

COMMENTS OF EWEB, COWLITZ PUD, PNGC AND WPAG ON SCD RATE PROPOSAL

Submitted: June 28, 2018

These comments on the Bonneville Power Administration's ("BPA") proposed changes to the Scheduling, System Control and Dispatch ("SCD") rate are submitted on behalf of Eugene Water and Electric Board ("EWEB"), Cowlitz PUD, PNGC Power, and Western Public Agencies Group ("WPAG") (collectively, the "Commenting Parties"). The Commenting Parties represent approximately thirty-five customers located in 7 states (OR, WA, ID, MT, UT, WY, NV) that use BPA's Network Integration Transmission Service ("NT") to bring power to their respective loads and are dependent on BPA to provide the vast majority of their high-voltage transmission service. Charges assessed by BPA under its SCD rate make up a significant portion of the total transmission costs of the Commenting Parties.

At the May 30, 2018 BP-20 rate case workshop, BPA stated that it is considering making changes to the SCD rate methodology and outlined a vague concept labeled "Alternative 2" that would both (i) charge the SCD rate once regardless of whether a customer used one or more transmission segments and (ii) change the SCD billing determinant to one based on schedules rather than reserved capacity/monthly peaks. BPA has also asked customers to develop and present their own alternative SCD rate methodologies.

While the Commenting Parties are not necessarily opposed to BPA exploring alternative rate designs associated with SCD, to date BPA has failed to make even a modest showing that the current rate design is deficient or in need of change. The annual revenue requirement recovered under the SCD rate is approximately \$160 million. Given the magnitude, the potential cost shifts that could arise from a new rate methodology might be significant. Accordingly, it is incumbent on BPA to make the case that a change is necessary in the first instance before asking customers to consider and/or develop alternatives. This is a burden that BPA has not yet carried.

For instance, BPA has so not yet demonstrated 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).

In addition, based on our preliminary research and the benchmarking analysis recently released by BPA, it appears that the current SCD rate design is well aligned with how other transmission providers in the region and the country recover SCD costs. For example, of the 30

transmission providers BPA surveyed as part of its SCD benchmarking, it appears that approximately two-thirds of them either (i) assess a SCD rate based on reserved capacity for PTP service and monthly peaks for NT service similar to what BPA does currently or (ii) do not charge a separate SCD rate but instead recover SCD related costs through general transmission rates that are also based on reserved capacity for PTP service and monthly peaks for NT service. Consequently, we are not persuaded that BPA's efforts to better align with the FERC pro forma requires a change to the SCD rate to use schedule based billing determinants.

BPA's claim that some customers feel that the current SCD billing methodology is a "hurdle rate" is too ill-defined to be persuasive. A hurdle to what and for who are basic questions that need answers before BPA and customers can even consider whether the current rate is indeed a punitive one or simply sound ratemaking based on cost causation.

If and when BPA establishes that a change to the SCD methodology is needed, it must then provide significantly more analysis regarding its proposed rate design alternative. The exceedingly high-level concept "Alternative 2" presented by BPA lacks sufficient detail to provide any meaningful comment. BPA has provided no information as to how this concept would be implemented, what the resulting costs shifts will be, how it will impact our utilities or the utilities we represent compared to the status quo, or how it would be more reflective of a cost based service. BPA Staff has promised customers that a more detailed analysis is forthcoming and, when it is, we will provide more substantive feedback at that time. At the same time, BPA should take the opportunity to provide customers with some activity based cost accounting relating to SCD in order to better explain the work, systems, and personnel involved in providing SCD and why it costs so much.

Thank you for the opportunity to comment.