Comments on Transmission Rate Case Workshop issue: Utility Delivery Charge

October 5, 2012

These comments are submitted on behalf of WPAG, PNGC Power and NRU.

We applaud BPA's decision to not re-segment the Utility Delivery Segment (Delivery) for its Initial BP-14 Rate Proposal and urge BPA to retain this decision through the Final Record of Decision for BP-14. Uncertainty in segmentation policy puts a full-stop on Utility Delivery customers' interest in purchasing Utility Delivery segment facilities. In fact, while our members will commence or continue negotiation of Delivery facilities, they would be well-served to not close any sales until after issuance of the Final Rate ROD containing BPA's strong commitment to its current segmentation approach to the Delivery segment. There would be no reason to buy a Delivery facility in order to mitigate the Delivery Charge if the definition of that segment were unstable and continuing or additional facilities resulted in continuing Delivery Charge.

We also are pleased with BPA's proposal to use the same peak hour to determine the billing determinants for Delivery Facilities as the peak hour used for to determine the billing determinants for the Network Segment.[1] Not only will this cut down on administrative burden for both BPA and its utility customers, but it will also align those billing determinants which may aid in the development of demand-side programs.

We were disappointed however at the proposal to raise the Delivery charge 25% each of the next two rate periods. An increase of this level certainly violates BPA's rate principle of rate shock, but also unfairly penalizes Delivery Customers for the past rate case settlements and for BPA's success is selling off Delivery Facilities. We believe that the Utility Delivery charge should escalate at the overall revenue increase needed by the Network segment. This will still send a price signal to purchase Delivery Facilities, but not impose an onerous and unfair charge that doubles transmission rates to those utilities with the lowest customer densities and the fewest customers per mile.

We would also like to clarify our proposal regarding the use of a "UFT-like" charge. BPA has proposed that a UFT charge would be effective for unsold delivery facilities after two rate periods. Our proposal carefully used the words "UFT-like" charge. In many case, a straight UFT charge will probably be viable. However, there will be problem facilities that either have very low use, very high costs, or both that will make a UFT charge untenable. The result of the imposition of a UFT like charge should not be to reduce areas where electric service is available. With the goal of retaining electric service to these problem delivery facilities, we urge BPA to work to see what can be done for those Delivery Facilities that cannot be sold and for which a traditional UFT charge would be too onerous.

We appreciate BPA's transparency throughout this rate case COSA and workshop process. Even when the answer is not to our liking, the process has worked well and BPA staff has been forthcoming with information and explanations of their leaning or decisions.

---

[1] However, we are still uncertain whether BPA should be using CSP or coincidental peak for billing determinants and renew our request for BPA to provide more information on the impacts to customers that will follow by changing to CSP.