

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
BEFORE THE
BONNEVILLE POWER ADMINISTRATION

2026 PRDM PROCEEDING

)

BPA Docket No. PRDM-26

DIRECT TESTIMONY OF ERIN ERBEN

ON BEHALF OF:

PACIFIC NORTHWEST GENERATING COOPERATIVE

January 15, 2025

SUBJECTS:

**JOINT OPERATING ENTITY
RATE IMPACT CREDITS
EQUITABLE ACCESS ACROSS PRODUCTS
POOLING OF LOADS AND RESOURCES**

PRDM-26-E-PN-01

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GLOSSARY OF TERMS

CHWM	Contract High Water Mark
JOE	Joint Operating Entity, Pub. Law 106-273 (Sept. 22, 2000) as codified 16 USC § 839c(b)(7)
PRDM	Public Rate Design Methodology
Provider of Choice	BPA's Provider of Choice
RCD	Regional Cooperation Debt
Regional Dialogue	BPA's current power supply contract offerings
Resource Support Services or RSS	Firming and shaping services to bring resources to BPA in a flat block shape
RIC	Rate Impact Credit
RICc	Rate Impact Credit – capacity, energy rate credit for the cost difference between the marginal Tier 1 Demand Rate and BPA's embedded cost of capacity applied to the customer's forecast BP-29 Rate Period capacity needs
RICj	Rate Impact Credit – JOE, a rate credit attributed solely to changes to the Tier 1 Demand Charge calculations particular to the JOE from TRM and PRDM
RICm	Rate Impact Credit – Mitigation, a rate credit attributed to rate design changes between the previous and current Core Rate Design charges (TRM to 2029 PRDM)
ROD	Record of Decision
TRM	Tiered Rate Methodology
WPPSS	Washington Public Power Supply System

I. INTRODUCTION AND PURPOSE OF TESTIMONY

Q: Please state your name and qualifications.

A: My name is Erin Erben. My qualifications are stated in PRDM-26-Q-PN-01.

Q: *In what capacity are you employed?*

A: I am PNGC's Chief Operating Officer.

Q: *What is the purpose of this testimony?*

A: The purpose of this testimony is to address the following subjects:

1. The continued treatment of a Joint Operating Entity (JOE) as a statutorily empowered single, preference power customer of BPA through the aggregation of its member loads in every hour for purposes of both energy and demand billing;
2. Support for the BPA staff proposal to use a Rate Impact Credit (RIC) mechanism to mitigate preference customer's financial harm of proposed rate changes under the Public Rate Design Methodology (PRDM), as a successor of the current Tiered Rates Methodology (TRM); and
3. The implications and inequities influencing PRDM policy and the JOE from determinations made in other, related forums.

II. MAINTAINING THE EQUITABLE TREATMENT OF JOINT OPERATING ENTITIES

Q: *Please describe your concern with the current proposed changes to how a JOE will be treated under the proposed ratemaking?*

A: Aggregation and co-optimization of loads and resources is the reason Joint Operating Entities like PNGC exist and may be developed in the future. As recognized in federal

1 law, as its own provision within the Northwest Power Act, 16 USC § 839c(b)(7), and
2 as represented by current BPA practice, PNGC serves its members as a single
3 preference customer of BPA; thereby supporting BPA in meeting its statutory
4 obligations related to a JOE. Here, in PRDM, the current proposal is to effectively
5 unwind the co-optimization of loads aspect of the JOE by no longer allowing JOE loads
6 to be aggregated for BPA billing purposes. This disaggregation of the JOE serves to
7 undo what the status quo was throughout the Regional Dialogue contract. The JOE will
8 remain a single customer of BPA Power in subsequent BPA contracts, and this
9 proposed change to disaggregate our members would cause financial harm to PNGC's
10 members by creating additional expense over the next contract period resulting from
11 the proposed change in the demand billing determinant for a JOE, and likely violate
12 federal law pursuant to 16 USC § 839c(b)(7)(B).

13 Q: *What is your proposal to address the harm as described?*

14 A: PNGC respectfully requests that BPA's treatment of PNGC and its members continue
15 as it has during the current Regional Dialogue contract period, wherein the JOE's loads
16 are considered in aggregate when determining both energy and demand billing
17 determinants. As required by law, BPA has recognized the JOE as a single customer of
18 BPA, made up of members entitled to the preference power BPA is obligated to offer
19 them. Accordingly, BPA correctly and expressly allowed for the aggregation and
20 pooling of JOE member loads under the Regional Dialogue contract period and has
21 been recognizing and treating PNGC as the customer of BPA under a single power
22 contract, held on behalf of its members. Nothing has changed in the law to warrant
23 different treatment under the new Provider of Choice contract construct.

