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TESTIMONY of

ANNICK E. CHALIER, RAYMOND D. BLIVEN, DANIEL H. FISHER,
GREGORY C. GUSTAFSON, TIMOTHY C. ROBERTS,
LARRY M. STENE, and EMILY G. TRAETOW

Witnesses for Bonneville Power Administration

**SUBJECT: CHANGES TO POWER RATE SCHEDULES AND GENERAL RATE
SCHEDULE PROVISIONS (GRSPs)**

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8 **SUBJECT: CHANGES TO POWER RATE SCHEDULES AND GENERAL RATE**
9 **SCHEDULE PROVISIONS (GRSPs)**

10 **Section 1: Introduction and Purpose of Testimony**

11 *Q. Please state your names and qualifications.*

12 A. My name is Annick E. Chalier, and my qualifications are contained in BP-14-Q-BPA-09.

13 A. My name is Raymond D. Bliven, and my qualifications are contained in BP-14-Q-
14 BPA-06.

15 A. My name is Daniel H. Fisher, and my qualifications are contained in BP-14-Q-BPA-19.

16 A. My name is Gregory C. Gustafson, and my qualifications are contained in BP-14-Q-
17 BPA-25.

18 A. My name is Timothy C. Roberts, and my qualifications are contained in BP-14-Q-
19 BPA-53.

20 A. My name is Larry M. Stene, and my qualifications are contained in BP-14-Q-BPA-58.

21 A. My name is Emily G. Traetow, and my qualifications are contained in BP-14-Q-BPA-61.

22 *Q. What is the purpose of your testimony?*

23 A. The purpose of this testimony is to sponsor proposed changes to BPA's power rate
24 schedules and GRSPs.

1 *Q. Are there changes or updates to the rate schedules and GRSPs that are not addressed*
2 *here?*

3 A. Yes. There are changes and updates to the rate schedules and GRSPs pertaining to Tier 2
4 rates, Resource Support Services, and related services that are discussed in the testimony
5 of Chalier *et al.*, BP-14-E-BPA-17.

6
7 **Section 2: New Resources (NR) Energy Shaping Service for New Large Single Loads**
8 **(NLSL) and True-Up Adjustment**

9 *Q. Why are you proposing to add NR Energy Shaping Service rates?*

10 A. Certain Load Following customers are facing the prospect of NLSLs locating in their
11 service territories and are considering using non-Federal resources to serve those NLSLs
12 rather than taking service from BPA for that load at the NR rate. Contract High Water
13 Mark (CHWM) Contracts require that each customer's non-Federal resource(s) be
14 matched to its NLSL load on an hourly basis. CHWM Contract, section 3.5.7. Some
15 Load Following customers have asked if BPA could provide a shaping service that would
16 satisfy this contractual requirement, to the extent that customers' scheduled non-Federal
17 resource amounts, which are based on planned load, do not match their actual hourly
18 measured NLSL.

19 In response, we are proposing the NR Energy Shaping Service. When a Load
20 Following customer requests this service, the Energy Shaping Service product would be
21 developed consistent with the Energy Shaping Service rate provisions in the NR rate
22 schedule and included in Exhibit D of the customer's CHWM Contract.

1 Q. *Please provide an overview of the rate design that is proposed for the NR Energy*
2 *Shaping Service.*

3 A. The proposed NR Energy Shaping rates are designed to recover the monthly/diurnal costs
4 of shaping the Customer's Exhibit A amounts, dedicated to NLSL service, to the actual
5 monthly/diurnal energy needs of a Load Following customer's NLSL. The proposed
6 Energy Shaping rate is a market forecast-based rate for each diurnal period of each
7 calendar month equal to the PF Load Shaping rates. The proposed rate design also
8 includes an annual true-up, discussed below.

