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TESTIMONY of

ROBERT A. ROGERS and PAUL D. GARRETT

Witnesses for Bonneville Power Administration

**SUBJECT: TRANSFER SERVICES**

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3 Witnesses for Bonneville Power Administration

4  
5 **SUBJECT: TRANSFER SERVICES**

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

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

8 A. My name is Robert A. (Joe) Rogers, and my qualifications are in WP-10-Q-BPA-53.

9 A. My name is Paul D. Garrett, and my qualifications are in WP-10-Q-BPA-21.

10 *Q. What is the purpose of this testimony?*

11 A. This testimony sponsors section 2.14 of the Wholesale Power Rate Development Study  
12 (WPRDS), WP-10-E-BPA-05, and the proposed GTA-10 General Transfer Agreement  
13 Service Rate schedule and Supplemental Guidelines for Direct Assignment in the  
14 Wholesale Power Rate Schedules and GRSPs, WP-10-E-BPA-07. This testimony has  
15 three purposes. The first is to describe the GTA-10 GTA Delivery Charge, explain how  
16 it was developed, and explain the proposed methodology for establishing the rate for  
17 FY 2010-2011.

18 The second purpose of this testimony is to describe the Supplemental Guidelines  
19 for Direct Assignment, explain how they were developed, and explain how they will  
20 apply during FY 2010-2011.

21 The third purpose of this testimony is to describe the GTA-10 Transfer Service  
22 Operating Reserve Charge, explain how it was developed, and explain the proposed  
23 methodology for establishing the rate for FY 2010-2011.

24 *Q. How is your testimony organized?*

25 A. Section 1 of this testimony is this introduction. Section 2 provides a description of the  
26 GTA-10 GTA Delivery Charge and explains how Power Services developed the charge

1 for this rate proceeding. Section 3 of this testimony describes the purpose of the  
2 Supplemental Direct Assignment Guidelines. Section 4 provides a description of the  
3 GTA-10 Transfer Service Operating Reserve Charge and discusses the justification  
4 behind the Transfer Service Operating Reserve Charge.  
5

6 **Section 2: GTA Delivery Charge**

7 **Section 2.1 Description of the GTA Delivery Charge**

8 *Q. What is the GTA Delivery Charge?*

9 A. The GTA Delivery Charge is a charge for deliveries of Federal power made over a third-  
10 party transmission system at voltages below 34.5 kV. The GTA Delivery Charge appears  
11 in Section I of the GTA-10 rate schedule. WP-10-E-BPA-07, at 59.

12 *Q. Who pays the GTA Delivery Charge?*

13 A. The GTA Delivery Charge applies to BPA's power customers served over third-party  
14 transmission facilities, when that service is below voltages of 34.5 kV. This third-party  
15 transmission service is commonly referred to as "transfer service" and includes  
16 grandfathered contracts and Open Access Transmission Tariff service. The customer  
17 pays the GTA Delivery Charge only if it receives Federal power at voltages below  
18 34.5 kV and is not paying Transmission Services' Utility Delivery Charge for that  
19 particular point of delivery.

20 *Q. How was the GTA Delivery Charge previously developed?*

21 A. In the WP-07 Final Proposal, the GTA Delivery rate was set at a level equal to the Utility  
22 Delivery rate stated in Transmission Services' Transmission and Ancillary Service Rate  
23 Schedules. In addition, the billing factors were equivalent under the two charges.

24 *Q. What is your proposal for the GTA Delivery Charge for the Initial Proposal?*

25 A. We are proposing to continue the previous practice of setting the GTA Delivery rate  
26 equal to Transmission Services' Utility Delivery rate, with one minor modification.

1 Previously, the GTA Delivery rate would appear in the final rate schedules as a per-  
2 kilowatt monthly rate that was the same as Transmission Services' Utility Delivery rate.  
3 In this rate case, however, we are proposing to adopt a formula rate that simply  
4 references the Transmission Services' Utility Delivery rate and billing factor.

5 *Q. Why are you proposing to make this change?*

6 A. We believe it is important that the power rate schedules be clear that the rate for the GTA  
7 Delivery Charge is the same as the rate for Transmission Services' Utility Delivery  
8 Charge. Although we do not anticipate that Transmission Services will change its rates  
9 before the end of this rate period, there are nonetheless other events that could affect  
10 Transmission Services' Utility Delivery Charge. For example, Transmission Services  
11 could be required to reevaluate the Utility Delivery Charge as a result of an order from  
12 the Federal Energy Regulatory Commission (the Commission). In such case, without the  
13 adjustment proposed here, there would be an ambiguity in the power rate schedules as to  
14 whether Power Services should continue to charge the GTA Delivery Charge to its  
15 transfer service customers. The formula rate construct proposed here removes this  
16 uncertainty by tying the GTA Delivery Charge directly to Transmission Services' Utility  
17 Delivery Charge.

