

SN-03 Data Response

Request No.: BPA-CC-001

Request: Witnesses: Faddis, *et al.*
 Exhibit(s): SN-03-E-CC-01
 Page(s): Page 3, lines 12-18

Please provide any economic correlation analysis used to support this statement.

Response:

Attached is a Power Point file including two (1979-1987 and 1979-2002) analyses prepared by PNGC Power tracking the relationship of BPA rates to load response at PNGC's Members. These studies track the effects of BPA rate increases, corresponding retail rates, and the load response for eight of PNGC Power's Members. The retail distribution cooperatives and their loads included reflect a sampling of the loads in three end use sectors (commercial/ industrial, irrigation, and residential) that is representative of the entire power pool. The Attachment includes a third analysis, tracking unemployment rates in the counties associated with Umatilla Electric's service area.

April 29, 2003

SN-03 Data Response

Request No.: BPA-CC-002

Request: Witnesses: Faddis, *et al.*
 Exhibit: SN-03-E-CC-01
 Page(s): Page 3-4, lines 19-2

Please provide a list of all facilities referenced and any analysis supporting this statement that BPA's rates are responsible for any closures or job losses.

Response:

The referenced testimony does not state that "BPA's rates are responsible for any closures or job losses." The referenced testimony states that ". . . Northwest manufacturing facilities are at a production cost disadvantage that will limit or eliminate their ability to compete. Facilities that are not cost-competitive are at risk of closure . . ." BPA agrees with this statement: "High retail rates, due to BPA wholesale power rate increase and power rate increases from a variety of other causes, are hurting the Northwest economy that has some of the highest unemployment rates in the nation. Additional industries could be forced to close by further rate increases." What Led to the Current BPA Financial Crisis? A BPA Report to the Region at 9 (April 2003). Exhibits SN-03-E-CC-01T and 01U, and the attached power cost comparison for Weyerhaeuser, illustrate the power cost disadvantages to Northwest industries. The witnesses do not have a comprehensive list of such plants.

SN-03 Data Response

Request No.: BPA-CC-003

Request: Witnesses: Faddis, *et al.*
 Exhibit: SN-03-E-CC-01
 Page(s): Page 9, lines 11-17

What is the basis for asserting the SN CRAC is intended to be only forward looking.

Response:

The referenced testimony states that the SN CRAC is intended “to be forward looking and to address future Treasury payments” The GRSPs provide that “BPA will propose [an SN CRAC] that will . . . achieve a high probability that the remainder of Treasury payments during the FY 2002-2006 rates period will be made in full.” The SN CRAC rate schedule is not intended to apply when BPA has made its Treasury payments in FY 2001 and 2002 and has cash available to make its FY 2003 payment.

SN-03 Data Response

Request No.: BPA-CC-004

Request: Witnesses: Faddis, *et al.*
 Exhibit: SN-03-E-CC-01
 Page(s): Page 9, lines 11-17

What is the basis for asserting the SN CRAC is only designed to recover the \$340 million expected short fall.

Response:

BPA's intended use of the SN CRAC to make up for losses in prior years is inconsistent with the intended, forward-looking use of the SN CRAC. See Response to Data Request BPA-CC-003. According to BPA, \$340 million is the expected shortfall to meet the remainder of BPA Treasury payments in the rate period. SN-03-E-BPA-04 at 8.

SN-03 Data Request

Request No.: BPA-CC-005

Request: Witnesses: Faddis, *et al.*
 Exhibit: Exhibit: SN-03-E-CC-01
 Page(s): Page 15, lines 9-11.

Provide any analysis or information demonstrating what percent of the overall increase is solely due to BPA's rate increase.

Response:

The Customer Coalition objects to this data request on the basis that the information is publicly available. Notwithstanding and without waiving this objection, David Faddis answers as follows:

Kimberly-Clark ("K-C") purchases power from Snohomish PUD under rate Schedule 36. Complete information regarding the components of the 82% rate increase can be obtained from examining the rate tariffs of Snohomish PUD.

