

July 2, 2012

Via Electronic Submission  
Bonneville Power Administration  
[techforum@bpa.gov](mailto:techforum@bpa.gov)

### **NRU/PNGC/WPAG Response to BPA Staff's Questions Regarding the Utility Delivery Charge Proposal**

At the June 27<sup>th</sup> Transmission Pre-Rate Case Workshop, BPA requested feedback on the Utility Delivery Charge (UDC) proposal submitted by the Northwest Requirements Utilities (NRU), PNGC (Pacific Northwest Generating Cooperative), and the Western Public Agencies Group<sup>1</sup> (WPAG). We appreciated the opportunity to present our proposal regarding the UDC and offer the following responses to BPA's questions.

First, BPA questions why the proposal sets the UDC at the current level for three rate periods. Any shorter period of time would be inadequate for BPA and the 35 utilities involved to address the thorny issues that have impaired prior efforts to sell the remaining 47 facilities. The negotiations of the sale of the facilities will be difficult and take a considerable amount of time. Since BPA instituted the UDC, customers have had an incentive to purchase facilities where such a purchase made sense to the utility and where an agreement could be reached with BPA. The facilities that are still unsold are the ones with the most challenging sales propositions. For example, some of the more difficult problems for many of the remaining facilities are joint ownership and environmental issues. Resolving these issues is often a lengthy process, and utilities and BPA need an adequate amount of time to work through those issues. Additionally, three rate periods will provide a reasonable and known amount of time for utilities to appropriately evaluate purchase of these facilities or prepare for an alternative plan of service.

BPA has also requested feedback on how the under-recovery should be collected. NRU, PNGC, and WPAG support the under-recovery arising from the UDC to continue to be recovered from the entire Network segment rates (NT, PTP, and FPT). Historically, the under-recovery by the UDC was offset by the revenue generated from the sales of facilities which revenue was deposited into the Bonneville fund and used by BPA in various ways to the benefit of all transmission customers. See, e.g., 2002 Final Transmission Proposal Record of Decision, TR-02-A-01, p. 22 (August 2000) (\$22 million from sales used to reduce overall debt repayment obligations for transmission). Similarly, the under-collection under the Proposal would be offset by the revenue generated as these facilities are sold and the resulting reduction in BPA's future O&M expenses. Furthermore, the under-recovery is very small, only \$2.5 million, which has a de minimis impact on the Network segment rates (only 0.3%). It is also important to note that there are many other costs included in the Network segment, which benefit a limited number of customers (e.g NOS builds, PTSA reform). This relatively small cost

---

<sup>1</sup> Although a member of WPAG, Clark Public Utilities has not taken a position on this issue and does not join these comments.

will have a negligible impact on other transmission customers.

If BPA immediately moved to full cost recovery for these utilities, it would lead to unacceptable rate shock probably resulting in a large rate increase for their retail customers.

BPA staff also asked how the UDC charge would be escalated over the three rate periods under our proposal. Consistent with past practice we propose that the UDC be escalated at the same rate as the average of the overall Network segment rates. This will provide utilities with a stable rate over time so that they can make informed and rational decisions about purchase of the facilities or to find other ways to serve their load.

In sum, providing utilities with three rate periods to either purchase the existing facilities or find alternative means of service is the most reasonable method for finally resolving this longstanding and complicated problem while having a de minimis rate impact on BPA's other customers.