18 *Q. Why are you proposing that the GTA Delivery rate mirror Transmission Services' Utility*  
19 *Delivery rate, instead of proposing a delivery rate based on actual GTA low-voltage*  
20 *costs?*

21 A. We propose to mirror Transmission Services' Utility Delivery rate for three reasons.  
22 First, it is consistent with Power Services' past practice for setting the GTA Delivery rate.  
23 The GTA Delivery rate has been set to equal the Transmission Services' Utility Delivery  
24 rate since 2002 without significant controversy. We believe that continuing this  
25 treatment in the proposed rates is reasonable.

1           Second, setting the GTA Delivery rate equal to Transmission Services' Utility  
2 Delivery rate causes transfer service to more closely resemble service to BPA's  
3 customers not served by transfer. A number of customers have requested in various  
4 forums that BPA treat customers served by third-party transmission systems in a manner  
5 comparable with customers not served by transfer. Although it is not possible to create  
6 absolute comparability between transfer service customers and non-transfer service  
7 customers, Power Services has generally concurred that, where reasonable, it is an  
8 appropriate policy objective to create parity between these classes of customers. The  
9 GTA Delivery Charge is one example of Power Services' implementation of this policy.  
10 By setting this charge to equal Transmission Services' Utility Delivery Charge, Power  
11 Services is effectively creating a manner of comparability between transfer service  
12 customers and non-transfer service customers that have to pay for deliveries of Federal  
13 power over low-voltage facilities.

14           Third, at this time, the benefit Power Services would receive by having its own  
15 delivery rate is far outweighed by the administrative burden and cost of calculating a  
16 separate charge for deliveries over low-voltage facilities. We would need to gather cost  
17 data from a host of different transmission providers, each of which has different cost  
18 recovery methods, cut-off voltages, and so on. From this diverse set of data, we would  
19 have to draw potentially controversial conclusions about which costs should go into the  
20 proposed rate. The administrative burden and complexity involved with developing such  
21 a rate is a less reasonable option if there is another viable alternative available. In our  
22 view, Transmission Services' Utility Delivery Charge is such an alternative.

1 **Section 2.2: Revenue Forecast for the GTA Delivery Charge**

2 *Q. What is the revenue forecast for the GTA Delivery Charge?*

3 A. The approximate revenue associated with the GTA Delivery Charge is forecast to be  
4 \$2.7 million per year. This forecast was determined by observing historical revenues  
5 from the GTA Delivery Charge and escalating for anticipated growth in the billing  
6 determinants, Monthly Transmission Peak Load. This approach assumes that the  
7 methodology and rate of the Transmission Services' Utility Delivery Charge remains at  
8 current levels for the rate period. In the event Transmission Services changes its Utility  
9 Delivery Charge by the close of the TR-10 proceeding, the aforementioned revenue  
10 forecast will also change. The revenue forecast for the GTA Delivery Charge is  
11 discussed in section 2.1.4.1 of the WPRDS, WP-10-E-BPA-05.

12  
13 **Section 3: Supplemental Direct Assignment Guidelines**

14 **Section 3.1 Description of the Supplemental Direct Assignment Guidelines**

15 *Q. What are the Supplemental Direct Assignment Guidelines?*

16 A. The Supplemental Direct Assignment Guidelines are guidelines that Power Services uses  
17 in combination with Transmission Services' Guidelines for Direct Assignment Facilities  
18 to determine whether to recover the costs of direct assignment facilities from transfer  
19 service customers. The purpose of the Supplemental Direct Assignment Guidelines is to  
20 provide guidance in specific cases that Power Services anticipates may occur, but are not  
21 sufficiently addressed in the Transmission Services' Guidelines for Direct Assignment  
22 Facilities. Some of the guidelines are a result of past circumstances where the  
23 Transmission Services' Guidelines for Direct Assignment Facilities were not sufficient to  
24 address the costs of Direct Assignment of Facilities incurred when providing transfer  
25 service. The Supplemental Direct Assignment Guidelines are discussed in section 2.1.4.2  
26 of the WPRDS, WP-10-E-BPA-05, and appear in section I.E. of the GRSPs, WP-10-E-  
27 BPA-07.

