

**COMMENTS OF THE WESTERN PUBLIC AGENCIES GROUP
REGARDING TRANSMISSION RATE CASE ISSUES**

Submitted: September 19, 2014

The utilities that comprise the Western Public Agencies Group (WPAG) appreciate this opportunity to comment on the following transmission rate case workshop issues: (i) the Bonneville Power Administration's (BPA) proposed Facility Ownership and Cost Assignment Guidelines (Guidelines); and (ii) the Powerex's proposal regarding the hourly non-firm rate for the Southern Intertie.

1. Proposed Guidelines.

Please find attached a redline of BPA's proposed Guidelines showing our recommended changes. Mainly, we believe that BPA's proposed Guidelines are an improvement over the current Direct Assignment Guidelines in terms of both substance and transparency. The recommendations in the attached redline are mostly self-explanatory and largely intended for clarification.

The chief substantive recommendation we make concerns the treatment of replacement facilities which not only replace existing rolled-in BPA-owned facilities but also add new transmission capacity. We recommend that the entirety of such replacement facilities (including any incremental capacity) retain the rolled-in designation of the original facilities being replaced. This is in contrast to BPA's proposal which would allow the cost of the incremental capacity directly assigned to the benefitting customer. The basis for this recommendation is fourfold:

First, BPA's statutory obligation under the widest possible use rate directive applies with equal force to incremental capacity additions used to serve preference customer load growth as it does to the replacement of existing rolled-in capacity. BPA's proposal appears to conflict with this obligation because it effectively penalizes preference customer load growth by allowing the cost of incremental capacity additions to be directly assigned. Applying the same uniform or rolled-in rate treatment for the entirety of replacement facilities (including incremental capacity additions) would be more consistent with the widest possible use directive, as well as BPA's historic interpretation and application of that obligation to the facilities being replaced.

Second, bifurcating any particular transmission facility into rolled-in and directly assigned components may, at the very least, create the appearance that separate legal and policy justifications underpin the separate rates charged to customer(s) for the same facility. This will likely invite mischief and litigation by those who would exploit such inconsistencies to undermine BPA's segmentation and postage stamp rate policies as well as BPA's justifications for them. Applying the same uniform or rolled-in rate treatment for the entirety of replacement facilities (including incremental capacity additions) on the basis that it better achieves the widest possible use rate directive will put BPA, the Guidelines, and BPA's segmentation and postage stamp rate policies on more solid legal footing by eliminating such an obvious and tempting discrepancy.

Third, BPA has an obligation under both its organic statutes¹ and its Open Access Transmission Tariff (OATT)² to plan and build the transmission facilities necessary to meet the load growth of its customers. BPA does not currently account for this obligation in its proposed Guidelines. Adopting our proposal for rolled-in rate treatment for the entirety of replacement facilities (including incremental capacity additions) would bring the Guidelines and BPA's planning obligations into alignment.

Fourth, if, despite our worthy recommendation, BPA still decides that it is appropriate to directly assign the costs of incremental capacity additions for replacement facilities, BPA must modify the proposed Guidelines to expressly limit the scope of the language so that it only applies to replacement of facilities that are (1) not Integrated with the regional transmission system, or (2) not supporting the reliability or efficiency of the Network for the general benefit of users of such system.³ As currently written, the language concerning the replacement of existing rolled-in BPA-owned facilities could be interpreted to apply to all such facilities regardless of whether they are integrated or whether they serve reliability or efficiency functions. We do not believe this to be BPA's intent, and encourage BPA to expressly state so in the section titled: "Higher capacity replacement of rolled-in facilities."

2. Powerex's Proposal.

Powerex has proposed to change the way non-firm rates on the Southern Intertie are calculated. In support of its proposal Powerex identified a number of seams issues between California ISO market design and BPA's OATT framework that allegedly make it so that customers with long-term firm service on the Southern Intertie have no priority over non-firm hourly customers. In addition to its proposed rate solution, Powerex has called for a broader process to discuss non-rate solutions.

It does appear that Powerex has identified an issue that requires further evaluation. However, at this time, we are not certain that Powerex's proposed rate solution is either necessary or appropriate, and believe that a more in-depth discussion on non-rate solutions to the alleged problem is still needed. In addition, we are concerned that any arguments for modifying the non-firm hourly rate methodology for the Southern Intertie could be used to justify similar changes to the hourly rate methodologies on the Network. Indeed, during BPA's most recent workshop on this issue, some customers indicated that they believe that comparable arguments would in fact apply to the Network. For this reason, BPA and the region should fully understand such arguments (and the implications to both Network and power customers if they were to succeed) before establishing any potential precedent(s) that may arise due to a change in BPA's methodology for setting non-firm hourly rates for the Southern Intertie.

