

Response to Customer Comments – TSR Study and Expansion Process

BPA Transmission Business Practice

Version 3

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Version 3

This document contains customer comments and BPA Transmission Services' response to the **TSR Study and Expansion Process, Version 3** posted for comment from **June 5 through July 16, 2019**.

For more information on business practices out for comment, visit the BPA Transmission Business Practices [Comments and Responses page](#).

Table of Contents

A. Shell Energy North America	2
B. NT Customer Group.....	2
C. Portland General Electric Company and Puget Sound Energy, Inc.	4

A. Shell Energy North America

Shell Energy North America's (SENA) comments on Bonneville Power Administration's (BPA) proposed changes to TSR Study and Expansion Process Business Practice.

SENA appreciates this opportunity to comment on BPA's proposed changes its TSEP Business Practice.

SENA wishes to provide comment on the proposed section:

D. Option to Study TSR for Conditional Firm Service (CFS) item 2.

"If a customer does not request BPAT to study conditional curtailment option in the Study Agreement, then the TSR(s) will not be eligible for CFS study at a later time."

SENA seeks clarification from BPAT that when a customer submits a Long-term Firm Transmission Service Request (TSR) as part of a Cluster Study that once the study is complete the customer and BPAT are not be precluded from discussing a Conditional Firm Service if, as a result of the study, sufficient Available Transfer Capability (ATC) was not available all hours during the time period requested. SENA believes it is not appropriate to restrict the service type requested prior to the study and it is better to determine what transmission service can be offered based on the results of the study.

Thank you for your consideration of this comment.

BPA Response

BPA is implementing *pro forma* and industry standard CFS study and offer practices, which require a transmission provider, at the request of the customer, to evaluate the Customer's CFS options as part of the System Impact Study (see Order 890 paragraphs 957 – 958, OATT 19.1). At the conclusion of the study, BPA will provide the CFS study results for the type of CFS requested by the Customer. Specifically, (1) the specific system condition(s) when conditional curtailment may apply or (2) the annual number of hours when conditional curtailment may apply. If a customer does not request BPAT to study conditional curtailment options in the Study Agreement, then the TSR(s) will not be eligible for CFS study at a later time.

B. NT Customer Group

COMMENTS OF THE NT CUSTOMER GROUP ON BPA'S PROPOSED TSR STUDY AND EXPANSION PROCESS DRAFT VERSION 3

These comments are submitted on behalf of Western Public Agencies Group ("WPAG"), Northwest Requirements Utilities ("NRU"), Mason PUD 3, Eugene Water and Electric Board ("EWEB"), and PNGC Power (collectively, the "NT Customer Group") regarding BPA's proposed revisions to the TSR Study and Expansion Process Draft Version 3 ("TSEP Business Practice"). We appreciate the opportunity to comment on the proposed TSEP Business Practice and have a few questions about how the proposed TSEP Business Practice will be implemented for customers taking Network Integration Transmission Service ("NT" or "NT Service") from BPA.

Section H(5)(b) describes how BPA will return financial security assigned to an NT customer in the event a Plan of Service triggers a cost attributable to the NT Customer in excess of \$10 million. The NT Customer Group would like BPA to clarify a few items in order to fully understand the mechanics of the policy:

- 1) For an existing NT Customer, what constitutes “commencement of service” under Section H(5)(b)? Given that NT customers are billed based on their Network Load (as explained further below), our recommendation is that the commencement of service for an existing NT Customer be deemed to have occurred during the month in which the Plan of Service is energized because the NT Customer will incur a payment obligation for that month based on its total Network Load, which by natural operation will incorporate any newly energized Plan of Service on the Network. Does BPA agree? If no, why not?

BPA Response

BPA agrees that ‘commencement of service’ for NT Customers related to Plans of Services for which BPA recovers costs through an embedded transmission rate is deemed to be the month following energization of the required Plan of Service. For Plans of Service where BPA decides to charge an incremental transmission rate, the “Service Commencement” will be established pursuant to engagement between BPA and the NT Customer, and will be identified in the Service Agreement.

BPA will make revisions to clarify this provision to better address this comment.

- 2) If an NT Customer is deemed to have “commenced service” at a date later than originally requested, does BPA intend to monetize the financial security posted by the NT Customer or does BPA intend to delay the return of the financial security by the amount of time delayed?

