

WP-07 Supplemental Rate Case Issues – Issues Raised in Parties’ Testimony

Lookback Issues: How Much Were the Publics Overcharged, FY 2002-2008

BPA’s Approach

1. proposal constitutes retroactive ratemaking, therefore BPA should revise on a going-forward basis.
2. accepted ratemaking practice does not substantiate an approach that involves re-examination and reversal of decisions; the assessment should use a “minimalist approach” limited to the values determined in the WP-02 and WP-07 rate cases prior to the imposition of the “Subscription Step.”
3. “what if” approach revisits the major decisions and reverses the ones that matter the most financially.
4. BPA ignores actual, recorded data and loads applicable to the rate case period.
5. this whole process is output driven.

What REP Benefits to the IOUs Would Have Been

6. ASCs have been determined using the 1984 ASCM when the IOUs might have challenged the use of the 1984 ASCM; BPA should use its proposed new ASCM.
7. the power component of PGE’s Agreement should be valued at BPA’s valuation rather than PGE’s valuation because the value PGE placed on the power sale through its rates is not directly relevant to what BPA included in its rates.

What Settlement Benefits Did the IOUs Receive

8. When the IOUs sold power back to BPA through the 10 percent LRAs, they surrendered REP settlement benefits and thus REP settlement benefits were already diminished.
9. the LRAs derive directly from the REP Settlement Agreement and therefore the LRA payments should be treated in the same manner.
10. inequitable to include the monies associated with the C&RD in the Lookback Amount.

How Much of the Settlement Benefits Should the IOUs Return to Publics

11. apportion liability to the IOUs for paying back amounts overcharged preference customers based on the amount the IOU received.
12. cap on reconstructed benefits is unsupported and arbitrary; it “makes no sense;” the “lesser than rule” relies on a contract that has been declared illegal has no basis in ratemaking.
13. there is nothing wrong with allowing the IOUs to be owed more money than was paid in some years; the “lesser than” rule results in a windfall to the COUs.
14. inclusion of the deemers constitutes an extreme case of retroactive ratemaking; Idaho Power’s ratepayers receive no benefits over an unacceptable amount of time.
15. determine deemer balances during the Lookback period; which has not been done for PacifiCorp.
16. carry out the analysis on an aggregate basis over the five-year-rate period. Whether a party is overcharged or not should be viewed as an overall rate period question.
17. Puget contract replace Settlement Agreement and was not challenged; there is no Puget Lookback Amount.

Should Interest be Assessed to the Amounts Overpaid to IOUs

18. proposal ignores the time value of money.
19. retroactive ratemaking plus interest is even worse public policy.
20. use a published 5-year T-bill rate based on the period of overpayment to replace the inflation adjustment.
21. full compensation requires that the carrying charge reflect the time value of money and the risk of the repayment.

How are the Repayments Recovered from IOUs and Returned to Publics

22. repayment procedure such that preference customers have priority for repayment and an absolute right to repayment.
23. recovery risks unacceptable to bear.
24. approach virtually guarantees that the overcharge amount will never be fully repaid.
25. proposal to pay off the Lookback Amount in 20 years or less is too long; it introduces “intercustomer equity” issues for both IOU and COU consumers.
26. customers who would be repaying will be vastly different than customers who received overpayment.
27. repayment no longer than the period of overpayment. use seven years as the payback period.
28. promptly provide larger refunds to preference customers up front out of its reserves and recover the monies from the IOUs over time.
29. there will be political pressure to provide to the IOUs the full amount of the calculated REP benefits; voluntary overcharge repayments will not be continued over a twenty-year term.
30. spread timing the repayment across the IOUs; pay off obligations at same pace.
31. establish an amount to be returned for each COU based on each COU’s percentage of actual total preference-customer load.

7(b)(2) Rate Test Issues: How Much of the REP Benefits Can Be Charged to Publics

Issues that would Increase REP Benefits

32. allocate 7(b)(3) rate protection amount to surplus sales.
33. allow the selection of a conservation block even before the necessary investments are to be made in the real world.
34. the 7(b)(2) Case should include all conservation costs.
35. no justification and evidence for the resources, costs, or other information included in resource stack.
36. financing benefits do not adequately account for increased spreads in financial markets.
37. surplus sales are available as a reserve resource for firm sales.
38. subtract Applicable 7(g) Costs from the Program Case but include in the 7(b)(2) Case.
39. absence of any costs of an uncontrollable event demonstrates that BPA is applying unduly restrictive criteria.
40. terminated WNP-1 and WNP-3 plants are costs of uncontrollable events.
41. risk of uncontrollable events give rise to the need for Starting Financial Reserves Available.
42. PNRR should be subtracted as costs of uncontrollable events.
43. monetary payments an alternate form of delivery of DSI benefits in lieu of sales of power; monetary payments should be included in the 7(b)(2) Case.
44. in comparing the Program Case and the 7(b)(2) Case, include the REP benefit to COUs.

Issues that would Decrease REP Benefits

45. inappropriate adjustment to the preference customers' general requirements; eliminate the effect of historical conservation programs.
46. post-Act contractual obligations with the FBS only after first satisfying the pre-Act obligations and 7(b)(2) Customer load.
47. a different hydro revenue requirement between the Program Case and the 7(b)(2) Case increases rates over \$1.1 billion.
48. not all of the Mid-Columbia resources are committed to load.
49. the only 5(b) contracts with regional IOUs were REP Settlement Agreements; therefore IOU purchases of Mid-Columbia not dedicated.
50. with the expiration of contracts, resources cease to be committed to load under section 5(b)(1)(A) due to loss of contract rights.
51. use a different cost for the conservation in the 7(b)(2) Case than the actual cost BPA incurs.
52. use different new resources costs in the Program Case and the 7(b)(2) Case.
53. large financing difference between Named and Generic resources not reasonable.
54. no alternative assumption for conservation financing in the 7(b)(2) Case.
55. problems with using the historical financing assumptions; conservation acquired in fundamentally different manner.
56. cost of the conservation resources is significantly overstated.
57. useful life of no more than 15 years for all conservation.
58. did not recognize price elasticity in its DSI load projections in the Lookback.