NRU's New Approach to the Utility and GTA Customer Delivery Charge Issue

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Current Status

- The utility delivery charge is now $1.119/kW/month compared to the base charge for PTP and NT of $1.298 /kW/month.
- Affects 51 network facilities, serving 30 network customers
- Also, affects 34 GTA served customers for some or all of their load.
- While representing less than 0.5% of BPA's total net plant transmission investment

Current Status

- The utility delivery charge is based on the cost of service of these facilities, as of the last time a full blown rate case was done, and has moved up over time with the rate of increase of the base charge
- If fully “costed out” in the upcoming rate case the UDC could go up 85%. Reason: a shrinking cost over a more rapidly declining billing determinant

What did we hear on July 17th?

- UDC customers should continue to be served at a separate rate that is distinguished from the base rate for transmission
- From a comparability standpoint it is going to be difficult to have a separate treatment of GTA delivery charge and utility delivery charge served customers
- This separate rate should be priced so as to give a price signal but not so high as to be a be a burden

What potential solutions did we hear?

- Remove from consideration those facilities that simply cannot be purchased
- Encourage BPA and the affected utilities to negotiate the sale of these facilities (fire sale!)
- Perhaps BPA could retain the environmental responsibilities for the facilities
- Roll into network, eliminate GTA delivery charge
- Perhaps just keep the current rate and roll it forward over time with the rate of increase of NT?
- Determine a rate for the delivery segment when it was fully viable as a segment and roll that forward, as adjusted, through time.

NRU Proposal

- BPA and the customers would make a concerted effort to accomplish the sale of the remaining GTA facilities.
- BPA and the affected customers would develop an agreement where BPA would propose in each rate case (for both GTADC and UDC served customers) a separate delivery charge similar in structure to today's UDC that would go up over time with the rate of change of the base charge for NT. This would be carried out through an agreement similar to the Agreement Regarding Transfer Service of April 2005.
- Parties could challenge this approach in the rate case if they so choose.

Why this proposal?

- We need to get this issue resolved in an equitable fashion.
- Having the delivery charge go up simply because the billing determinant is shrinking is unfair and will lead to further and further inequity as time goes on
- Having the GTA customers suffer from an increasing delivery charge that they can do nothing about and is not cost based is very unfair.
- We heard from participants at our last meeting that there should continue to be a separate delivery charge. This will continue to provide a price signal to customers to purchase these facilities while resolving this uncertainty for the customers
- The current charge does reflect the cost basis of this segment when it was a segment that was viable from a costing standpoint.
- This proposal would retain comparability between GTA and main grid served customers. (However, the GTA delivery customers are still not completely mollified by this proposal).