9 Q. *What would determine the amount of energy a customer would schedule to an NLSL?*

10 A. A customer using a non-Federal resource to serve an NLSL must identify and dedicate
11 that resource in Exhibit A of its CHWM Contract. The customer would commit to
12 provide a planned amount from the dedicated resource for each diurnal period of each
13 month, based on the forecast NLSL load. The dedicated resource must be capable of
14 serving the entire load of the NLSL. CHWM Contract, section 3.5.7. To be eligible for
15 the proposed NR Energy Shaping Service, the customer would schedule its dedicated
16 non-Federal resource consistent with its planned and committed Exhibit A resource
17 amounts.

18 Q. *How would the rates for the NR Energy Shaping Service be applied?*

19 A. As described in section 3.4.3 of the Power Rates Study, we propose that a customer
20 would be charged or credited at the applicable NR Energy Shaping rate for differences
21 between the energy scheduled to an NLSL from a customer's non-Federal resource and
22 the actual measured load of the NLSL. The hourly differences, both positives and
23 negatives, would be summed on a monthly basis for both the Heavy Load Hour (HLH)
24 and Light Load Hour (LLH) diurnal periods to derive two billing determinants per month.
25 These differences, which could be either positive or negative, would be charged or

1 credited at the proposed NR Energy Shaping rate shown in section 4.1.1 of the NR-14
2 rate schedule, BP-14-E-BPA-09.

3 *Q. Why do you propose an annual true-up for the NR Energy Shaping Service?*

4 A. An annual true-up is conducted to ensure that if BPA provides any net load service to the
5 NLSL, it would be charged at the appropriate rate. Section 7(b)(4) of the Northwest
6 Power Act makes a distinction between the rates charged for BPA service to general
7 requirements loads and rates charged for service to NLSLs. NLSL service is priced
8 under section 7(f) of the Northwest Power Act, and the New Resources (NR) rate is the
9 applicable rate for such loads. NR-14 rate schedule, BP-14-E-BPA-09.

10 *Q. How would the proposed true-up for the Energy Shaping Service be conducted?*

11 A. BPA would conduct an annual true-up to determine whether BPA had provided energy
12 for NLSL service that should be charged at the full NR Energy rate rather than the lower
13 Energy Shaping rate. Through the true-up, the Energy Shaping Service amounts for the
14 year would be summed to determine the NR Annual Deviation. A positive NR Annual
15 Deviation would indicate that BPA delivered power to the customer to serve a portion of
16 the NLSL. To the extent that there is a positive balance, BPA would apply the Energy
17 Shaping Service True-Up Rate (NR) to that balance, as shown in GRSP II.G. This rate
18 represents the difference between the monthly/diurnal NR Energy Shaping rates and the
19 monthly/diurnal NR Energy rates, the appropriate rate for NLSL service from BPA. The
20 result of applying the Energy Shaping Service True-Up Rate (NR) is that the customer
21 would be charged the NR rate for net annual energy that BPA provides for NLSL service.
22 If there is a negative NR Annual Deviation, the true-up would not apply. A negative NR
23 Annual Deviation would indicate that the customer delivered more non-Federal power
24 than the NLSL consumed. In this instance, the Energy Shaping rate would have already

1 credited the customer a market forecast-based rate for the excess non-Federal generation
2 that was not consumed by the NLSL.

3 *Q. Are there potential financial risks for BPA associated with this proposed service?*

4 A. Yes. Because the NR Energy Shaping rates are based on forecast market prices, to the
5 extent that the market price forecast is higher or lower than the actual market prices, there
6 is a risk that the Energy Shaping rate could either overcompensate or undercompensate
7 the customer for any net energy BPA received from the customer's non-Federal resource.