1 Q. *Who are the Supplemental Direct Assignment Guidelines applicable to?*

2 A. The Supplemental Direct Assignment Guidelines are applicable only to customers BPA  
3 serves over third-party transmission systems. Power Services would recover the costs of  
4 certain Direct Assignment Facilities imposed on BPA by third-party transmission  
5 providers as described in the Supplemental Direct Assignment Guidelines.

6 Q. *Why are you proposing to add the Supplemental Direct Assignment Guidelines to the*  
7 *GRSPs?*

8 A. The principles outlined in the Supplemental Direct Assignment Guidelines are a central  
9 component of Power Services' policy for recovering transmission and distribution facility  
10 expansion and upgrade costs from transfer service customers. Until July of 2007,  
11 however, Power Services had never formally produced a document that articulated its  
12 specific policy view on when direct assignment costs would be recovered from transfer  
13 service customers. Instead, the only document available was Transmission Services'  
14 Guidelines for Direct Assignment Facilities. These Direct Assignment Guidelines, while  
15 instructive for non-transfer service customers, do not provide clear articulation of Power  
16 Services' policy with respect to how costs would be assigned for transfer service  
17 customers. To fill this gap, Power Services published the Supplemental Direct  
18 Assignment Guidelines as part of the July 2007 Long-Term Regional Dialogue Final  
19 Policy (Policy). Power Services committed in the July 2007 Record of Decision  
20 accompanying the Policy to propose to include the Supplemental Direct Assignment  
21 Guidelines in the initial proposal of the WP-10 rate case to make certain that all  
22 customers would have access to Power Services' policy on direct assignment  
23 responsibilities. Our proposal satisfies that commitment.

24

1 **Section 3.2: Revenue Forecast for Supplemental Direct Assignment Guidelines**

2 *Q. Are you forecasting any revenue associated with the Supplemental Direct Assignment*  
3 *Guidelines?*

4 A. No. At this time we do not anticipate any revenue from the Supplemental Direct  
5 Assignment Guidelines. Should the Supplemental Direct Assignment Guidelines allow  
6 Power Services to recover costs from transfer customers, that revenue would be used to  
7 offset costs, such that net revenue would equal zero.

8  
9 **Section 4: Transfer Service Operating Reserve Charge**

10 **Section 4.1: Description of the Transfer Service Operating Reserve Charge**

11 *Q. What is the Transfer Service Operating Reserve Charge?*

12 A. The Transfer Service Operating Reserve Charge is a proposed charge designed to  
13 compensate Power Services for the cost of Operating Reserves assessed by third-party  
14 transmission providers and non-BPA Balancing Authorities for service to load. The  
15 Transfer Service Operating Reserve Charge is discussed in section 2.1.4.3 of the  
16 WPRDS, WP-10-E-BPA-05, and appears in Section II of the GTA-10 rate schedule,  
17 WP-10-E-BPA-07.

18 *Q. Who will pay the Transfer Service Operating Reserve Charge?*

19 A. The Transfer Service Operating Reserve Charge applies to customers that meet the  
20 following three criteria. First, the customer must be a Power Services transfer service  
21 customer. Second, the customer must not be paying Transmission Services for Operating  
22 Reserves based on 3 percent of the customer's load. Third, Power Services must be  
23 assessed Operating Reserve charges from a third-party transmission provider to transmit  
24 Federal power to the power customer's load, or Power Services must be self-providing  
25 Operating Reserve in lieu of paying a third-party transmission provider for the Operating  
26 Reserve.

1           If these three criteria are met, Power Services will charge the transfer service  
2 customer the Transfer Service Operating Reserve Charge.

3 *Q. Why are you proposing the Transfer Service Operating Reserve Charge?*

4 A. We are proposing the Transfer Service Operating Reserve Charge in anticipation of a  
5 change in the way Operating Reserves are assigned between balancing authorities.  
6 Presently, Power Services does not acquire Operating Reserves from third-party  
7 transmission providers for the transmission of Federal power to transfer service  
8 customers. Instead, transfer service customers meet their Operating Reserve obligation  
9 by acquiring these services from Transmission Services. As described in more detail in  
10 the testimony of Bolden, *et al.*, WP-10-E-BPA-26, the Commission is considering a  
11 Western Electricity Coordinating Council proposal to change the Operating Reserve  
12 requirement. If the Commission adopts the proposed change, Power Services may be  
13 required to acquire (pay for) Operating Reserve from third-party transmission providers  
14 to serve transfer service customers. This will increase Power Services' costs of providing  
15 transfer service. At the same time, transfer service customers will experience a reduction  
16 in costs paid to Transmission Services as a portion of the Operating Reserve obligations  
17 shifts to Power Services. The Transfer Service Operating Reserve Charge is designed to  
18 allow Power Services to recover these potential new costs.

