

NRU/PNGC/WPAG Proposal for Resolving the Utility Delivery Charge Issue for BPA-owned Facilities

Background

The utility delivery segment is that segment of the Federal Columbia River Transmission System (FCRTS) that provides service to BPA's transmission customers at below 34.5 kV. In the 1996 power and transmission rate case BPA instituted the Low Voltage Utility Delivery Charge (Delivery Charge or UDC) to incent customers to buy these facilities so that BPA could get out of the low voltage distribution business. This has been a longstanding goal of BPA and the customers have worked with BPA as the facilities have been purchased by the customers. Since the 1996 rate case 150 of these facilities have been purchased. Redefining the delivery segment in a manner that would *increase* the facilities it includes, after this policy has been in place for 16 years and at a time that BPA is renewing its efforts to dispose of all delivery segment facilities, would be an untimely and counter-productive policy shift.

Over time the Delivery Charge has increased in step with the rate of increase of the other transmission rates. For example, by FY 2004 the Delivery Charge had increased to \$0.946 per kilowatt per month. Now the Delivery Charge is \$1.12 per kilowatt per month.

Since BPA instituted the Delivery Charge, customers have been incented to purchase these facilities where such a purchase makes sense to the utility and where an agreement can be reached with BPA. The table below shows the number of unsold BPA delivery facilities, the number of sold delivery facilities and the number of utilities using one or more unsold BPA delivery facilities. A utility can be served at one or more low voltage delivery points, and more than one utility can be served by one low voltage delivery point.

	1997	2004	2010	2012
Sold facilities	0	128	154	159
Unsold low voltage facilities	206	78	52	47
Utilities using unsold facilities	70	47	37	33

The question of what to do with the remaining low voltage delivery facilities is complicated by the circumstances of those customers served over GTA's. Since 2000, these customers have paid the GTA Delivery Charge, which has been set at the same level as the Utility Delivery charge either as a transmission charge (2000 to 2006) and later as a power charge (2007 to the present). BPA's intent was to maintain comparable treatment of directly connected and transfer customers. Most of these transfer customers are unable to purchase their low voltage facilities even if they wanted to because they are owned by the third party utilities that provide transfer service.

The Proposal

BPA should implement a two-pronged policy to complete its divestiture of delivery segment facilities as originally envisioned in the 1996 rate proceeding.

- BPA should renew discussions with those utilities still receiving service from BPA owned delivery facilities with the understanding that the remaining BPA owned delivery facilities present special challenges (environmental issues, age of facilities, joint service), and that the sale of such facilities will require more imagination and flexibility than has been heretofore required. Consideration should be given to sales propositions that meet both the customers' and BPA's business needs on a case by case basis.
- Provide the utilities considering the purchase of such BPA delivery facilities a stable business case against which to evaluate such a sale. To that end, BPA should adopt a policy in the FY2014-2015 transmission rate case under which it would fix the Utility Delivery charge at an established rate for 3 rate periods (which would be based on the current \$1.12 per kW/ month rate and would change with the percentage change in the NT rate) in order to provide some certainty for those customers who wish to buy these facilities. At end of 3 rate periods, customers who have not purchased the facilities in question would face a "use of facilities" type charge.

Such an approach will give BPA and the affected customers a sound basis for working out the sales of remaining facilities on an accelerated basis. This should result in the successful conclusion of the delivery segment divestiture policy BPA has been pursuing since the 1996 rate case. As soon as possible BPA will let the affected customers know of this revived approach to the sale of delivery facilities via a letter to these utilities.