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REBUTTAL TESTIMONY of

DANIEL R. YOKOTA, BRIAN T. GALBRAITH, and DERRICK PLEGER

Witnesses for Bonneville Power Administration

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4  
5 **SUBJECT: TRANSFER SERVICE DELIVERY CHARGE**

6 **Section 1: Introduction and Purpose of Testimony**

7 *Q. Please state your names and qualifications.*

8 A. My name is Daniel R. Yokota, and my qualifications are contained in BP-18-Q-BPA-43.

9 A. My name is Brian T. Galbraith, and my qualifications are contained in BP-18-Q-BPA-10.

10 A. My name is Derrick Pleger, and my qualifications are contained in BP-18-Q-BPA-30.

11 *Q. What is the purpose of your testimony?*

12 A. The purpose of this testimony is to respond to the direct testimony of Pacific Northwest  
13 Generating Cooperative (PNGC), Scott & Russell, BP-18-E-PN-01, and Northwest  
14 Requirements Utilities (NRU), Stratman & Weathers, BP-18-E-NR-01, regarding the  
15 calculation of the Transfer Service Delivery Charge (TSDC).  
16

17 **Section 2: Background on the Agreement Regarding Transfer Service (ARTS) and the**  
18 **Transfer Service Delivery Charge (TSDC)**

19 *Q. Please describe the types of Transfer Service costs BPA incurs.*

20 A. BPA incurs two types of costs related to delivering Federal power to its Transfer Service  
21 customers: (1) transmission of Federal power over high-voltage transmission systems  
22 that separate BPA from its Federal power customers; and (2) the cost of transferring  
23 Federal power over the low-voltage systems of other transmission providers. High  
24 voltage costs generally include transmission charges over the “main grid,” or network  
25 transmission system. These costs also typically include costs associated with purchasing  
26 ancillary services from the transmission provider that operates the transmission system

1 where our customers are located. Service over the low-voltage systems is often assessed  
2 a separate “delivery” charge. For Transfer Customers serviced by low-voltage facilities,  
3 BPA generally must pay *two* charges to deliver Federal power to the customer: a main  
4 grid “network” transmission charge, and a low-voltage “delivery” charge.

5 *Q. How does BPA recover the network costs of Transfer Service?*

6 A. The costs BPA incurs for network transmission are rolled into the PF rate. This  
7 “rolled-in” treatment is proposed in each rate case because of certain commitments BPA  
8 made to its Transfer Service customers in the Agreement Regarding Transfer Service  
9 (ARTS), which was executed in 2004.

10 *Q. What is your understanding of the general intent of the ARTS with respect to transfer  
11 costs?*

12 A. The ARTS is a 20-year agreement in which BPA has committed to propose treating  
13 Transfer Service costs in a consistent manner for the term of the contract. The ARTS  
14 Record of Decision (ARTS ROD) states, “[t]he purpose of the proposed contract is to  
15 provide a degree of certainty regarding future rate proposal treatment of Transfer Service  
16 costs to BPA’s Transfer Service customers.” ARTS ROD at 1 (2004), *available at*  
17 [https://www.bpa.gov/news/pubs/RecordsofDecision/rod-20041222-Proposed-Contract-  
19 With-Transfer-Service-Customers.pdf](https://www.bpa.gov/news/pubs/RecordsofDecision/rod-20041222-Proposed-Contract-<br/>18 With-Transfer-Service-Customers.pdf). During the ARTS negotiations, Transfer Service  
20 customers expressed concern that if BPA were to directly assign Transfer Service costs, it  
21 would have a “devastating effect” on the economic health of transfer customers. *Id.* at 2.  
22 To alleviate these concerns, BPA and its Transfer Service customers signed the ARTS,  
23 reassuring the customers that BPA would propose to roll certain Transfer Service costs  
24 into the Priority Firm Power (PF) rate and not directly assign such costs to Transfer  
25 Service customers.  
26