SN-03 Data Response

Request No.: BPA-CC-006

Request: Witnesses: Faddis, *et al.*
 Exhibit: SN-03-E-CC-01
 Page(s): Page 16, lines 14-16

What is the “duty” referenced to here? Include any cite to statute or regulation.

Response:

The Customer Coalition objects to this data request on the basis that it calls for a legal opinion and that SN-03-E-CC-01 provides policy testimony. Notwithstanding and without waiving this objection, Mr. Wolverton answers as follows.

The referenced testimony states that BPA has neglected its duty to consider the economic impact on its customers of the proposed SN CRAC rate increase. At the policy level, BPA often speaks of its stewardship role, e.g., “all BPA’s managers and employees take the stewardship role that has been entrusted to them very seriously. We know that our customers and the Northwest public expect improvement in the results for which we are responsible, and we intend to deliver on those expectations.” What Led to the Current BPA Financial Crisis? A BPA Report to the Region at vii (April 2003). The referenced “duty” refers generally to BPA’s obligation to manage the federal resources to provide power at the lowest possible cost and, thereby, support the Northwest economy. While this is policy testimony, we note that BPA has obligations under § 5 of the Flood Control Act of 1944 (“ . . . at the lowest possible rates to consumers consistent with sound business principles . . .”) and under § 2 (2) of the Pacific Northwest Electric Power

Planning and Conservation Act (“ . . . to assure the Pacific Northwest of an adequate, efficient, economical and reliable power supply . . .”).

SN-03 Data Response

Request No.: BPA-CC-007

Request: Witnesses: Faddis, *et al.*
 Exhibit: SN-03-E-CC-01
 Page(s): Page 24, lines 19-20

Please identify and define the “burden of proof” that is referenced in the identified testimony.

Response:

The Customer Coalition objects to this data request on the basis that it calls for a legal opinion and that SN-03-E-CC-01 provides policy testimony. Notwithstanding and without waiving this objection, Mr. Wolverton answers as follows.

Consistent with BPA’s stewardship role (See Response to Data Request BPA-CC-006), BPA has as duty to justify to its customers a rate increase that BPA itself acknowledges may force additional industries to close. (See Response to Data Request BPA-CC-002). BPA acknowledges that its “customers and the Northwest public expect improvement in the results for which we [BPA] are responsible . . .” What Led to the Current BPA Financial Crisis? A BPA Report to the Region at vii (April 2003). BPA’s “burden of proof,” as used here, is to convincingly demonstrate that its proposed actions i.e. the level of cost cuts, the use of cash tools, etc., are meeting these expectations.

SN-03 Data Response

Request No.: BPA-CC-008

Request: Witnesses: Faddis, *et al.*
 Exhibit: SN-03-E-CC-01
 Page(s): Page 15, lines 8-21

Please provide the retail rates structure applied to K-C showing the wholesale power resources and their allocated costs included in such retail rate structure applied to K-C.

Response:

The Customer Coalition objects to this data request on the basis that the information is publicly available. Notwithstanding and without waiving this objection,

David Faddis answers as follows:

K-C takes service from Snohomish PUD under rate schedule 36. BPA can review Snohomish's rates to determine K-C's retail rate structure.

See also Response to Data Request BPA-CC-005.

SN-03 Data Response

Request No.: BPA-CC-009

Request: Witnesses: Faddis, *et al.*
 Exhibit: SN-03-E-CC-01
 Page(s): Page 3, lines 15-18

Please provide the information and/or analysis used to support the contention in the statement: “After BPA’s rate increases of last year or so, we have seen unemployment increase, small businesses facing new costs that they cannot pass on to their customers, and extremely serious threats to irrigators and food processor...”, i.e., that BPA rate increases are the only causal factor,

Response:

The testimony does not contend that BPA rate increases are the “only causal factor.”

SN-03 Data Response

Request No.: BPA-CC-010

Request: Witnesses: Faddis, *et al.*
 Exhibit: SN-03-E-CC-01
 Page(s): Page 3, lines 20

Please provide a complete list of which Northwest manufacturing facilities are at a production cost disadvantage.

