



*Tech Forum via Email*

TO: Bonneville Power Administration

RE: BP-16 Transmission Issues

DATE: 9/19/2014

---

## **Introduction**

As the BP-16, pre-rate case process draws to a close, the Public Power Council (PPC) would like to take this opportunity to comment on several transmission rate issues that remain outstanding. PPC is the umbrella trade association representing the preference power customers of BPA, all of whom additionally take OATT transmission service from BPA. PPC and its member utilities have a vested interest in all of BPA's rates and costs.

## **Segmentation O&M Proposal**

At the August 13<sup>th</sup> workshop, BPA shared its intent to make several minor methodological changes to the allocation factors for assigning the costs of O&M to the different transmission segments. First, BPA is planning to propose moving from its current practice of 3-year historical O&M allocation to use of 7-year historical average period. BPA is also proposing to base allocation of vegetation management to each segment's share of "line" based O&M only, rather than all in substation and line costs.

BPA's rationale for the move to seven year is to smooth out one-time maintenance events and also to more accurately capture trends in longer term maintenance cycles that can range up to 3 years in length. On the vegetation management side, BPA contends that excluding substation maintenance from the allocation factor for vegetation management will more accurately reflect cost causation as those costs are incurred to support transmission line reliability.

Given the move towards more stable allocations and alignment with cost causation, PPC is initially supportive of BPA's proposed changes.

### **Southern Intertie Hourly Non-Firm Rate**

At the August 27<sup>th</sup> workshop Powerex made a proposal to change the rate formula by which the hourly Non-Firm rates on the Southern Intertie are calculated. Powerex has identified market design differences (*i.e.* "seams" issues) between BPA's OATT framework and the California ISO markets that create circumstances in which customers purchasing long-term Firm service effectively have no priority over Non-Firm in the day ahead and real-time windows. BPA's independent analysis generally concurred with Powerex that there is an issue to pursue on this topic. Although Powerex is calling for a broader process outside the rate case as well, the company also presented a rate design proposal that would raise the Non-Firm rate for BP-16 to a level that is more comparable with the hourly tariff rates charged by the Transmission Agency of Northern California, Sacramento Municipal Utility District, and Los Angeles Department of Water and Power.

PPC staff is in the process of evaluating both the broader issue and the Powerex rate proposal specifically and has no position on proposed solutions at this time. Based on the analysis presented to date, it appears that there is a legitimate "seams" issue between regional market structures that may be undermining the incentive to invest in long-term firm service on the Southern Intertie. Although PPC does not yet have a position on what, if any, rate or policy changes might be appropriate, BPA and its customers should carefully examine in the BP-16 proceeding how hourly non-firm products are being used and whether costs are appropriately being recovered. Additional exploration outside of the rate case process also appears appropriate as there may be considerations and solutions beyond the scope of a rate case.

Thank you for your consideration of these comments.