1 Q. *What is BPA's commitment to pay for network costs for Transfer Service under the*  
2 *ARTS?*

3 A. Under ARTS section 4(b), BPA is committed to propose “rolled in” treatment of  
4 Transmission Component Costs into the PF rate. *See* Scott & Russell, BP-18-E-PN-02,  
5 Exhibit A, at 4. Specifically, section 2(i) of the ARTS defines “Transmission Component  
6 Costs” as “the costs of Transfer service to deliver Firm Power to << Customer Name>>  
7 over non-Federally owned facilities that have characteristics *comparable* to the  
8 characteristics used to define BPA’s Integrated Network Segment.” ARTS, § 2(i)  
9 (emphasis added). Facilities included in the Integrated Network Segment are those  
10 facilities identified “in the BPA segmentation study for the applicable transmission rate  
11 period . . . .” *Id.*, § 2(d). The ARTS ROD clarified that voltage levels and types of use  
12 are the characteristics to be considered for determining whether facilities are comparable.  
13 ARTS ROD at 10. Both characteristics refer to broad categories to serve as a general  
14 measure of comparability.

15 In summary, network costs are the costs of transmission service over facilities that  
16 are comparable to those included in Transmission Services’ Integrated Network Segment.  
17 Costs for service over such facilities are rolled into the general power (or transmission)  
18 rate. *See* ARTS § 4(b). The ARTS ROD reiterates this point by stating that “[t]he  
19 proposed contract would obligate BPA to propose rolled-in rate treatment in the initial  
20 rate proposal for the transmission component of Transfer Service cost in future rate  
21 proceedings for the next 20 years.” *See* ARTS ROD, at 3. This provides a long-term  
22 commitment to Transfer Service customers that BPA will continue to propose to roll  
23 certain costs into the PF rate in future rate case Initial Proposals.

1 Q. *Did the ARTS address how BPA should recover the costs of the low-voltage “delivery”*  
2 *charge?*

3 A. No. The ARTS did not address how BPA would recover the cost of the delivery charge.  
4 Certain parties requested that low-voltage service be included in the definition of  
5 Transmission Component Cost, but BPA did not agree to make this change. ARTS ROD,  
6 at 12 (“Low voltage delivery charges will not be included in the Transmission  
7 Component Costs and consequent rolled-in treatment, and the low voltage delivery  
8 service will be addressed in a future process”). Instead, BPA left the recovery of delivery  
9 charges to future policy development with its customers. *Id.*; *see also* ARTS, Exhibit A.

10 Q. *How does BPA recover the cost of the delivery charge?*

11 A. BPA recovers the cost of the delivery charge by assessing the Transfer Service Delivery  
12 Charge (TSDC) (formerly the GTA Delivery Charge) to its Transfer Service customers.  
13 Recovering delivery charge costs from Transfer Service customers is expressly allowed  
14 by the Regional Dialogue (RD) Contract. *See* RD Contract at §14.6.2, *available at*  
15 [https://www.bpa.gov/power/pl/regionaldialogue/implementation/documents/#20yrRDcon](https://www.bpa.gov/power/pl/regionaldialogue/implementation/documents/#20yrRDcontracts)  
16 [tracts](https://www.bpa.gov/power/pl/regionaldialogue/implementation/documents/#20yrRDcontracts).

17 Q. *How was the TSDC rate set previously?*

18 A. In WP-07, WP-10, and BP-12, the TSDC rate, at that time referred to as the GTA  
19 Delivery Charge rate, was set at a level equal to Transmission Services’ Utility Delivery  
20 Charge (UDC) rate. In BP-14, the TSDC rate was “decoupled” from the UDC rate.  
21 Miller & Yokota, BP-14-E-BPA-20, at 3.

22 Q. *Why did BPA decouple the TSDC and UDC rates in BP-14?*

23 A. In BP-14, BPA proposed to decouple the TSDC rate and the UDC rate to more accurately  
24 reflect the transfer service costs related to low-voltage delivery. In the three previous rate  
25 cases, the UDC rate had remained constant. In BP-14, the UDC rate was proposed to  
26 substantially increase to move toward recovering the full cost of the facilities in

1 Transmission Services' delivery segment. Power Services, however, was not  
2 experiencing a similar increase in its low-voltage delivery costs for transfer customers.  
3 Power Services was then faced with two choices: (1) continue to charge transfer  
4 customers the rate that Transmission Services was charging its customers, which could  
5 result in a charge that exceeded what Power Services was actually spending for low-  
6 voltage services; or (2) decouple the rates and set a low-voltage charge that reflected the  
7 actual costs incurred for transfer service delivery. Power Services proposed and adopted  
8 option (2) and developed its own rate. BP-14 ROD, BP-14-A-03, at 45.

