

**Comments of a PTP Coalition  
On the  
NRU/PNGC/WPAG Proposal for Resolving the Utility Delivery Charge Issue**

On July 2<sup>nd</sup>, a PTP Coalition<sup>1</sup> provided general comments on the NRU/PNGC/WPAG Proposal (Proposal) concerning Utility Delivery Charges (UDC) stating that:

“The Coalition supports BPA removing itself from responsibility for facilities currently in the Utility Delivery segment as long as any unsold facilities are not automatically included in the network segment without a segmentation and cost causation review. In addition, whatever rate(s) is set for the Utility Delivery segment, it should be cost-based. Finally, the associated ratemaking regarding General Transfer Agreement costs should be determined in the power rate case.”

On August 22<sup>nd</sup>, BPA staff asked for comments on the specifics of the Proposal. This document responds to that request.

We agree in part with the solution put forth by NRU, PNGC and WPAG (Proponents) for dealing with BPA’s unsold low voltage facilities. We agree that delivery facilities should be sold to the local utilities using them. If there are reasons such sales cannot be carried out, then those utilities that rely on specific low voltage facilities should compensate BPA through the Use-of-Facilities Transmission Rate (UFT) as it is currently described in BPA’s transmission tariff.

We do not, however, believe it is justifiable or appropriate to put off that transition. Customers have been aware since 1996 that BPA planned to exit the business of providing low voltage distribution service. According to materials presented at the June workshop, 77% of the facilities in question have been purchased and transferred to customers. The Proposal would set September 30, 2019 as the deadline for completing the remaining transactions. It is unclear why the 16 years that have elapsed since 1996 did not provide enough time to complete divestiture and how an additional seven years will change that picture.

The Proponents are asking BPA to fix the Utility Delivery Charge over the next three rate periods (October 2013 through September 2019) by applying the NT rate change percentage to the current \$1.12 per KW/month charge. They acknowledge the formula does not cover BPA’s low-voltage facility costs and propose that the shortfall be recovered from the Network Segment (PTP and NT customers). They offer no rationale why the Network Segment should provide such a subsidy.

Extension of the UDC, along with the proposed rate formula, will do nothing to encourage customers to complete negotiations and take ownership of facilities. In fact, given the low rate

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<sup>1</sup> Signatories include: Benton County Public Utility District No. 1, EDP Renewables, M-S-R Public Power Agency, Pend Oreille Public Utility No. 1, Powerex, Seattle City Light, Snohomish Public Utility District No. 1, Tacoma Power

level, customers will have an economic incentive to put off the transaction until the last possible moment - September 2019. Instead, we recommend BPA eliminate the Utility Delivery Segment entirely in the 2014-15 rate case and recover low voltage facility costs through the UFT.

Once in place, UFT charges will provide utilities with the price signals needed to determine if they can own and operate the facilities less expensively than BPA.

The Proponents believe the question of what to do with the remaining low voltage delivery facilities is complicated by BPA's rate policy that, since 2000, has set the GTA<sup>2</sup> Delivery Charges equal to the UDC. We believe this problem can be solved by establishing a GTA Delivery Charge that reflects the costs of the GTAs BPA has executed. We recommend that BPA carry out this analysis and adopt a standalone GTA Delivery Charge in the 2014-15 rate case.

In summary, we agree the UDC should be eliminated, with the cost of low-voltage facilities directly assigned to utilities and recovered under the UFT. We believe the transition should take place immediately, in the 2014-15 rate case, not seven years from now. Waiting only increases the expense to other customers without justification.

Organizations participating in these comments:

Benton County Public Utility District No. 1  
EDP Renewables  
Powerex  
Seattle City Light  
Snohomish County Public Utility District No. 1  
Tacoma Power

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<sup>2</sup> General Transfer Agreements