8 *Q. Are you proposing to mitigate this risk?*

9 A. At this time, we are not proposing to mitigate the potential market price forecast error.
10 First, we do not forecast any customers using this service during the BP-14 rate period.
11 We are confining our proposal to putting rate provisions in place so that customers
12 dealing with prospective NLSLs might have a better idea of the rate implications such
13 loads might bring. Second, even if a customer requests this service during the rate
14 period, we do not consider the potential magnitude of the risk to be significant. There are
15 a limited number of customers who could potentially qualify for this service and the
16 forecast error risk associated with this service is not materially different for other aspects
17 of the ratesetting process for which we have attempted to mitigate the risk. With this
18 service the risk is also somewhat mitigated in that the forecast error is also shared by the
19 customer, since forecast error could occur in either direction. Further, the market price
20 forecasts are also recalculated for each rate period, limiting the duration of the effect of
21 forecast error for any particular market forecast. Finally, if there is net service from BPA
22 to the NLSL, the true-up rate would more than compensate BPA for an incremental cost
23 that might be incurred because the NR rate is more than twice the level of the NR shaping
24 rate. If significant levels of this service are subscribed in future rate periods, a more

1 comprehensive risk analysis can be performed based on the actual experiences of
2 supplying this service.

3 *Q. Is there financial risk associated with the annual true-up?*

4 A. There is potential cashflow risk to the customer associated with the annual nature of the
5 true-up. If the customer has taken a net positive amount of energy from BPA over the
6 fiscal year, it would be charged at the much-higher true-up rate. This could result in a
7 significant financial obligation to the customer that could have a cashflow impact. To
8 help mitigate this risk, we propose to allow the true-up charge to be paid over a 90-day
9 period. GRSP II.G.3.

10
11 **Section 3: Added Unanticipated Load Service (ULS) Provisions**

12 *Q. What changes do you propose to the ULS applicability provisions?*

13 A. We propose to modify the applicability of the ULS under the FPS-14 rate schedule.
14 Instead of being applicable under only three very specific circumstances, we have
15 proposed that it apply on a negotiated, case-by-case basis.

16 *Q. Why are you proposing this change?*

17 A. When we first adopted the ULS in BP-12, we narrowly constrained its applicability. We
18 have concluded that there could be other unforeseen circumstances to which the ULS
19 should apply that would be omitted inadvertently from the list if we were to try to list
20 them exhaustively. Changing this applicability to one that is negotiated on a case-by-case
21 basis allows BPA to accommodate unanticipated circumstances.

1 **Section 4: Load Shaping Charge True-Up Adjustment**

2 *Q. What changes do you propose to the Load Shaping Charge True-Up Adjustment?*

3 A. We propose no changes to the Load Shaping True-Up Charge Adjustment. Specifically,
4 we propose that the Special Implementation Provision included in the BP-12 GRSPs,
5 GRSP II.I.3 (corrected), be maintained.

6 *Q. Why was the Special Implementation Provision necessary in the BP-12 rates?*

7 A. In preparing the BP-12 rates, the Above-Rate Period High Water Mark (RHWM) Loads
8 were calculated in the Transition Period High Water Mark (THWM) Process, well in
9 advance of when Tier 1 Cost Allocators (TOCAs) were computed in the rate case.
10 Because of the timing difference between the two calculations, BPA used an updated
11 Total Retail Load forecast in the rate case to determine the TOCAs. Some customers
12 experienced load loss between the two vintages of TRL forecasts, and as a consequence,
13 had both a TOCA less than their RHWM and Above-RHWM load. This situation
14 complicated the Load Shaping Charge True-Up and necessitated the Special
15 Implementation Provision.

16 *Q. Why are you proposing to continue the Special Implementation Provision?*

17 A. For the BP-14 rates, the timing difference between the various processes that calculate
18 the inputs is the same as experienced in the BP-12 rate development process. The BP-14
19 Final Proposal will recalculate the TRL several months after the RHWM Process was
20 concluded (September 2012) and the Initial Proposal was filed (November 2012). In the
21 BP-12 Final Proposal, the Special Implementation Provision was characterized as a
22 temporary, transitional implementation provision. We have come to realize that it could
23 be needed throughout the term of the CHWM contracts.