9 BPA justified its proposal to decouple the TSDC and UDC in the BP-14 Transfer  
10 Service Testimony:

11 Power Services now has the ability to more accurately determine  
12 costs related to low-voltage delivery and therefore is able to derive  
13 a standalone GTA Delivery Charge rate. Having a standalone  
14 [TSDC] rate can more accurately reflect the costs incurred by  
15 Power Services for transfer low-voltage delivery. This is preferable  
16 to applying a rate that mirrors the UDC rate, which will likely  
17 increase in the BP-14 rate case to a level that will exceed what  
18 Power Services needs to recover from transfer service customers  
19 for acquiring low-voltage delivery. Additionally, it is our  
20 understanding that Transmission Services is moving toward a Use-  
21 of-Facilities charge for delivery facilities, which is a different  
22 policy direction than Power Services is choosing to take.

23 Miller & Yokota, BP-14-E-BPA-20, at 3.  
24

25 *Q. Did any party in the BP-14 rate case comment on BPA's proposal for decoupling the*  
26 *TSDC and the UDC?*

27 *A. Yes. In a joint filing, PNGC and NRU supported decoupling the TSDC and UDC,*  
28 *specifically noting "[t]his is a constructive proposal that potentially ends more than a*  
29 *decade of discussion on this topic."* Brawley & Carr, BP-14-E-JP03-01, at 14.

30 Furthermore, they explained:  
31

1 First, in the past, the GTA UDC rate had equaled the NT UDC rate for  
2 purposes of comparability. As a result, in this rate case the GTA charge  
3 was set to increase with the NT UDC rate without any basis in cost of  
4 service over GTA facilities. Although BPA’s analysis is admittedly not  
5 perfect, it is superior to this “mimic” approach. Second, under this  
6 approach, GTA UDC customers will now face a charge that is much closer  
7 to the actual cost of service over GTA facilities, and BPA Power will not  
8 face an unneeded revenue increase simply because the NT UDC charge is  
9 increasing. Third, most GTA customers cannot purchase the facilities that  
10 serve them, so sending an increasing price signal to purchase serves no  
11 purpose and is harmful to these customers.

12 *Id.*

13 *Q. Did BPA use the same methodology to set the BP-16 TSDC as it used for the BP-14 rate?*

14 *A. Yes. No party objected to the methodology used to set the TSDC in the BP-16 case. The*  
15 *BP-16 TSDC rate was \$0.94/kWh, and the BP-16 UDC rate was \$1.285/kWh.*

16 *Q. Please explain how you calculated the TSDC for BP-18.*

17 *A. For BP-18, BPA calculated the TDSC using the same methodology BPA used for the BP-*  
18 *16 rate period (FY 2016–2017). The proposed rate increase is due primarily to increased*  
19 *costs from a third-party transmission provider. As noted in the Initial Proposal, the Final*  
20 *Proposal will be updated with actual data from 2015 and 2016. Yokota et al., BP-18-E-*  
21 *BPA-21, at 5.*

22  
23 **Section 3: Consistency with the RD Contract and ARTS**

24 *Q. What are PNGC and NRU’s concerns regarding the proposed BP-18 TSDC?*

25 *A. PNGC and NRU seek to have the TSDC and UDC rates developed on a comparable basis*  
26 *and provide parity between transfer and non-transfer customers. Scott & Russell, BP-18-*  
27 *E-PN-02, at 6–9; Stratman & Weathers, BP-18-E-NR-01, at 7, 9–10. PNGC and NRU*  
28 *argue that the continuation of the decoupled TSDC rate no longer accomplishes this.*  
29 *Scott & Russell, BP-18-E-PN-02, at 9–10; Stratman & Weathers, BP-18-E-NR-01,*  
30 *at 7–8. Further, PNGC argues that under the proposed BP-18 TSDC methodology,*



1 low-voltage transfer customers are now required to pay a larger share of transfer costs  
2 than they should according to the ARTS. Scott & Russell, BP-18-E-PN-02, at 1. PNGC  
3 believes that the proposed TSDC rate includes certain types of facility costs that  
4 Transmission Services does not include in the UDC based on the current segmentation  
5 methodology adopted by Transmission Services in the BP-16 ROD. *Id.* at 6–7. These  
6 costs, they argue, would have been allocated to the PF rate if Transmission Services’  
7 segmentation methodology were applied; therefore, the comparability required by the  
8 ARTS is not achieved. *Id.* Similarly, NRU argues that BPA’s goal of parity is not met if  
9 the current segmentation methodology was not used to calculate the TSDC rate.  
10 Stratman & Weathers, BP-18-E-NR-01, at 7.