¹ See, e.g., Bonneville Project Act, § 2(b); Transmission System Act, § 4(a), Northwest Power Act, § 5(b).

² See, e.g., BPA OATT § 28.2.

³ These are intended to be parallel to the cost assignment guidelines for new interconnections.

BPA Transmission Services

Facility Ownership and Cost Assignment Guidelines

DRAFT: September 8, 2014
WPAG redline of September 19, 2014

The purpose of these Guidelines is to:

1. Aid in determining which facilities are built and paid for by BPA and which facilities are built and paid for by a customers, or built by BPA and the cost of the facilities directly assigned to a customer;
2. Provide consistency with BPA's statutory responsibilities;
3. Provide consistency with FERC guidance to the extent such guidance does not conflict with BPA's statutory responsibilities; and
4. Provide transparency in how BPA makes ownership and cost assignment determinations.

These guidelines apply to both determining the ownership boundary as well as assignment of costs associated with new facilities and replacements.

Currently, newly constructed facilities beyond the point of interconnection that would have historically been directly assigned (built and owned by BPA at the customer's expense) are now being built, paid for, and owned by the customer. BPA generally constructs and owns facilities at the point of interconnection to ensure operational continuity and reliability of its transmission system. Direct assignment of facilities, wherein BPA constructs and owns the facility but assigns the cost to the customer, generally does not occur as a matter of practice.¹

General Ownership/Cost Assignment Guidelines

For new interconnections, BPA will require the customer to build (or directly assign to the customer the cost of) facilities to interconnect to BPA's existing system that are:

1. not integrated with the regional transmission system, or
2. not supporting the reliability or efficiency of the Network for the general benefit of users of such system.

¹ Section 1.11 of BPA's Tariff defines Direct Assignment Facilities as " facilities that have been or are constructed (or caused to be constructed) by Bonneville for the sole use and benefit of a particular Transmission Customer requesting service under this Tariff, the costs of which may be directly assigned to the Transmission Customer in accordance with applicable Commission policy."

Examples where BPA will extend the Network and not assign the costs to the customer include:

1. Extending service to a new customer in a new service territory;
2. Facility upgrades or additions required to meet reliability criteria; or
3. Establishment of a new interconnection point to which customers will interconnect.

Examples of Network upgrades which are normally paid for and constructed by BPA and not directly assigned include:

1. A terminal (primarily power circuit breakers, disconnect switches, and protective relaying) in a BPA substation interconnecting a customer funded line; and
2. Disconnects on either side of a new tap to serve a customer.

Equivalent capacity replacement of rolled-in facilities:

Costs for replacement with a new facility of equal capability will be paid for and constructed by BPA and not be directly assigned to the customer.

Higher capacity replacement of rolled-in facilities:

For a replacement facility which not only replaces an existing rolled-in BPA-owned facility but also adds transmission capacity, the costs of the incremental capacity may be directly assigned to the benefiting customer. If the higher capacity is for BPA's convenience However, the such incremental cost capacity will be paid for and constructed by BPA and not be directly assigned if:

1. The existing rolled-in BPA-owned facility being replaced is integrated with the regional transmission system;
2. The replacement facilities would be integrated with the regional transmission system;
3. The existing rolled-in BPA-owned facility being replaced already supports the reliability or efficiency of the Network for the general benefit of users of such system;
4. The replacement facilities would support, either in whole or in part, the reliability or efficiency of the Network for the general benefit of users of such system;
5. The higher incremental capacity is for BPA's convenience; or
6. The higher incremental capacity is necessary to meet BPA's statutory or tariff obligations for load growth over a prudent planning horizon.

Construction of a new ~~Direct Assignment~~ facility that exceeds the capacity needed to serve the customer:

If BPA installs a facility, such as a transformer, that is larger and more expensive than the size needed over a prudent planning horizon, and the larger size is installed for BPA's convenience, the ~~Direct Assignment~~ cost to the customer shall not exceed the equivalent cost of the appropriate smaller size facility.

Appeal Mechanism:

A customer may appeal a BPA decision about Direct Assignment costs assigned to that customer as provided in the Tariff or contract under which service is provided, or as otherwise provided by law.

If BPA constructs a Direct Assignment Facility:

BPA will require the customer to ~~advance~~ fund the cost of the facility.

BPA Direct Assignment determinations made under these Guidelines:

BPA will make Direct Assignment determinations ~~publicly~~ available upon request subject to execution of any non-disclosure agreements that may be necessary.