24 *Q. Do you expect the causal condition to be present in the future?*

25 A. In the BP-12 rate process, the Special Implementation Provision was needed as a result of
26 the timing difference between the THWM Process and the rate proceeding. BP-12 Final

1 Proposal Power Rates Study, BP-12-FS-BPA-01, page 67. However, we can now see
2 that the situation regarding the BP-12 rates is, in fact, one that could persist throughout
3 the CHWM contract term, because the RHWB Process will always be concluded before
4 the rate case Initial Proposal and Final Proposal. Consequently, we are proposing to
5 retain this special provision for the BP-14 rates. BP-14-E-BPA-09, GRSP I.L.3.

6
7 **Section 5: Load Shaping Charge True-Up Adjustment Payment Option**

8 *Q. What changes do you propose to the Load Shaping Charge True-Up Adjustment Payment*
9 *Option?*

10 A. In the BP-14 Initial Proposal GRSPs, we have included clarifying language that matches
11 the payment option discussed in the BP-12 rebuttal testimony, Fisher *et al.*, BP-12-E-
12 BPA-41 at 9, but that was inadvertently omitted from the BP-14 final GRSP language.

13 *Q. What is the payment option that you have added to the current GRSP I.L.?*

14 A. We propose that the final Load Shaping Charge True-Up Adjustment for each customer
15 be applied either as a credit (if the adjustment is negative) applied to the next month's bill
16 or as a charge (if the adjustment is positive) spread equally across the three months
17 following the month the final Load Shaping Charge True-Up Adjustment is determined
18 by BPA. Load Shaping customers would have the option to pay the entire charge in one
19 month. There would be no interest component to the Load Shaping Charge True-Up
20 payment schedule. BP-14-E-BPA-09, GRSP I.L.4.

21
22 **Section 6: TOCA Adjustment Clean-Up**

23 *Q. What changes do you propose to the TOCA Adjustment?*

24 A. We propose that the TOCA Adjustment language, GRSP II.Y, be expanded to include
25 direction on (1) how to recompute a Slice/Block customer's TOCA and rebill mid-fiscal

1 year if the customer's Annual Net Requirement changes, and (2) how to recompute a
2 customer's TOCA and rebill in the event it does not retain their Provisional CHWM
3 amounts.

4 *Q. Why are you proposing these modifications?*

5 A. In regard to the Annual Net Requirement change, there is one Slice/Block customer that
6 has a contractual right to update its Specified Resource amounts on a calendar year basis
7 which, if exercised, could change its Annual Net Requirement. Such a change would
8 necessitate a mid-year TOCA change. However, the BP-12 GRSPs did not provide for
9 the ability to make a mid-year TOCA adjustment. As a workaround for this problem, in
10 FY 2012, a bill adjustment was negotiated for the customer to account for the change to
11 its Annual Net Requirement. We believe GRSP language that provides guidance for mid-
12 year adjustments to the TOCA is preferable. We propose such language in BP-14-E-
13 BPA-09, GRSP II.Y.

14 In regard to customers who do not retain some or all of their Provisional CHWM
15 amounts, we updated the GRSPs with language from the Tiered Rate Methodology
16 (TRM), BP-12-A-03, section 4.1.10, directing what to do with TOCAs in the event all or
17 a portion of a customer's Provisional CHWM amount is not retained.

18
19 **Section 7: Demand Unauthorized Increase Charge (UAI) Clean-Up**

20 *Q. What changes do you propose to the Demand UAI?*

21 A. We propose two updates to the Demand UAI. The first is administrative: replacing
22 "charge" with "rate." BP-14-E-BPA-09, GRSP II.AA.1. The second adds more
23 specificity to how the Demand UAI for Slice is computed. *Id.* The Demand UAI billing
24 determinant for the Slice portion of the Slice/Block contract now specifically references
25 the largest hourly amount of Slice power delivery from BPA for any HLH hour of a

1 month (tagged + untagged energy) and the final hourly Delivery Request (Right To
2 Power) computed using the Slice Water Routing Simulator for any HLH of the same
3 month.

4 *Q. Why do you propose these changes?*

5 A. Both were made to improve the accuracy of the GRSPs. The first change is needed
6 because the wrong term was used previously. The second change is needed because the
7 previous language was unclear.

