

August 17, 2016

PacifiCorp
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Bonneville Power Administration
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Re: PacifiCorp's BP-18 Comments on Franklin PUD's SDD Proposal

PacifiCorp is submitting these comments to express support for what it believes is the crux of Franklin PUD's July 27, 2016 presentation: clarity on whether the non-redirection portion of a partially redirected point-to-point (PTP) reservation that receives the Short-Distance Discount (SDD) should lose the SDD for the entire month. PacifiCorp is still analyzing the specifics of Franklin PUD's proposal, and is also considering BPA's proposed rate schedule language amendments on this same issue, but highlights the following relevant data points for BPA staff and rate case parties to consider as part of this ongoing discussion in the meantime:

- As relevant here, BPA's PTP rate schedule has contained the following sentence since 2002 (PTP-02):
 - "If the customer requests secondary PORs or PODs that use SDD-adjusted capacity reservations for any period of time during a month, the SDD shall not be applied that month."
- During several BP-18 workshops, including on August 10, 2016, BPA staff has stated its belief that this language clearly indicates that any non-redirection portion of a reservation loses the SDD for the month. BPA appears, however, to have historically interpreted this rate schedule sentence in two different ways, the first of which supports the theme of Franklin PUD's recent presentation:
 - **BPA Interpretation 1**: It is PacifiCorp's understanding that BPA's original redirects business practices included a mechanism allowing for the SDD to be applied to the "non-redirection" portion of a reservation. In particular, up through at least version 3 of BPA's redirect business practice, BPA essentially calculated two separate charges in the case of short-term redirects: (1) a charge for the short-term redirect based on BPA's then-current short-term PTP service rates; and (2) a charge for the original reservation based on BPA's then-current long-term PTP service rates, less a credit for the short-term redirect. The business practice then continued that "Through September 30, 2005, if the long-term Original Reservation qualifies for an SDD, *the SDD will be applied to the Original Reservation after the firm redirect credit is subtracted.*" In other words, the business practice implementing the rate schedule language above preserved the SDD for the non-redirection portion of the reservation.

- **BPA Interpretation 2**: Starting on October 1, 2005, however, BPA's redirects business practice implementing that same rate schedule language stated that, "If the long-term Original Reservation qualifies for a SDD and all or a portion of the capacity is redirected for any period of time during a month, the SDD will not be applied that month."
- Regardless of the reason for this change, the fact that BPA has interpreted, through its business practices, the same rate schedule sentence in two opposite ways raises certain important questions, such as whether both interpretations could be consistent with the original intent of BPA's rate schedule language, or whether BPA should have included important, interpretive language in its rate schedule all along.
- BPA appears to be addressing this rate schedule language problem in its proposed changes to the BP-18 Transmission Rate Schedules. In particular, BPA has proposed to replace its long-standing rate schedule sentence noted above with the following sentence (with certain key language modifications underlined):
 - "If the customer redirects, on a firm or non-firm basis, **any portion** of Reserved Capacity from a reservation receiving a SDD for any period of time during a month, the SDD shall not be applied **to the entire reservation** for that month."
- PacifiCorp is still reviewing this newly-proposed rate schedule language, but its initial impression is that BPA has recognized that its existing rate schedule language is indeed unclear on the issue of whether the SDD applies to any non-redirected portion of a reservation, and it has chosen to abandon its original interpretation (Interpretation 1 above) by proposing rate schedule language amendments in line with its later interpretation (Interpretation 2 above). That is, BPA is, for the first time, proposing rate schedule language that specifically states that it will not allow the SDD to apply to the non-redirected portion of a reservation.
- While PacifiCorp may provide additional comments on the rate schedule language by the August 24, 2016 due date, in the meantime, it would be helpful if BPA could address the apparent discrepancy between: (1) BPA staff's characterization of the existing rate schedule language as clear on the issue of whether the non-redirected portion of a reservation continues to receive the SDD; and (2) the fact that BPA is proposing rate schedule language amendments on that very issue.