Initial BPA Response to 7(b)(2) Issues from 8/21/07 Workshop

Caveat: The following issues were raised in a very cursory manner. To the extent that we understood the issue being put forward, we present these cursory responses. These responses are our initial reaction to the issue and are not meant to stifle discussion. To the extent that we missed nuances of a particular issue, we are happy to receive input to further advance our understanding.

Does the movement of DSI load to the publics, while incurring a cost, increase the trigger? i.e., is it a "cost" of the Act?

The characterization in the presentation was a simplification of the overall process. Whether the DSI loads being served by their local utility is a cost or a benefit is a result of the particular circumstances of each rate case.

7(b)(2) speaks to "the projected amounts charged…"; the methodology says "rates". Is there a difference?

The rate test is implemented in a way that there is no difference.

Is the DSI load definition the load as it exists now for the rate period or as it existed at the time of the passage of the Act?

The Act specifies that it is the DSI load during the 7(b)(2) period that is "served by the administrator."

Should the rate test include lost conservation opportunities as an available resource?

The Act specifies the resources are those that were "purchased from such customers by the Administrator pursuant to section 6."

Should it be assumed that all needed conservation can be brought on in one year (is there a ramping issue)?

The Act specifies "all resources that would have been required…."

Why are 7(b)(2) loads increased for past conservation? What is the logic for this? What is the statutory basis for this?

It is necessary for the implementation of the direction to have conservation resources in the 7(b)(2) resource stack. Section 7(b)(2)(D)(i) specifies that the stack includes those resources purchased pursuant to section 6. Conservation resources are specified in section 6.

Would the elasticity effect expand to look at DSI loads that are not currently being served by BPA, but may be served in the 7(b)(2) world?

Although BPA has not included the capability of increased DSI load in the 7(b)(2) case coming from smelters not operating in the program case, it may be reasonable to expand the elasticity effects to include such potential load.

What is the statutory basis for the elasticity adjustment?

This issue was addressed in the 7(b)(2) Implementation Methodology ROD.

Is the IP rate used for elasticity effect comparison before or after the trigger?

Both. The DSI load is forecast based on expected operations and does not change dependant upon the outcome of the rate test.

The Act speaks to a year plus four years; why do we use rate period plus four rather than five years?

This issue was addressed in either the 1985 or 1987 rate case. It was not pursued as an issue by any party, therefore it was not addressed in the ROD. Should a party wish to pursue this issue, BPA will consider the issue on the merits presented.

Should the DSIs be served in the 7(b)(2) Case at the NR rate?

The Act tells us how to treat the DSIs in the 7(b)(2) Case, that the DSIs are considered part of the general requirements of the public customer. The Act does not specify that the DSIs should be considered NLSLs in the 7(b)(2) Case. Further, there is no provision in the 7(b)(2) Case for an NR rate.

Why are conservation costs flagged as applicable 7(g) costs and not new resource costs?

We would speculate that Congress expected that conservation costs be a general cost to all customers, including the publics. If they had been specified as NR costs, then the publics would not necessarily pay for conservation costs.

Removing applicable section 7(g) costs from the Program Case costs should equalize to the 7(b)(2) rate costs, not below.

We find no basis in the Act that the removal of 7(g) costs could not result in a Program Case rate lower than the 7(b)(2) Case rate.

Should rates be converted to constant dollars before discounting?

BPA believes no explicit adjustment should be done. However, by using nominal discount rates, the discounting process would have the implicit effect of converting to constant dollars.

Should the 7(b)(3) reallocation be extended to surplus sales?

This issue is to be determined. However, this raises a question of how "supplemental rate charges" would be added to market rate sales.

When subtracting applicable 7(g) costs, should they be spread across all public load plus final exchange load rather than the potential exchange load?

When applicable 7(g) costs are subtracted from the Program Case PF rate, the exchange load included in the PF rate determination is the final exchange load.

Did BPA's conservation programs lead to market transformation that should be counted as conservation?

Only those conservation resources that are "purchased … by the administrator…" are included.

Does the use of FBS resources being used for reserves for wind integration play into the rate test?

This is an interesting question that BPA has not considered, and BPA has no immediate response. If there is any particular issue that a party wishes to bring forward, BPA will consider it based on the merits presented at the time.

Why are there no residual costs of resources brought on from the resource stack in earlier rate cases?

The rate test is a creature of each relevant rate case. There is no provision to carry forward the results of prior year rate tests to inform or impact the relevant period rate test.