no longer obligated to sell to Alcoa due to the amendments. The initial 2012 agreement called on BPA to sell 300 aMW of energy to Alcoa beginning January 1, 2013 through September 30, 2022. In the Record of Decision (the “Alcoa ROD”) and Equivalent Benefits Analysis (“EB Analysis”) in support of BPA’s decision to execute the agreement, BPA stated that “BPA does not forecast the need to make purchases specifically to serve Alcoa during the Agreement under most water conditions”¹ and that “BPA does not anticipate the need to alter its purchasing strategy for the power sold to Alcoa during the term of the Agreement.”²

Through various amendments to the initial agreement, Alcoa has significantly reduced the load it will be placing on BPA through September 30, 2022. Specifically, it appears that during the BP-18 rate period that Alcoa’s load on BPA will be as follows:

¹ Administrator’s Record of Decision, Power Sales Agreement Offer to Alcoa, Inc. at 7 (December 6, 2012).

² *Id.* at 9.

Time Period	Volume	Rate
10/1/2017 – 2/14/2018	10 aMW	IP rate
10/1/2017 – 2/14/2018	25 aMW	Market Index Price plus \$0.75 rate adder
2/15/2018 – 9/30/2019	75 aMW	IP rate

Accordingly, during the BP-18 rate period BPA will be selling Alcoa anywhere from 225 aMW to 265 aMW less than BPA anticipated under the Alcoa ROD. As mentioned above, in the Alcoa ROD and associated EB Analysis BPA stated with a high degree of certainty that it would be able to deliver to Alcoa without making any additional power purchases through September of 2022, including the BP-18 rate period. We ask BPA to review with customers whether this same level of certainty could now serve as a basis to use all or a portion of the 225 to 265 aMW that will not be delivered to Alcoa to, at the very least, maintain the size the T1SFCO from the BP-16 rate period to the BP-18 rate period.

We appreciate BPA's consideration of our request and look forward to continue working with BPA and other customers through the RHWM process.