8
9 **Section 8: IRD and LDD Changes to GRSPs**

10 *Q. Do you propose any changes to the IRD GRSPs?*

11 A. Yes, we propose three minor changes. First, we propose to add clarifying language
12 stating that the eligibility amounts for the IRD are specified in Section 3.1 of Exhibit D of
13 the CHWM contracts. BP-14-E-BPA-09, GRPS II.K.1. Second, we propose that
14 language be added stating that participating customers are required to implement
15 cost-effective conservation measures on eligible irrigation systems in their service
16 territories (consistent with the description of the IRD in TRM-12S-A-03, page 95). *Id.*
17 Third, we propose clarifying language regarding the IRD True-Up. *Id.* GRSP II.K.3.

18 *Q. Are you proposing to make any changes to the LDD GRSPs?*

19 A. Yes, we propose two minor changes. First, we propose to add language stating that the
20 LDD applies to the Load Shaping True-Up Adjustment; this was an oversight and should
21 have been included in the BP-12 GRSPs. BP-14-E-BPA-09, GRSP II.M.1. Second, we
22 propose that customers will no longer be required to submit their annual EIA 861 reports
23 to BPA each year along with their LDD submittals. *Id.*

1 Q. *Should customers expect any other updates to the LDD amounts?*

2 A. Yes. We propose that if a customer does not retain its Provisional CHWM amount, its
3 LDD amount will be revised when bills are revised. *Id.* GRSP II.M.6. A new LDD
4 amount will be necessary because the customer's RHWL will change.
5

6 **Section 9: Adjustments to the Demand Billing Determinant**

7 Q. *Are you proposing any modifications to the demand billing determinant calculation?*

8 A. Yes. We are proposing three possible ways BPA might reduce a customer's demand
9 billing determinant. The first adjustment would mitigate the effects on the demand
10 charge due to extreme shifts in a customer's peaks and average HLH load that result in a
11 low monthly, Contract Demand Quantity (CDQ)-adjusted, HLH load factor. BP-14-E-
12 BPA-09, GRSP II.D.1.

13 The second adjustment would mitigate the effects on the demand charge due to
14 surges in a customer's demand following power restoration after outage events,
15 commonly termed "recovery peaks." *Id.* GRSP II.D.2.

16 The third adjustment would occur for customers that retain all or a portion of their
17 Provisional CHWM amounts. Their CDQs would be increased according to the direction
18 provided by the TRM. *Id.* GRSP II.D.3. This adjustment is necessary because the CDQs
19 in customer contracts were not adjusted to account for Provisional CHWM. If
20 Provisional CHWM becomes permanent CHWM, the customers' CDQs will be adjusted
21 to the level they would have been if the Provisional CHWM had been permanent CHWM
22 on October 1, 2011.
23
24
25

1 **Section 9.1: Extreme Load Shift Demand Billing Determinant Adjustment**

2 *Q. Briefly explain the extreme load shift demand billing determinant adjustment you are*
3 *proposing (BP-14-E-BPA-09, GRSP II.D.1).*

4 A. If a customer's monthly, CDQ-adjusted, HLH load factor is less than 55 percent and the
5 customer notifies BPA within 90 days of receiving its bill that it wants its demand charge
6 recalculated, then BPA will determine whether or not an adjustment is warranted. If an
7 adjustment is warranted, then the demand billing determinant will be recalculated by
8 calculating demand billing determinants for sub-month periods before, during, and after
9 (if applicable) the extreme load shift(s) using the same arithmetic method used for a full
10 month. There is no specific direction on how to determine the sub-month periods, but we
11 expect that the event(s) causing the extreme peaks would be used to demarcate the
12 periods. The sub-month period with the largest demand billing determinant will be the
13 demand billing determinant used for that month.

14 *Q. Why are you proposing this adjustment?*

15 A. We are proposing this adjustment because we recognize that customers could experience
16 extreme load shifts that result in the utility's average HLH energy usage being
17 abnormally low, which, based on the calculation of the demand charge billing
18 determinant, would result in higher than usual demand charges. The calculation of the
19 demand charge billing determinant subtracts average HLH energy from the customer
20 system peak. If the peak is abnormally high relative to the HLH energy, an inordinately
21 high demand charge could occur.