Response:

The Customer Coalition objects to this data request because it is overly broad and unduly burdensome. Notwithstanding and without waiving this objection, Mr. Wolverton answers as follows:

See Response to Data Request BPA-CC-002

SN-03 Data Response

Request No.: BPA-CC-011

Request: Witnesses: Faddis, *et al.*
 Exhibit: SN-03-E-CC-01
 Page(s): Page 7, lines 4

Please provide all documentation that supports the contention that BPA speculates in the energy market.

Response:

The Customer Coalition objects to this data request on the basis that the information is publicly available. Notwithstanding and without waiving this objection, Mr. Wolverton answers as follows:

Some of the documents Mr. Wolverton was referring to include BPA's 2001 Financial Report regarding Credit Risk, Hedging and Written Options (pages 35-37), and BPA's 2002 Financial Report (pages 34-36). In particular, the "cumulative-effect adjustment" of a \$168 million charge reflects the financial results of speculation in energy markets.

SN-03 Data Response

Request No.: BPA-CC-012

Request: Witnesses: Faddis, *et al.*
 Exhibit: SN-03-E-CC-01
 Page(s): Page 8, lines 21-20

What is the basis for your statement that “BPA is not bearing its share of the economic difficulties . . .”?

Response:

BPA’s SN CRAC proposal would collect from its customers during FY 2004-06 anticipated losses in FY 2004-06 and past losses that occurred in FY 2002-03. At the expense of its customers, BPA would restore its financial condition as if the economic recession in the Northwest and its own misjudgments had not occurred. BPA’s utility customers cannot impose on their customers and their markets a requirement that they be protected to be no worse than “net revenues equal to zero” over the FY 2002-06 period. Also, BPA’s choice to seek higher rates due to its failure to achieve the May 2000 cost levels that were used in establishing rates shows an unwillingness to shoulder its share of the economic difficulties.

SN-03 Data Response

Request No.: BPA-CC-013

Request: Witnesses: Faddis, *et al.*
 Exhibit: SN-03-E-CC-01
 Page(s): Page 14, lines 8-9

In reference to the statement: “BPA has failed to recognize that it is no longer a competitive supplier of power for many of its utility customers.” Please provide a list of all those utilities who are a cheaper supplier of power to BPA’s utility customers and the prices they provide.

Response:

The witnesses have not compiled a list of utilities that are a “cheaper supplier” of power. However, BPA acknowledges that its PF rate was above market in 2002. See What Led to the Current BPA Financial Crisis? A BPA Report to the Region at 2, 9 (April 2003) (“Actual spot electricity prices in 2002 averaged about \$20/MHW for a flat block.”). There are marketers who are offering power that is cheaper than BPA today and below BPA’s rates in the future, particularly if BPA increases rates 41%. If gas prices fall, the difference between alternate suppliers and BPA will increase.

SN-03 Data Response

Request No.: BPA-CC-014

Request: Witnesses: Faddis, *et al.*
 Exhibit: SN-03-E-CC-01
 Page(s): Page 15, lines 8-12

Please provide the drivers for the composition of the 82% rate increase and other relative weights.

Response:

See Responses to BPA-CC-005 and BPA-CC-008.

SN-03 Data Response

Request No.: BPA-CC-015

Request: Witnesses: Faddis, *et al.*
 Exhibit: SN-03-E-CC-01
 Page(s): Page 15, line 19.

Please provide all documentation that shows that Kimberly-Clark's
Everett mill is not competitive solely due to its current electricity rate.

Response:

Mr. Faddis does not state that Kimberly-Clark's Everett mill is not competitive
"solely" due to its current electricity rate.

SN-03 Data Response

Request No.: BPA-CC-016 (misabeled as BPA-PP-01)

Request: Witnesses: Faddis, *et al.*
 Exhibit: SN-03-E-CC-01
 Page(s): Page 16, lines 14-16

Please provide data describing the statutory basis for asserting that BPA has a “duty to consider the total regional economic impact of its actions”.

Response:

See Response to Data Request BPA-CC-006.