BPA Response

Where BPA decides to recover the costs of a Plan of Service through an embedded transmission rate, BPA will not monetize or otherwise seize the financial security posted by an NT Customer in the event that the Customer is deemed to have ‘commenced service’ at a later date than originally requested. As described above, under embedded rate scenarios, BPA will deem that service to an NT Customer will have commenced beginning the month following energization of the Plan of Service.

For Plans of Service where BPA decides to charge an incremental transmission rate, BPA will delay the return of the financial security to align with the Service Commencement as identified in the Service Agreement between BPA and the NT Customer.

- 3) NT Customers are billed on a \$/kW/mo basis based on the NT Customer’s Network Load on the hour of the Monthly Transmission System Peak Load. Many of the NT Customer Group have multi-user loads behind multiple Points of Delivery. As such, an NT Customer’s load can vary for a variety of factors, including weather, which may be completely outside of the NT Customer’s control. How does BPA intend to measure whether or not an NT Customer has met its obligations under this policy?

The NT Customer Group appreciates the opportunity to comment on the proposed TSEP

Business Practice and hopes that BPA is able to clarify these items upon release of the final version.

Thank-you for the opportunity to comment.

BPA Response

For Plans of Service where BPA decides to charge an embedded transmission rate, an NT Customer will have met its obligations under this financial security provision through meeting its service and payment obligations under its NT Service Agreement during the period of financial security disposition.

For Plans of Service where BPA decides to charge an incremental transmission rate, an NT Customer's obligations will be met through payment of a fixed monthly transmission charge over the Amortization Period established in its Service Agreement.

C. Portland General Electric Company and Puget Sound Energy, Inc.

Re: Comments of Portland General Electric Company and Puget Sound Energy, Inc.
Regarding Draft Version 3 of TSR Study and Expansion Process Business Practice

Portland General Electric Company and Puget Sound Energy, Inc. ("Commenting Parties") submit the following comments on BPA's draft Version 3 of TSR Study and Expansion Process Business Practice.¹

¹ Available at

<https://www.bpa.gov/transmission/Doing%20Business/bp/Redlines/Redline-TSR-Study-Expansion-Process-BP-V03.pdf> "Draft").

1. Introduction and Summary

The Draft includes the following proposed new language in Section H (Financial Security Related to Plan of Service Construction):

1. Pursuant to Section 19 and 32 of the BPA OATT, BPAT will require a Customer that is offered a Service Agreement associated with the completion of an identified Plan of Service to provide BPA with acceptable forms of credit support as listed in BPAT's current Basic Credit Standards, equivalent to its pro rata share of the total costs of the Plan of Service to enable its requested service. The forms of security acceptable to BPA are listed in the Basic Credit Standards posted to BPA's external website.
2. The Customer's pro rata share of cost of the Plan of Service will be calculated as the ratio of Customer's requested MW out of the total requested MW identified to require the same Plan of Service, multiplied by the estimated total costs of the Plan of Service.
 - a. Under embedded rate determinations, BPAT may assess whether the

Customer satisfies the following criteria established through BPA's Basic Credit Standards when implementing its financial security provisions:

- i. The counterparty is a distribution utility and has the direct authority to establish and adjust rates to recover costs, including power costs, without seeking approval from a regulatory agency;
 - ii. The counterparty is not in default to BPA or another known party and has not been in default to BPA or another known party during the prior year; and
 - iii. The counterparty has not experienced a material adverse change in its financial condition or payment practices during the prior year.
- b. Customers that satisfy all of the criteria listed above will be exempt from BPA's financial security requirement for pro rata share amounts less than or equal to \$10 million.
3. The Customer will have 30 calendar days following the receipt of the offer of service under the Service Agreement to provide the required executed letter of credit or other form of security, or the request will no longer be a Completed Application and shall be deemed terminated and withdrawn.

Thus, the Draft proposes in general to apply BPAT's Basic Credit Standards² when the customer is required to provide credit support. The Draft further proposes that a distribution utility with the direct authority to establish and adjust rates to recover costs, including power costs, without seeking approval from a regulatory agency is exempt (in the absence of default or a material adverse change in its financial condition or payment practices during the prior year) from BPA's financial security requirement for pro rata share amounts of less than or equal to \$10 million; this is in effect an exemption or "safe harbor" for these BPA customers. However, no similar exemption is contemplated in the Draft for creditworthy customers that are not "unregulated." As discussed below, the Draft should be revised to provide an exemption from providing financial security for amounts less than or equal to \$10 million for creditworthy customers, whether or not "unregulated."

