

## Transfer Service for the New Resource Power Customers

These comments are being submitted by Harney Electric Cooperative, [Inc.](#) in response to BPA's BP-26 workshops dated September 25-26<sup>th</sup>, and specifically in response to the proposal to directly assign Transfer Service costs to a New Large Single Load ("NLSL") served by a BPA Preference power customer.

Harney Electric Cooperative ("HEC") and Lithium Nevada Corp. ("LNC") understand that as stated in the Provider of Choice Record of Decision and concerning the treatment of Transfer Service costs, BPA is striving to protect PF Tier 1 customers from transmission costs associated with another rate pool, such as New Resource rates. We do not quibble with this goal, however, it is this goal that highlights the problem with the proposed cost treatment of Transfer Service for NLSL loads purchasing NR service. We believe that at least through BP-26, BPA should maintain the principle of comparability between Transfer Service and direct service, which the region has embraced for decades. We also believe that BPA and its customers need to re-examine the appropriateness of its treatment of Transfer Service costs and in particular, whether it is time to reconsider the tradition of including transmission costs in power rate pools.

In BP-26, BPA proposes to assign the costs of Transfer Service needed to serve NLSL loads purchasing NR power to the NR rate pool. BPA also proposes to require NLSLs relying on non-Federal power supplies and purchasing New Resource Energy Shaping Service (NR ESS) to purchase 2-5% of NR Capacity. However, we understand that BPA plans to directly assign the cost of Transfer Service to HEC, the only preference customer that has elected NR firm service for its NLSL (LNC), rather than allocate these costs to all who are purchasing NR service. While we have no desire to cause NR ESS customers to incur any costs associated with Transfer Service costs that HEC cannot avoid, the proposed rate design of direct assignment of transmission costs within a power rate class is certainly novel – it is at odds with the comparability standard which has been embraced under the Regional Dialogue period, and it is counter to rate designs that are embraced in structured markets.

HEC and LNC recognize that BPA socializes Transfer Service expenses (currently ~ \$90 million/year) among all preference power customers and has done so for decades. We also recognize Transfer Service as being the result of BPA choosing to forego transmission system expansion needed to directly serve its power customers. The necessity and value of Transfer Service has been broadly shared by both transmission customers through lower transmission rates, and preference power customers, whether directly served customers or those requiring Transfer Service. This arrangement has been a staple of fairness among BPA preference power customers. Rate design decisions that move toward direct assignment of costs or further segmentation among preference customers effectively redistributes the regional benefits that resulted from Transfer Service.

While a long-standing practice, we encourage BPA to engage the region to re-examine its treatment of Transfer Service cost allocation. Broadly thinking, including Transfer Service cost in power rates runs counter to the NERC functional test. Second, differentiating the cost of the same service based on power customer type we believe violates the FERC comparability standard. Specifically for HEC, if BPA goes ahead with directly assigning a portion of the Transfer Service costs incurred by HEC in order to serve its south system, HEC's NLSL customer, LNC, will be paying different costs for the exact same Transfer Service as the rest of HEC's south system. Third, we understood that BPA was planning to initiate direct allocation or pass-through of Transfer Service costs along with power sold at an NR rate under the Provider of Choice period. As noted above, we believe this approach deserves further discussion but most importantly, we did not expect this in BP-26. Moreover, the Provider of Choice

policy proposed to directly assign not only Transfer Service costs but also ancillary service charges and losses, and so we are unsure if that is what BPA plans or not for BP-26.<sup>1</sup>

We appreciate both BPA's commitment to long-term Transfer Service and its acknowledgment that "under the current Open Access Transmission Tariff (OATT) paradigm, transmission providers are obligated to plan and build [their] system to meet load growth for transmission customers."<sup>2</sup> As the region faces the immediate challenges of load growth, accelerated resource development, and active efforts to expand transmission infrastructure, we encourage BPA to rethink its historical treatment of Transfer Service as a power cost. We propose that BPA initiate a broad and comprehensive conversation about the treatment of Transfer Service before BP-29.

The concern of an "unbounded" level of NLSL transfer costs is not an issue in BP-26. And, BPA has already proposed other rate design modifications for BP-26 that redistribute costs from power customers to transmission customers, e.g., rolling-in Utility Delivery costs and Transfer-related Delivery costs to the Network segment.

In the meantime, and specifically for BP-26, we believe that in the spirit of the Agreement Regarding Transfer Service (ARTS) which is still in effect, BPA should recover transfer costs in a "generally applicable way", no matter what type of preference customer load requires the Transfer Service.

Thank you for considering our comments.

[Fred Flippence](#)  
[General Manager](#)

---

<sup>1</sup> Provider of Choice ROD, Issue 118.

<sup>2</sup> Provider of Choice ROD, Issue 116.