

Response of Cowlitz PUD and EWEB to BPA's Capacity Mapping Construct
For Discussion at the June 27th BP-14 Generation Inputs workshop

FCRPS Cost Allocation Sequence. The rates for all loads served by BPA must have priority to the Federal Base System (FBS) power costs, including capacity costs, over any rates recovering the cost of capacity needed to support non-federal resources.

A. For ratemaking purposes, BPA must assume that *all* capacity needed to serve PF Preference general requirements loads, including *all* capacity needed to support delivery of such power to the preference customers, *including capacity to provide regulating, following and balancing reserves*, is met with FBS resources before any FBS resource cost may be allocated to other uses. This follows from the § 7(b)(1) rate directive in the Northwest Power Act (NWPA). Section 7(b)(1) provides in relevant part:

Such rate or rates [for general requirements] shall recover the costs of that portion of the Federal base system resources needed to supply such loads *until such sales exceed the Federal base system resources*.

Congress adopted this rate directive in 1980 at a time when BPA's power rates were delivered rates. Therefore § 7(b)(1) must be read to apply to generation inputs as well as to power consumed by general requirements loads.

B. Under § 7(c)(1)(B), the Industrial Power rate is derivative of the PF Preference rate, so the IP rate must also be assumed to be based on FBS costs.

C. Section 7(f) provides that rates for all other firm power sold by BPA be based on FBS costs, exchange costs and other resource costs, in that order.

Together, the § 7 rate directives give loads served by BPA priority to the FBS costs over any capacity needed to support non-federal resources.

D. The Administrator's authority to provide other services, including transmission services, is limited by NWPA § 9(i)(3), which provides in relevant part that:

The Administrator shall furnish services including transmission, storage and load factoring *unless he determines that such services cannot be provided without substantial interference with his power marketing program*, operating limitations or existing contractual obligations.

The § 7 rate directives are essential elements of BPA's power marketing program, so BPA may not provide non-load services unless BPA recovers the costs of such services in a manner that allows it to comply with all the § 7 rate directives.¹

The § 7 rate directives coupled with § 9(1)(3) require BPA to recover the costs of non-FBS capacity additions in rates other than rates to provide service to loads unless the FBS is insufficient to serve all capacity needs of such loads. Among BPA's rates for load service, BPA must allocate FBS costs to the PF Preference rate first and refrain from allocating any costs of capacity additions to the PF Preference rate or the rate for delivery of general requirements power to preference customers unless the capacity of the FBS is insufficient to serve such loads.²

¹ The equitable allocation requirement in NWPA § 7(a)(2)(C) and Transmission System Act § 10, 16 U.S.C. § 838h, apply only to the costs of the “Federal transmission system” and provided no guidance on the allocation of FBS costs. Similarly, 16 U.S.C § 824k(i)(1)(B)(ii) does not override any “otherwise applicable provisions of law” but rather adds additional criteria FERC must consider regarding issues not addressed by such other provisions of law. Nothing in 16 U.S.C. § 824j-1 can be read to repeal NWPA § 7(b)(1). Thus, none of the statutory provisions mentioned in this footnote alter the analysis in the main text.

² Designating capacity additions required to integrate non-federal resources as FBS would be arbitrary and capricious, inasmuch as the text and legislative history of the Bonneville Project Act and of the NWPA establish that preserving the economic benefits of the FBS for preference customers is a major goal of these Acts.