



Commissioners

Nancy E. Barnes
Jim Malinowski
Jane A. Van Dyke

*Chief Executive Officer/
General Manager*

Wayne W. Nelson

June 28, 2018

Re: COMMENTS OF CLARK PUBLIC UTILITIES ON BP-20

Scheduling, System Control and Dispatch (SCD)

At the May 30, 2018, BP-20 rate case workshop BPA stated it is considering making changes to the SCD rate methodology and provided "Alternative 2" which would charge the SCD rate once, regardless of whether a customer used one or more transmission segments, and change the SCD billing determinant to one based on schedules rather than reserved capacity/monthly peaks. At the same time, BPA asked customers to develop and present their own alternative SCD rate methodologies.

While Clark Public Utilities is not necessarily opposed to BPA exploring alternative rate designs associated with SCD, BPA has not made a business case that the current rate design is deficient or in need of change.

The SCD budget number, rarely discussed or analyzed, is a large expense. The annual revenue requirement recovered under the SCD rates is approximately \$160 million and a new rate methodology could result in significant cost shifts. Thus, it is incumbent on BPA to make the case that a change is necessary before asking customers to consider and/or develop alternatives. BPA has not crossed this threshold.

BPA has so far made no attempt to demonstrate that the current rate methodology does not meet the rate case principles for BP-20 that BPA identified at its April 24, 2018 BP-20 rate case kick-off. This includes no demonstration by BPA that the current SCD rate does not:

- ensure full and timely cost recovery;
- produce the lowest possible rates consistent with sound business principles;
- fairly allocate costs to customers based on proportionate use;
- meet the statutory requirement of equitable allocation;
- meet the objectives of simplicity, understandability, public acceptance, and feasibility of application; and
- avoid rate shock and maintain rate stability from rate period to rate period (e.g., magnitude of rates and rate design).

The current SCD rate design aligns well with how other transmission providers in the region recover SCD costs. These other utilities are subject to FERC jurisdiction. Thus, Clark Public Utilities does not understand why BPA feels the proposed alternative aligns more with the FERC pro forma. Nor has BPA explained why such changes would be “superior” to the FERC pro forma.

Out of the gate, BPA stated that some customers feel that the current SCD billing methodology is a “hurdle rate.” “Hurdle” is not a defined term in BPA ratemaking, and our staff does not recall BPA using this term to set rates or establish rate rationale in the past. From the outset of the SCD discussion, our impression has been that the rate is a cost for doing business, and some customers would like a lower rate for doing business.

A change in SCD methodology requires BPA to provide an extensive analysis regarding its proposed rate design alternative. The high-level concept “Alternative 2” presented by BPA lacks sufficient detail to provide any meaningful comment at this point. BPA has provided little to no information or clarification as to:

- how this concept would be implemented;
- what, if any, the resulting costs shifts will be;
- how it will impact Clark Public Utilities compared to the status quo; or
- how it would be more reflective of a cost-based service.

Clark Public Utilities appreciates the fact that BPA staff has promised customers a more detailed analysis. At that time, Clark Public Utilities will provide more substantive feedback. Concurrently, BPA should take the opportunity to provide customers with some activity-based cost accounting relating to SCD that better explains the work, systems, and personnel involved in providing SCD that may help determine why it costs so much. The net present value of SCD over a 10-year period is \$1.6 billion. Clark Public Utilities views this as an excellent time to look at systems, costs, and FTE levels in an area where automation might surely help reduce costs.