SN-03 Data Response

Request No.: BPA-CC-017

Request: Witnesses: Faddis, *et al.*
 Exhibit: SN-03-E-CC-01
 Page(s): Page 16, line 15

Please describe the statutory or other basis for this alleged duty.

Response:

See Response to Data Request BPA-CC-006.

Note: BPA submitted two sets of data request Nos. 17-20. One set duplicates request Nos. 23-26. The responses to Nos. 17-20 are to the non-duplicative set.

SN-03 Data Response

Request No.: BPA-CC-0018

Request: Witnesses: Faddis, *et al.*
 Exhibit: SN-03-E-CC-01
 Page(s): Page 9, lines 11-12

What is the basis for the statement that the “SN CRAC is intended to be forward looking . . .” Please provide any documentation, analysis or studies to support this.

Response:

See Response to Data Request BPA-CC-003.

Note: BPA submitted two sets of data request Nos. 17-20. One set duplicates request Nos. 23-26. The responses to Nos. 17-20 are to the non-duplicative set.

SN-03 Data Response

Request No.: BPA-CC-019

Request: Witnesses: Faddis, *et al.*
 Exhibit: SN-03-E-CC-01
 Page(s): Page 24, lines 18-19

Please provide all documentation, analysis and studies to support the conclusion that BPA cannot justify its cost projections for FY 2004-2006.

Response:

The testimony concerns cost-reduction projections for the agency. The witnesses do not possess such documents because BPA has not produced documents regarding cost-reduction projections for FY 2004-06.

Note: BPA submitted two sets of data request Nos. 17-20. One set duplicates request Nos. 23-26. The responses to Nos. 17-20 are to the non-duplicative set.

SN-03 Data Response

Request No.: BPA-CC-020

Request: Witnesses: Faddis, *et al.*
 Exhibit: SN-03-E-CC-01
 Page(s): Page 11, lines 18

Please provide all documentation, analysis or studies that document and/or estimate the size of the serious impact that this rate increase will have on the Northwest economy.

Response:

The witnesses have made no formal studies of the size of the impact that BPA's proposed rate increase would have on the Northwest economy.

Note: BPA submitted two sets of data request Nos. 17-20. One set duplicates request Nos. 23-26. The responses to Nos. 17-20 are to the non-duplicative set.

SN-03 Data Response

Request No.: BPA-CC-021

Request: Witnesses: Faddis, *et al.*
 Exhibit: SN-03-E-CC-01
 Page(s): Page 7, lines 1-2

Please provide all documentation for the statement that the SN CRAC is intended to only cover BPA for extraordinary or catastrophic events.

Response:

The Customer Coalition objects to this data request on the basis that the information is publicly available. Notwithstanding and without waiving this objection, Mr. Wolverton answers as follows:

Responsive documents include, but are not limited to, the SN CRAC rate schedule, the BPA Record of Decision approving the SN CRAC, and other documents in the WP-02 rate proceeding. BPA's rates include allowances for extreme droughts (1929-32 water being used in the risk modeling), the CGS outages and the NORM allowances. The inclusion of these costs in base rates and other CRACs suggests that the SN CRAC was intended to provide a remedy only for a catastrophic or extraordinary event.

SN-03 Data Response

Request No.: BPA-CC-022

Request: Witnesses: Faddis, *et al.*
 Exhibit: SN-03-E-CC-01
 Page(s): Page 24, lines 11-13

Please provide any data or analysis that illustrates how BPA's TPP model is sensitive to extreme water years.

Response:

The data are contained in the BPA input files used in the TPP model. The Net Revenue Output due to water years has a range of over a billion dollars from low to high with many individual cases near the low range. The maximum three-year-sequence loss is 50% higher than the maximum three-year-sequence gain. Furthermore, the number of cases near the maximum losses or gains (within 10%) is three times as much for the losses as for the gains.

SN-03 Data Response

Request No.: BPA-CC-023

Request: Witnesses: Faddis, *et al.*
 Exhibit: SN-03-E-CC-01
 Page(s): Page 8, lines 21-20

Please provide any studies you performed that directly correlate an increase in BPA's rates to a reduction in BPA's utility customer loads. Please explain how the general economic conditions were controlled for and how retail rates were impacted by BPA's rate increases.