19  
20 **Section 4.2: Proposed Methodology for the Transfer Service Operating Reserve Charge**

21 *Q. What is your proposal for the Transfer Service Operating Reserve Charge for the period*  
22 *October 1, 2009, through September 30, 2011?*

23 A. We propose that for the rate period, the Transfer Service Operating Reserve Charge rates  
24 will mirror Transmission Services' Operating Reserve rates. We also propose that for  
25 this period the Transfer Service Operating Reserve Charge consist of two rates, one that  
26 mirrors Transmission Services' Operating Reserve – Spinning Reserve Service rate, and

1 one that mirrors Transmission Services' Operating Reserve – Supplemental Reserve  
2 Service rate. Power Services will charge the above rates in the same manner that  
3 Transmission Services charges its customers, except that Power Services will charge only  
4 for the portion of reserve obligation that is based on the customer's load, and not the  
5 portion based on generation.

6 *Q. Why are you proposing that the Transfer Service Operating Reserve Charge mirror*  
7 *Transmission Services' Operating Reserve – Spinning Reserve Service rate and*  
8 *Operating Reserve – Supplemental Reserve Service rate?*

9 *A.* We propose to mirror the Transmission Services' Operating Reserve rates for two  
10 reasons. First, as noted before in the context of the GTA Delivery Charge, it has been a  
11 general policy objective of Power Services to treat, where reasonable, transfer service  
12 customers in the same manner as non-transfer service customers. The Transfer Service  
13 Operating Reserve Charge implements this policy by charging eligible transfer service  
14 customers the same rates for Operating Reserve as are charged to non-transfer service  
15 customers.

16 Second, because of the many implications of the potential change to the Operating  
17 Reserve obligation, we anticipate that the third-party providers will be changing the rates  
18 they charge for Operating Reserve. With so much uncertainty in the industry about the  
19 way the Operating Reserve requirements will be implemented, we could not compile data  
20 to accurately forecast the potential Operating Reserves costs Power Services could  
21 experience from third-party transmission providers. Instead, we reviewed Transmission  
22 Services' Operating Reserve rates and consider them a reasonable approximation of other  
23 transferors' Operating Reserve rates. We also expect that Transmission Services'  
24 Operating Reserve rates will continue to be a reasonable approximation of the costs  
25 Power Services is likely to experience if the Commission were to adopt the proposed  
26 Operating Reserve change.

1 Q. *When would Power Services begin charging the Transfer Service Operating Reserve*  
2 *Charge?*

3 A. Power Services intends to begin charging the Transfer Service Operating Reserve Charge  
4 following Transmission Services' implementation of the proposed change to the  
5 treatment of Operating Reserve as described in Section 5.3 of the Generation Inputs  
6 Study, WP-10-E-BPA-08, and in the testimony of Bolden, *et al.*, WP-10-E-BPA-26.

7  
8 **Section 4.3: Revenue Forecast for Transfer Service Operating Reserve Charge**

9 Q. *Do you propose a revenue forecast for the Transfer Service Operating Reserve Charge?*

10 A. Not at this time. In order to construct a reasonable forecast, we would need to know  
11 when the proposed change to Operating Reserve would become effective. As noted in  
12 the testimony of Bolden, *et al.*, WP-10-E-BPA-26, however, the Commission is still  
13 evaluating whether to adopt the proposed change. Trying to predict when the  
14 Commission may finally rule on the Operating Reserve requirement is extremely  
15 speculative. Even after the reliability rule is approved, additional time will likely be  
16 needed by the transmission providers to implement the new change. These significant  
17 uncertainties make constructing a reliable revenue forecast more difficult and complex.  
18 Thus, for the Initial Proposal, we have not constructed a forecast of revenue for this  
19 charge.

20 It is possible that the Commission may act before the end of this rate proceeding.  
21 In that event, we will consider whether we have sufficient data to make a revenue  
22 forecast.

23 Q. *Does this conclude your testimony?*

24 A. Yes.  
25