² Available at

https://www.bpa.gov/transmission/Doing%20Business/Tariff/Documents/Basic_Credit_Standards.pdf.

Further, the Draft requires that financial security be provided within a period of 30 calendar days. As discussed below, this period should be expanded to 45 calendar days.

2. The Exemption in the Draft from Providing Security for Amounts Not Exceeding Ten Million Dollars Should Be Expanded to Also Apply to Any Creditworthy Customer

Under the Basic Credit Standards, a BPA customer may potentially qualify for unsecured credit using two alternative methods:

Under Qualification Method 1, a customer that is a distribution utility and has the direct authority to establish and adjust rates to recover costs, including power costs, without seeking approval from a regulatory agency may qualify (in the absence of default or a

material adverse change in its financial condition or payment practices during the prior year) without a “comprehensive creditworthiness evaluation.”

Under Qualification Method 2, utilities or other BPA customers may qualify with a comprehensive creditworthiness evaluation: “Counterparties with internal credit ratings of investment grade or higher will qualify for unsecured credit. Counterparties rated below investment grade will need to provide an acceptable form of credit support.”³

³ Basic Credit Standards at second page.

As discussed above, the Draft proposes that a distribution utility with the direct authority to establish and adjust rates to recover costs, including power costs, without seeking approval from a regulatory agency is exempt (in the absence of default or a material adverse change in its financial condition or payment practices during the prior year) from BPA’s financial security requirement for pro rata share amounts of less than or equal to \$10 million. This is in effect application of the concept of Qualification Method 1 under the Basic Credit Standards in providing an exemption from BPA’s financial security requirement for pro rata share amounts of less than or equal to \$10 million. However, the Draft fails to include the concept of Qualification Method 2 under the Basic Credit Standards and erroneously fails to provide the same exemption for creditworthy customers, whether or not “unregulated.”

Particularly in light of the Draft’s proposed exemption for “unregulated” utilities from providing security for amounts not greater than \$10 million, it would be unreasonable and arbitrary and capricious to fail to provide such an exemption for any creditworthy customer. Simply put, a customer with a credit rating of investment grade or higher should not be forced to provide security for plan of service construction costs in amounts not greater than \$10 million and should not be forced to incur the costs of providing such security.

BPA Response

BPA has decided to withdraw the proposed sections H.2.a. and H.2.b. BPA will continue to evaluate potential changes to its Financial Security provisions in conjunction with Customer and stakeholder input.

3. The Period of Time to Provide Financial Security Should Be Expanded from 30 Calendar Days to 45 Calendar Days

As indicated above, the Draft requires that financial security be provided within a period of 30 calendar days. This period should be expanded to 45 calendar days. A period of 30 calendar days to provide financial security is unreasonably short and fails to provide an adequate amount of time for the customer to arrange financial security. A period of 45 days is reasonable. This is particularly true because it appears very unlikely that BPA will in fact necessarily incur plan of service construction costs of any significance within 45 days of the customer’s receipt of the offer of service under the Service Agreement.

BPA Response

BPA will not expand the timeline for Customers to provide financial security. Sections 19.4 and 32.4 of BPA’s Open Access Transmission Tariff (OATT) state that “...the Transmission Customer shall have thirty (30) days to execute a Service Agreement or request to initiate service in the absence of an executed Service Agreement pursuant to Section 15.3 and provide the required letter of credit or other form of security...”

In addition to BPA's OATT, this 30-day provision is included in the FERC *pro forma* tariff and the OATTs of other Transmission Providers across the electric utility industry. To accommodate this request would require a modification to BPA's OATT, which is outside the scope of the Business Practice change process.

Nothing contained in these comments constitutes a waiver or relinquishment of any rights or remedies provided by applicable law or provided under BPA's Tariff or otherwise under contract. Commenting Parties appreciate BPA's review of these comments and consideration of the recommendations contained herein. By return e-mail, please confirm BPA's receipt of these comments.

BPA Response

BPA confirmed receipt of these comments by return email on July 16, 2019 at 4:36 p.m.