Response:

The witnesses did not perform any formal studies of the impact of higher BPA rates on loads. However, please refer to the Response to Data Request BPA-CC-001.

SN-03 Data Response

Request No.: BPA-CC-024

Request: Witnesses: Faddis, *et al.*
 Exhibit: SN-03-E-CC-01
 Page(s): Page 14, lines 5-7

Please provide any studies you performed that examine BPA's proposed rate increase, i.e., the effect of higher prices, on loads of BPA's utility customers.

Response:

See Response to Data Request BPA-CC-023.

SN-03 Data Response

Request No.: BPA-CC-025

Request: Witnesses: Faddis, *et al.*
 Exhibit: SN-03-E-CC-01
 Page(s): Page 8, lines 21-20

Please provide any studies you performed and data that support your statement that BPA “is no longer a competitive supplier of power for many of its utility customers”. Please identify which utility customers are intended to be covered by this statement.

Response:

See Response to Data Request BPA-CC-013.

SN-03 Data Response

Request No.: BPA-CC-026

Request: Witnesses: Faddis, *et al.*
 Exhibit: SN-03-E-CC-01
 Page(s): Page 7, lines 1-2

Please provide any studies you performed, correspondence with potential facilities, etc. that show a direct correlation between the LB CRAC and load growth not materializing. Were factors other than BPA's rate increase, such as the general economic recession, considered as reasons for load growth not occurring?

Response:

The witnesses have performed no formal studies that show a direct correlation between the LB CRAC and load growth not materializing. However, please refer to the Response to Data Request BPA-CC-001.

SN-03 Data Response

Request No.: BPA-CC-027

Request: Witnesses: Faddis, *et al.*
 Exhibit: SN-03-E-CC-01
 Page(s): Page 7, lines 1-2

Please provide all documentation for the contention that the SN CRAC was not intended to cover BPA's costs or losses in the energy markets.

Response:

The Customer Coalition objects to this data request on the basis that the information is publicly available. Notwithstanding and without waiving this objection, the witnesses answer as follows:

Please refer to the SN CRAC rate schedule, the BPA Record of Decision approving the SN CRAC, and other documents in the WP-02 rate proceeding.

SN-03 Data Response

Request No.: BPA-CC-028

Request: Witnesses: Faddis, *et al.*
 Exhibit: SN-03-E-CC-01
 Page(s): Page 10, lines 18-19

Please fully describe which ENW refinancings are included in this statement.

Response:

The intended refinancings are listed in Exhibit SN-03-E-CC-01A and consist of the figures from 2002 through 2006 listed in the row titled "Total."

SN-03 Data Response

Request No.: BPA-CC-029

Request: Witnesses: Faddis, *et al.*
 Exhibit: SN-03-E-CC-01
 Page(s): Page 11, lines 2-3

What is the basis for the statement that, “Recognizing reduced ENW debt service costs in the TPP calculation is appropriate and prudent”?

Response:

The SN CRAC rate schedule requires BPA to “give priority to prudent cost management and other options that enhance Treasury Payment Probability while minimizing [the SN CRAC rate increase.]” Recognizing reduced ENW debt service costs is consistent with, and required by, this provision. See SN-03-E-CC-01 at 5-6.

SN-03 Data Response

Request No.: BPA-CC-030

Request: Witnesses: Faddis, *et al.*
 Exhibit: SN-03-E-CC-01
 Page(s): Page 11, lines 6-7

What is the basis for the statement that, “BPA can avoid over-collecting from its customers in the expected, normal circumstances”?

Response:

BPA’s net revenues, based on the risk analysis, show significant losses in circumstances such as the poor water years of 1929-32, but in most other years have less variability. Setting rates to assure a TPP that includes extreme water years causes higher collections in all years than would occur under more normal water circumstances. Using reduced ENW costs in the TPP calculation offsets this risk and sets rates to collect an appropriate amount of revenue.