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TESTIMONY OF

LAUREN E. TENNEY DENISON, REBECCA E. FREDRICKSON,

DENNIS E. METCALF, AND GLENN A. RUSSELL

Witnesses for Bonneville Power Administration

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6 **SUBJECT: TRANSMISSION SEGMENTATION**

7 **Section 1: Introduction and Purpose of Testimony**

8 *Q. Please state your names and qualifications.*

9 A. My name is Lauren E. Tenney Denison, and my qualifications are contained in BP-18-Q-
10 BPA-38.

11 A. My name is Rebecca E. Fredrickson, and my qualifications are contained in BP-18-Q-
12 BPA-09.

13 A. My name is Dennis E. Metcalf, and my qualifications are contained in BP-18-Q-BPA-27.

14 A. My name is Glenn A. Russell, and my qualifications are contained in BP-18-Q-BPA-33.

15 *Q. What is the purpose of your testimony?*

16 A. This testimony supports the Transmission Segmentation Study and Documentation for
17 the Initial Proposal, BP-18-E-BPA-07 (Segmentation Study). The Segmentation Study
18 describes how the Bonneville Power Administration (BPA) segments its transmission
19 facilities and determines the investment and historical operation and maintenance (O&M)
20 expenses associated with the facilities in each segment.

21 **Section 2: Overview of Segmentation**

22 *Q. What is segmentation?*

23 A. Segmentation is part of the ratemaking process in which BPA assigns transmission
24 facilities to various groups, called segments, based on the types of services the facilities
25 provide. In the Segmentation Study, BPA then calculates the investment and historical

1 O&M expenses associated with the facilities in each segment. Except for the Generation
2 Integration segment, under which the costs to integrate Federal power are recovered
3 through power rates, the costs of each segment are recovered through one or more
4 transmission rates that apply to that segment.

5 *Q. How are BPA's transmission facilities segmented?*

6 A. To develop the Segmentation Study, BPA reviews the transmission facilities and assigns
7 them to the appropriate segments based on the functions the facilities serve and the
8 segment definitions. Transmission Segmentation Study and Documentation, BP-18-E-
9 BPA-07, § 2.1-2.7 (defining the segments). A variety of information sources, including
10 one-line diagrams, contracts, work orders, and plant investment records may be consulted
11 to identify the appropriate segmentation of facilities consistent with the segment
12 definitions.

13 *Q. After the facilities are assigned to segments, what is the next step in the Segmentation
14 Study?*

15 A. Once facilities are assigned to segments, existing investment and historical O&M
16 expenses associated with the facilities are aggregated by segment. This results in total
17 existing investment and historical O&M expenses for each segment.

18 *Q. How are future investments considered in the Segmentation Study?*

19 A. A future plant in service forecast is used to allocate additional investment to the segments
20 based on investments that are anticipated to occur prior to and during the FY 2018–2019
21 rate period.

22 *Q. How does BPA use the results of the Segmentation Study in calculating transmission
23 rates?*

24 A. BPA uses the gross investment (including forecast new investment through the upcoming
25 rate period) and historical O&M expenses developed in the Segmentation Study to

1 determine the segmented revenue requirement (the revenue requirement associated with
2 each segment) in the Transmission Revenue Requirement Study. This segmented
3 revenue requirement is then used in the Transmission Rates Study to calculate
4 transmission rates.

5 **Section 3: The Segments**

6 *Q. What are the segments you are proposing for the FY 2018–2019 rate period?*

7 A. We are proposing to maintain the seven segments adopted for the BP-16 rates:
8 Generation Integration, Network, Southern Intertie, Eastern Intertie, Utility Delivery,
9 Direct Service Industry (DSI) Delivery, and Ancillary Services. Administrator’s Final
10 Record of Decision, BP-16-A-02, at 67-78.

11 *Q. Are you proposing any changes to the segments or the segmentation process for the
12 FY 2018–2019 rate period?*

13 A. No, we are not proposing any changes to the segments or the segmentation process for
14 BP-18. In BP-16, the segments and segmentation process were thoroughly addressed in
15 pre-rate case workshops and subsequent rate case testimony. The BP-16 pre-rate case
16 workshops focused on a regional segmentation review process that included an industry
17 scan and regional engagement with parties including utility managers, technical staff, and
18 other interested parties. Following that comprehensive regional process, the segments
19 and segmentation process we are proposing for BP-18 are the same as those adopted by
20 the Administrator for the FY 2016–2017 rate period. *Id.* So, while the process did not
21 change, it was applied to updated data (through FY 2015) in order to develop the
22 Segmentation Study for the BP-18 Initial Proposal.

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20 the Administrator for the FY 2016–2017 rate period. *Id.* So, while the process did not
21 change, it was applied to updated data (through FY 2015) in order to develop the
22 Segmentation Study for the BP-18 Initial Proposal.

1 **Section 4: Expected Changes for the Final Proposal**

2 *Q. Do you expect to make any changes to the Segmentation Study before the Final*
3 *Proposal?*

4 A. Yes. The investment and historical O&M data included in the Initial Proposal are current
5 through FY 2015. FY 2016 data will be available for the Final Proposal, and we will
6 update the study to include that data. With the additional year of data, the seven-year
7 averaging of historical O&M expenses will use FY 2010 through FY 2016 data. The
8 future plant in service forecast will also be updated with current information.

9 *Q. Does this conclude your testimony?*

10 A. Yes.

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