Public Power Council

Retention of EI Rate Segment and IM Rate

BPA Segmentation Rate Workshop

7 May 2014

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In making and supporting this proposal PPC limits its statements regarding segmentation concepts and principles to the narrow and express context of intertie segments. PPC expressly does not comment in any respect on any other segmentation within and of the Network. Nothing in these comments is intended, or may be construed, to support or oppose any segmentation proposal with regard to BPA transmission facilities other than the current Eastern Intertie segment.

PPC proposes that BPA retain its current segmentation of the Eastern intertie facilities and costs into the IE, IM and TGT rates (cont.)

Along with other customers, we do not believe that it should be necessary for customers to submit a proposal in this process to retain the status quo. However, given the history of this issue and the submission of proposals to eliminate the IM rate or the Eastern Intertie rate segment, we feel it is important that both sides have an equal chance to be heard.

Background

- BPA has maintained a separate rate segment for the Eastern Intertie since 1983, when the line came into service and rates could be set to recover its costs.
- The Eastern Intertie is a radial transmission facility.
- Its primary use is to transmit the output of Colstrip generation for five customers under the Montana Intertie Agreement.
- Our understanding is that there are no requests in BPA's transmission service request queue for new service over the Eastern Intertie.

Consistent with Statutory Requirements

- Were BPA to retain the Eastern Intertie segment and continue to recover those costs from the users of the transmission system, full and timely cost recovery would be assured.
- BPA does not use the Eastern Intertie facilities for delivery of federal power to preference customer load or to non-preference customers as part of its federal power-marketing program.
- Rolling the Eastern Intertie costs into the Network rates would not encourage the "widest possible diversified use of electric power." There is no evidence that Montana wind development is being impeded by the existence of the current rates.

Consistent with Rate-Making Principles

- Retention of the Eastern Intertie rates satisfies the cost causation principle by allocating the costs of the facilities to the users of those facilities.
- The proposal requires BPA to take no action and as such is simple, understandable and feasible.
- Retention of the rates should be considered to have broad public acceptance.
  - The Eastern Intertie segment was unchallenged from 1983 up until the BP-12 case.
  - Subsequent proposals to eliminate those rates were strongly opposed by public power and industrial customers but not broadly supported by other customers.

Consistent with Rate-Making Principles (cont.)

- Retaining the Eastern Intertie segment would not unfairly transfer new costs and risks to the Network customers without providing any benefit to them and would be consistent with BPA's longstanding segmentation methodology.
- PPC's proposal would not cause the rate levels to increase or the costs to be uncertain. No potential for rate shock is created by the proposal.
- The proposal would not change the way the rates are calculated or costs are recovered. The rates would be stable from rate period to rate period to the same extent they have always been.

Considers a Regional Perspective

- The proposal would continue to allocate BPA's share of Eastern Intertie costs to users of the Eastern Intertie facilities. It does not affect cost allocation in regard to any other part of the FCRTS.
- Other rate case parties have argued that recovering IM costs in the network, without roll-in of the TGT rate, might be unduly discriminatory. This conern is obviated.
- Were BPA to roll-in Eastern Intertie costs as proposed by some parties, it would risk creating a precedent that could be used by other parties to argue for rolling into the Network the costs of other, currently segmented transmission facilities.

Questions?