

et al., WP/TC-96-E-GN-01, at 7-8; Opatrny, WP/TC-96-E-BC-07, at 30-31. The Settlement Agreement simply treats GTA costs and Delivery segment underrecoveries as similar power business costs. This treatment does not violate the requirement to unbundle transmission rates from power rates.

Decision

In the context of the Settlement Agreement, GTA costs are allocated solely to power customers. GTA customers taking delivery below 34.5 kV will pay the uniform Delivery charge for both power and wheeling, if any, over the GTAs. The remainder of the GTA costs will be rolled into the power rates.

12.2.4 Interties

Issue 1

Whether the Northern Intertie segment should be rolled into the Network.

Evaluation

Consistent with BPA's practice since 1983, BPA proposed a Northern Intertie rate based on the cost of transmission facilities that comprised BPA's interconnection with Canada. Powerex strongly opposed BPA's Northern Intertie rate, and proposed eliminating the Northern Intertie segment, and thus, the Northern Intertie rate. In response to Powerex's case to eliminate the Northern Intertie, only Puget Sound Power and Light and BPA submitted testimony.

Powerex also made a request on September 27, 1995 to BPA under Section 10.4.1 of the Northwest Regional Transmission Association (NRTA) for transmission service at rates that reflected a rolling-in of Northern Intertie costs with Network costs. BPA rejected Powerex's request, and Powerex initiated an arbitration proceeding under the "BPA Rate Issue Dispute" provisions of Section 12.5 of the NRTA Governing Agreement. At the prehearing conference, the arbitrator ruled that, among other things, Powerex's request for transmission service should be resolved in BPA's on-going rate case, and that the arbitration should be suspended until 30 days after FERC's first order dealing with BPA's rates. Tr. 1791-1792; Powerex Brief, WP-96-B-BC-01, at 5-6.

Powerex made a number of arguments to support the roll-in of Northern Intertie cost into the Network. Some of Powerex's arguments are: that the majority of Northern Intertie use is by BPA; that the primary function of the Northern Intertie is to support BPA's federal requirements as shown in the Transmission Rate Design Study; that the functions performed by the Northern Intertie facilities benefit the entire BPA system; that the reliability and flexibility of the interconnected transmission systems would be diminished if the Northern Intertie facilities were taken out of service; that the Northern Intertie facilities, the Bellingham Reinforcement Project facilities, and the Network are all

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integrated; that Northern Intertie facilities operate at the same voltage levels as the Main Grid portion (230 kV and above) of BPA's Network; that the Northern Intertie facilities interconnect BPA's Network facilities between Custer substation and the Intalco plant with BPA's Network facilities at Monroe, and thus connect the Network to the Network; that the Northern Intertie is relatively short compared to the Southern and Montana Interties; and that rolling-in the costs of the Northern Intertie facilities to Network revenue requirements has less than a 1 percent impact on the Network revenue requirement. Powerex Brief, B-BC-01, at 10-18; Opatrny, WP-96-E-BC-07, at 16-18. Settlement negotiations resulted in a consensus to treat the Northern Intertie facilities as part of BPA's Network segment for the 5-year rate period October 1, 1996 through September 30, 2001. Attachment 1, at 5.

Decision

In the context of the Settlement Agreement, the Northern Intertie segment is rolled into the Network.

Issue 2

Whether BPA may treat the Northern Intertie facilities as part of the Network without also treating the Southern Intertie and Eastern (or, Montana) Intertie similarly.

BPA's and Parties' Positions and Evaluation

Clark argues that all Interties must be treated the same--either all should be eliminated or all maintained as Interties. Clark argues that the Southern and Eastern Interties are indistinguishable from the Northern Intertie and any other portion of the Network because all three interties operate at transmission level voltages and provide support for local deliveries. Clark Brief, B-CP-01, at 20-22. In addition, Clark argues that BPA will "use its operational and ownership control of [the Southern] Intertie to regulate access to both the Northwest and Southwest market, and . . . advantage its power marketing activities in both regions." *Id.* at 21; Clark Ex. Brief, R-CP-01, at 28. Retaining the Southern Intertie will "hinder the development of a fully open, competitive wholesale power market." Clark Brief, B-CP-01, at 22; Clark Ex. Brief, R-CP-01, at 28.

Clark presents no evidence or information to support its claims. Powerex stated that it believed that the Interties should be treated on a "case-by-case basis rather than trying as [BPA] has done since the 1983 Rate Case to fit their differing characteristics and uses into a uniform Intertie rate policy." Opatrny, E-BC-07, at 18. BPA did not contest this statement, but did argue that differences between the Northern and Southern Interties were not dispositive of the issue of eliminating the Northern Intertie. Metcalf, *et al.*, E-BPA-96, at 34-35. Clark argues that length is the only difference between the Northern Intertie and the Southern and Eastern Interties. Clark Ex. Brief, R-CP-01, at 27.