11 *Q. What is your response?*

12 *A.* Before addressing NRU’s and PNGC’s concerns with the ARTS, we will first discuss the  
13 terms of the RD Contract. As discussed above, the ARTS did *not* address the cost  
14 treatment of the low-voltage delivery charge. Rather, this was left to subsequent  
15 processes. The RD Contract addressed this issue:

16  
17 Low Voltage Delivery is service over the Low Voltage Segment by any  
18 Third Party Transmission Provider’s system. “Low Voltage Segment”  
19 means the facilities of a Third-Party Transmission Provider that are  
20 equivalent to the voltage level of the facilities excluded by Transmission  
21 Services from the Integrated Network Segment. For Low Voltage  
22 Delivery, «Customer Name» shall pay Power Services the applicable  
23 General Transfer Agreement (GTA) Delivery Charge, or its successor rate,  
24 consistent with the applicable BPA Wholesale Power Rate Schedules and  
25 GRSPs. The Parties shall list «Customer Name»’s PODs that require Low  
26 Voltage Delivery in Exhibit E.

27 RD Contract at § 14.6.2.

28 Thus, the costs expected to be included in the TSDC are *not* determined  
29 exclusively by the ARTS, but also by this provision in the RD Contract. In section  
30 14.6.2, Transfer Service customers commit to pay for “Low Voltage Delivery,” which is

1 defined as facilities of other transmission providers that are “equivalent to the *voltage*  
2 *level of the facilities excluded by* Transmission Services from the Integrated Network  
3 Segment.” *Id.* (emphasis added). Significantly, and contrary to NRU’s and PNGC’s  
4 arguments, what Transfer Service customers have committed to pay BPA (and thus what  
5 BPA may include in the TSDC) is based on the *voltage level* of the facilities *excluded*  
6 from the Integrated Network Segment, not the specific characteristics of the *facilities*  
7 *included* in the Integrated Network Segment.

8 *Q. What is the voltage level of the facilities excluded from the Integrated Network Segment?*

9 A. Our understanding is that Transmission Services’ segmentation analysis did not adopt a  
10 new voltage level for the facilities excluded from the Network Segment. Rather,  
11 Transmission Service now segments specific “high-side” equipment, previously included  
12 in the Utility Delivery Segment, to the Network Segment. This decision to move certain  
13 pieces of equipment from the Utility Delivery Segment to the Network Segment does not,  
14 in our view, mean that Transmission Services has established a new voltage threshold for  
15 its facilities from which Power Services must now redevelop the TSDC. Indeed, we can  
16 find no mention of a new “voltage” level in the Segmentation Study for the facilities  
17 excluded from the Network Segment. Transmission Segmentation Study and  
18 Documentation, BP-18-E-BPA-07. As such, the voltage level of the facilities that were  
19 excluded from the Network Segment remains largely the same, and consequently, we see  
20 no basis to revise the TSDC based on an unknown voltage level.

21 *Q. NRU and PNGC note that Transmission Services changed its segmentation by removing*  
22 *certain high-side equipment from the Utility Delivery Segment. Scott & Russell, BP-18-*  
23 *E-PN-02, at 5; Stratman & Weathers, BP-18-E-NR-01, at 6–7. Doesn’t this mean that*  
24 *the TSDC Charge should also see a reduction in costs?*

25 A. It is certainly the case that some equipment has been removed from the Utility Delivery  
26 Segment, with the result that the rate for the UDC has gone down. A similar reduction in

1 the TSDC may be appropriate if it were clear that this reduction was the result of a  
2 change in the *voltage* of the facilities that are excluded from the Network Segment. But  
3 that is not the case. Transmission Services made a policy choice to move some  
4 equipment to the Network Segment, but then continued to exclude from the Network  
5 Segment most of the previously excluded facilities. While Transmission Services has  
6 moved away from a voltage segmentation, it is our understanding that most of the  
7 facilities in the Utility Delivery Segment remain at the same voltage as in the previous  
8 segmentation (pre-BP-16 rate case), and thus, retaining our proposal is correct.