III. BILL CREDIT MECHANISM AS PARTIAL MITIGATION OF FINANCIAL HARM TO A JOINT OPERATING ENTITY

Q: *Please summarize BPA staff's proposed Rate Impact Credit (RIC) to mitigate preference customer's financial harm from the proposed policy change to PRDM.*

A: Rate impact mitigation is the stated intent of the RIC bill credits proposed under the PRDM ratemaking methodology. Such mitigation is consistent with the purpose of other proposed bill credits under the PRDM intended to mitigate the financial impacts to its customer resulting from the transition from TRM to PRDM ratemaking policy.

Q: *Please summarize BPA staff's proposed Rate Impact Credit (RIC) to mitigate the JOE customer's financial harm from the proposed policy change to PRDM.*

A. BPA proposes to offer a “RICj” bill credit to existing JOE members to partially mitigate the financial harm resulting from BPA’s proposed policy change.

Q. *Does BPA's proposed mitigation resolve the issue?*

A. No. While the proposed RICj would temporarily and partially mitigate the financial impact resulting from both the change in the billing determinant definition for capacity and for the policy change in general, the partial mitigation is proposed to sunset at the end of the Provider of Choice contract period. While we do not see a reason to create a bill credit mechanism specific to the JOE, we do support BPA staff's acknowledgement of the appropriateness of using the bill credit mechanisms in general as tool to partially mitigate real financial impacts of the fundamental changes to rate design being proposed in the PRDM. We are in strong support of BPA's proposal to recognize, and attempt to at least partially remediate, the financial harm caused to a JOE by the proposed policy change.

1 Q: *What would you propose as an alternative?*

2 A. PNGC respectfully requests that BPA once again consider continuing its current
3 practice and precedent of allowing a JOE to manage its own load diversity, as every
4 other BPA customer does, by treating it as a single customer load in every hour. Every
5 individual BPA customer benefits from the load diversity that exists within its retail
6 customer base (residential, commercial, industrial, etc.) and PNGC should not be
7 treated differently. Doing otherwise is inconsistent with the intent of federal law (Pub.
8 Law 106-273 (Sept. 22, 2000)) and the precedent set by recent BPA's treatment and
9 practices over the Regional Dialogue contract period.

10 While PNGC fundamentally disagrees with the BPA's arbitrary determination
11 that a JOE should no longer be allowed to aggregate its load for purposes of demand
12 billing determinant calculation, we understand that BPA staff may still move forward
13 with this proposal. In the event the current BPA proposal stands over our objection,
14 PNGC respectfully requests that BPA reconsider PNGC's initial proposal that the bill
15 credit to be applied be modeled as a RICc not a RICj.

16 RICc is the appropriate rate credit to mitigate the financial impact to JOE
17 members from the change in policy that BPA is proposing. If BPA also rejects this
18 request and maintains the proposed RICj mitigation tool to mitigate the negative
19 financial impact of the policy change being proposed, PNGC at a minimum,
20 respectfully requests that BPA not truncate the period over which the financial impact
21 is calculated by excluding Regional Dialogue Contract years after 2023. The Regional
22 Dialogue contract period in its entirety should be considered in determining the
23 appropriate financial harm and associated rate credit for calculating the bill credit

1 applicable to a JOE as a result of taking away the ability to aggregate JOE member
2 loads for purposes of demand billing. In the event the Administrator decides to disallow
3 this request and reverse BPA's long-standing precedent, BPA should at a minimum
4 provide a bill credit commensurate with other financial losses resulting to BPA
5 customers from currently proposed policy changes. As proposed, the RICj provides a
6 credit in the amount of less than half of the total potential losses compared to the current
7 contract.

8 *Q: Please articulate why you believe the current PRDM's proposed Rate Impact Credit
9 proposal needs to be modified to be equitable.*

10 *A: PNGC believes that the RICc is the appropriate path for rate mitigation because the
11 financial harm from this PRDM proposal is directly associated with the amount of
12 capacity being exposed to the marginal demand charge and BPA is increasing this
13 amount more for the JOE than for other customers. Incorporation of the change in
14 methodology into the calculation of RICc would provide commensurate and equitable
15 consideration of the financial harm as compared to the rest of BPA customers.*

16

17 **IV. IMPLICATIONS ON THE PRDM DECISION AND THE JOE FROM
18 DETERMINATIONS MADE IN OTHER RELATED PROCEEDINGS**

19 *Q: Please describe why you are addressing the PRDM's proposed rate treatment across
20 products, including both the election of a Slice/Block product by a preference customer
21 organized as a non-governmental rural electric cooperative and the proposed "flexible
22 above-CHWM" product and how you think the current proposal is inequitable.*