Powerex cited many differences between the Northern Intertie and the Southern and Eastern Interties including: length (the Southern and Eastern Interties are considerably longer than the Northern Intertie); structural (3100 MW of Southern Intertie capability is attributable to a direct current line that has no counterpart on the Northern Intertie); ownership (multiple ownership on the Southern Intertie, unlike the Northern Intertie); and reliability benefits (the parallel path to BPA's trans-Cascades facilities that is provided by BC Hydro's east-west transmission reduces the necessity for BPA to reinforce its trans-Cascades facilities). The Eastern Intertie was built almost solely for the purpose of integrating the Colstrip generation, Opatry, E-BC-07, at 16-18, and treatment of those facilities as direct assignment facilities is memorialized in the Colstrip contracts and the TGT rate. In addition, Powerex shows that BPA has always treated the Southern Intertie as a separate segment, but the treatment of the Northern Intertie as a separate segment was first introduced in the 1983 rate case.

Because the Northern Intertie is very inexpensive relative to the Network, rolling it in has minor impacts on other rates. On the other hand, the Southern Intertie costs are about 18% of the Network costs. TRDS, WP-96-FS-BPA-06, Table 1. Since virtually all power that is allocated Southern Intertie costs is also allocated Network costs, rolling in the Southern Intertie would cause an additional increase of about 18% in Network wheeling rates. Thus, this last-minute proposal by Clark, if adopted, would result in major cost shifts. The issue of eliminating the Southern and Eastern Interties was not addressed in the rate case testimony, cross-examination, or settlement negotiations.

BPA proposed the new Montana Intertie rate (IM-96) for service over the Montana Intertie under the terms and conditions of the Point-to-Point tariff. Woerner, *et al.*, E-BPA-85, at 23-24. No testimony was received in opposition to this new rate. Throughout the case, BPA proposed the Southern Intertie segment and rate schedule (IS-96) for service over the Southern Intertie. See TRDS, WP-96-E-BPA-06 and WP-96-E-BPA-62. BPA is proposing that terms and conditions of service over the Southern Intertie are offered under the Point-to-Point tariff. PTP Tariff, TC-96-FS-BPA-02. Regardless of the status of the Northern Intertie, Clark could have raised its concerns regarding the Southern and Montana Interties at an earlier time during the rate case to allow an open discussion of their issues among all parties. Certainly, Clark's contention (raised for the first time in its Opening Brief) regarding BPA hindering the development of a competitive wholesale power market is unsupported and flies in the face of the substantial changes BPA is voluntarily undergoing in terms of functional unbundling; its membership in both NRTA and WRTA; the voluntary filing of open access tariffs, including access to the interties, and rates with FERC; and rolling in the Northern Intertie. In addition, the BPA power business is the major user of BPA's Southern Intertie and pays most of the costs. TRDS, FS-BPA-06, Table 20. Rolling in the Southern Intertie would have the impact of lowering BPA's power rates and increasing its wheeling rates. Therefore, keeping the Southern Intertie as a separate segment does not benefit BPA's power business, as Clark alleges.

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The impact of rolling in the Southern Intertie on competition is unclear. It would lower the cost of transmission between the regions, but it would significantly raise the cost of transmission in the Pacific Northwest.

Decision

In the context of the settlement, the Southern and Montana Interties will be treated as separate segments of the FCRTS with rate schedules for service over these Interties under the terms and conditions of the PTP tariff.

12.3 Transmission Rate Development

12.3.1 Rate Construct For Network Service

BPA has a large amount (over 10,000 MW) of firm Network wheeling demand under contract. In addition to revising rates for these existing firm wheeling contracts (Integration of Resources (IR) rate and Formula Power Transmission (FPT) rate), BPA developed and proposed new rates (Network Integration (NT) rate and Point-to-Point (PTP) rate) for open access transmission service. IR service is similar to PTP service, while FPT service is a more limited service with a rate design based on the types of facilities used and the transmission distance. Following an initial proposal that included different rate levels for each Network service, BPA formulated and proposed a simpler and more efficient rate construct for pricing Network service in the supplemental proposal. Metcalf, *et al.*, E-BPA-84, at 5-8.

In the supplemental proposal, BPA proposed that the PTP rate, the IR rate, and the base charge for the NT rate be set equal to each other. (BPA's NT rate proposal includes a Base charge and a Transmission Load Shaping charge. See section 12.4.2 for a discussion of the NT rate schedule.) (The FPT rate is not included in this construct because it is based on the cost of types of facilities and distance.) BPA proposed this rate construct for IR, PTP, and NT service to avoid the problems associated with a proposal that includes multiple rates for similar service (in this case, for firm Network service). For example, two parties that want to do business may have different BPA transmission arrangements for similar service. They will tend to choose the cheaper transmission alternative, which could lead to systematic BPA revenue underrecovery. In addition, if the IR rate were lower than the PTP rate, even by a small margin, BPA would be placed at a competitive disadvantage since the IR rate is not available for BPA power sales. *Id.* at 6. Other reasons for setting the PTP and IR rates at the same level for firm annual service include the difficulty of pricing the differences in IR and PTP services, and the problems that the parties pointed out in the Initial Proposal methodology BPA used for distinguishing the cost of service. *Id.* at 6-7. Setting transmission rates at the same level for similar services helps to create a competitive market for all bulk power supplies and avoids market distortions.

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