22 *Q. Could you describe some examples of the sorts of situations you are trying to target?*

23 A. Yes. The types of situations we envision leading to an extreme load shift demand billing
24 determinant include but are not limited to (1) strikes or extended maintenance outages at
25 large industrial loads and (2) irrigator loads coincidentally starting or stopping for the
26 season. The proposed method for adjusting the demand billing determinant allows BPA

1 to isolate those sub-month periods so that the peaks are measured relative to the average
2 loads.

3 *Q. How did you select the monthly, CDQ-adjusted HLH load factor qualification threshold*
4 *of 55 percent?*

5 A. We determined that it is a number (when rounded to the nearest 5 percent) that produces
6 an effective rate of 125 percent of the average PF rate without including the load shift
7 event in question. Surcharges beyond this level are large enough to cause concern and
8 further investigation. Load factors below 20 percent could result in a customer's average
9 PF rate exceeding \$100/MWh, more than three times the normal level. At load factors
10 below 5 percent, the average rate would exceed \$400/MWh. While this is unlikely to
11 happen, we believe it is better to put prospective relief into the rate schedules.

12
13 **Section 9.2: Recovery Peak Demand Billing Determinant Adjustment**

14 *Q. Briefly explain the recovery peak shift demand billing determinant adjustment you are*
15 *proposing (BP-14-E-BPA-09, GRSP II.D.2).*

16 A. If a customer meets the following three criteria, and provides the necessary notice to
17 BPA, then BPA will reduce the customer's demand CSP for purposes of calculating its
18 demand billing determinant. The customer must experience an outage that (1) occurs due
19 to an uncontrollable force lasting for two hours or more; (2) reduces the utility's total
20 system load by 25 percent or more; and (3) causes the customer's demand billing
21 determinant resulting from the Recovery Peak to be 10 percent or more of the Recovery
22 Peak kilowatts. Recovery Peak kilowatts are each hourly measured load that occurs
23 during the two hours following restoration of service after an outage due to an
24 uncontrollable force as measured across all of the customer's delivery points.

1 Q. *Why are the three criteria necessary?*

2 A. The first is necessary because an outage of at least two hours provides a level of
3 confidence that the measured peak was caused by a system recovery. The second is
4 necessary because it provides some assurance that the outage was significant across the
5 customer's total system. The third is necessary because it demonstrates that the recovery
6 peak had a significant negative impact on the customer's demand charge.

7 Q. *Why are you proposing this adjustment?*

8 A. We are proposing this adjustment because a few power restoration events occurred in
9 January 2012 wherein utilities experienced "recovery peaks" that set their CSP for the
10 month and created significantly higher demand charges than they would have otherwise
11 seen. The demand charge was not intended to penalize customers in this circumstance.

12

13 **Section 9.3: Retention of Provisional CHWM Amount Adjustment to CDQs**

14 Q. *Briefly explain the adjustment to a customer's CDQs if that customer retains all or a*
15 *portion of its Provisional CHWM amount (BP-14-E-BPA-09, GRSP II.D.3).*

16 A. In accordance with the TRM, customers that were conditionally granted Provisional
17 CHWM amounts were not granted higher CDQs associated with those Provisional
18 CHWM amounts. If all or a portion of their Provisional CHWM amounts are retained,
19 BPA will adjust the CDQs in the customer's CHWM contract by multiplying such CDQs
20 by the ratio of (1) the CHWM after reduction pursuant to section 4.1.8 of the TRM to
21 (2) the customer's CHWM prior to reduction pursuant to section 4.1.8 of the TRM minus
22 its Provisional CHWM amount.

23 Q. *How will this CDQ adjustment affect a customer's demand billing determinant?*

24 A. All else being equal, a customer's demand billing determinant will be lower.

1 Q. *Does this conclude your testimony?*

2 A. Yes.

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