1 A: PNGC has been in a dialogue with BPA Staff for many months concerning the
2 proposed prohibition for non-governmental preference customers to continue to receive
3 the same benefits of the federal system as the remaining preference customers. This
4 change, and a restriction on the ability to elect a Slice/Block product in the future come
5 about as a result of reported restrictions on “private use” as manifested in certain
6 bonding documents and Internal Revenue Service statements based on Energy
7 Northwest private letter ruling submissions. For context, at the time that Regional
8 Cooperation Debt (RCD) was first proposed by BPA in 2014, and thereafter acted upon,
9 including a second phase in 2021, PNGC recalls no discussion that the RCD would
10 preclude BPA’s cooperative preference customers from making planned product
11 elections in the future. PNGC believes this outcome is one which no one anticipated at
12 the time these decisions were being made, for what were characterized at the time as
13 purely financial decisions to minimize interest expense on BPA and Energy Northwest
14 debt and shorten the maturity period of the bonds in question. Indeed, it was
15 acknowledged at the time that the continuation of the WPPSS debt obligation which
16 Energy Northwest was servicing solely at the time through the then-proposed RCD
17 created a generational inequity by continuing to impose on future generations the costs
18 of the decisions made at the time the WPPS was enacted. But doing so was financially
19 prudent and refunding this debt (i.e., refinancing at a lower interest rate) would deliver
20 net benefits to all of BPA’s preference customers. What BPA failed to disclose at the
21 time and appears not to have either investigated or determined until quite recently, was
22 that the decisions could perpetuate a different form of inter-generational harm to those

1 preference customers of BPA who are organized as rural electric cooperatives; and in
2 our case, as a generation and transmission cooperative/JOE that serves them.

3 Q: *What would you propose as an alternative?*

4 A: PNGC believes that further work by BPA is required to produce an equitable solution.
5 PNGC believes that merely reinterpreting a prior decision for another entity falls short
6 of the purpose of the Provider of Choice process, which is designed to allow PNGC
7 and others the ability to evaluate and comment on the proposed reinterpretation—
8 especially when such reinterpretation is contrary to years of precedent. The proposed
9 reinterpretation results in a loss of one of BPA's product offerings, namely, the
10 Slice/Block product. It is not choice. BPA has an obligation to resolve the problem it
11 has created or find a different path forward on product election that provides all of
12 BPA's preference customers with the same product election rights under the new
13 contract, without undue discrimination against a single subclass of preference
14 customers.

15 Q: *Why is PNGC proposing that the JOE should be treated as a single customer when the
16 Provider of Choice Policy ROD concludes that Tier 1 resource pooling should be
17 prohibited?*

18 A: PNGC respectfully disagrees with the BPA Policy ROD's conclusions. It is our position
19 that a JOE – whether PNGC or otherwise – should be treated as a single preference
20 power customer of BPA for all purposes. We do not agree with being treated as the
21 summation of our parts. The entire point of the JOE is to create the potential for a level
22 playing field between small rural customers of BPA that lack the resources and
23 individual load diversity to make necessary investments in resources to serve their

1 future needs with non-BPA resources. By pooling loads and resources, including the
2 Statutory JOE right to pool Tier 1 resources, these small rural electric utilities that are
3 BPA preference customers have a chance to work together to achieve the scale and load
4 diversity of larger BPA customers and have the opportunity to pool resources to make
5 much needed regional investments. It is to the benefit of all BPA customers when a
6 JOE does this, as it reduces the amount of resource BPA is required to purchase to serve
7 incremental load above its customers CHWM. The Policy ROD states that “Because a
8 joint operating entity’s utility composition may change over time, its CHWM will be
9 the combined individual CHWMs of its membership.” This statement could be true of
10 any utility, not only a JOE, due to population changes, increase or decrease of industrial
11 loads, and or mergers, etc. The CWHM for the JOE should be based on the JOE
12 membership at the time of the calculation. If the JOE membership changes during the
13 Provider of Choice contract period, then the CHWM should change as proposed for
14 mergers/acquisitions.

15

16 **V. CONCLUSION**

17 Q: *Does this conclude your testimony?*

18 A: Yes.

CERTIFICATE OF SERVICE

I hereby certify that I electronically filed the foregoing on January 15, 2025, by uploading it to the Bonneville Power Administration's secure website. Pursuant to Section 1010.10(a) of the Rules of Procedure of the Bonneville Power Administration, such filing constitutes service on all Litigants.

Respectfully Submitted,

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