9 Fundamentally, we believe that the RD Contract language makes clear that the  
10 TSDC must be set based on the cost of facilities of equivalent *voltages* that are excluded  
11 from the Network Segment. Absent a clear change in the voltage level of the facilities  
12 excluded from the Network Segment, we believe the TSDC may continue to be designed  
13 as we have proposed.

14 *Q. Does your view of the RD Contract language also comport with the terms in the ARTS*  
15 *agreement?*

16 *A. Yes. BPA's obligation under the ARTS is to roll in Transmission Component Costs that*  
17 *are comparable to the network segment identified in the Segmentation Study.*  
18 *Transmission Segmentation Study and Documentation, BP-18-E-BPA-07, at 4. This*  
19 *does not require that the Transmission Component Costs be segmented identically with*  
20 *the segmentation methodology. As we noted above, the ARTS defines Transmission*  
21 *Component Costs as "costs with characteristics comparable to those characteristics used*  
22 *to define Integrated Network Segments." (Emphasis added.) PNGC and NRU's*  
23 *arguments rely on the term "comparable" to mean "identical." However, having*  
24 *comparable characteristics is not the same as having identical characteristics.*

25 One of the main purposes of the ARTS was to provide comparability in terms of  
26 costs between directly connected customers and Transfer Service customers. Perfect

1 symmetry between these customers was impossible. As such, in the ARTS ROD, BPA  
2 declined to narrowly define the term “comparability” and instead clarified that the ARTS  
3 provides high-level guidelines: “. . . BPA intends the proposed contract to provide the  
4 ‘high level’ principles that will guide the parties in developing policies of the future.”  
5 ARTS ROD at 16. The statement that Transmission Component Costs are costs with  
6 characteristics comparable to the Integrated Network Segment should be read as high-  
7 level guiding principles rather than a requirement that Transmission Component Costs  
8 must have characteristics identical to the Network Segment.

9 *Q. Do you believe the calculation of the TSDC is consistent with these guiding principles?*

10 *A. Yes. The Segmentation Study divides BPA’s transmission system into seven segments.*  
11 *Id.* at 3. The two segments relevant to setting the TSDC are the Network Segment and  
12 the Utility Delivery segment. The Segmentation Study then assigns facilities to the  
13 appropriate segment. *Id.* at 9–12.

14 Our proposal follows this approach to comparability. In determining the TSDC,  
15 we divide the actual costs charged to BPA by third-party transfer providers between  
16 network and delivery. The costs associated with low-voltage delivery are the basis for  
17 the TSDC rate, and the remaining network-related Transfer Service cost is allocated to  
18 the Composite cost pool to be recovered by all PF customers, *i.e.*, rolled-in treatment.  
19 Because the TSDC rate is based on rolling in network costs and establishing the TSDC  
20 based on costs comparable to the UDC, the TSDC is being calculated consistent with the  
21 commitments made in the ARTS.

22 *Q. What would be an example of a change made by Transmission Services that would*  
23 *require a change in the costs included in the TSDC?*

24 *A. One obvious example is if in the Segmentation Study, Transmission Services were to*  
25 *entirely eliminate the Utility Delivery segment, thereby leaving only six segments. This*  
26 *would be the type of scenario where Transfer Service would be obligated to follow suit*

1 and eliminate the TSDC. Another example would be if Transmission Services changed  
2 the voltage level of the segments. Thus, for instance, if Transmission Services excluded  
3 from the Network Segment all facilities of 12.5kV and below, we would again follow  
4 suit.

5 But that is not the case here. The Segmentation Study, although including  
6 specific equipment determinations, still fundamentally distinguishes between Network  
7 and Utility Delivery segments. To the best of its ability, BPA distinguished Transfer  
8 Service costs between Network Segments and Utility Delivery Segments. Although the  
9 costs are not divided exactly as done in the Segmentation Study, the TSDC is established  
10 with characteristics comparable to the Integrated Network Segment.

11 *Q. PNGC and NRU believe the Initial Proposal is inconsistent with the commitments BPA*  
12 *made in the ARTS. Scott & Russell, BP-18-E-PN-02, at 7; Stratman & Weathers, BP-18-*  
13 *E-NR-01 at 7. Please explain the parties' concern.*

14 *A. PNGC and NRU argue that BPA is acting inconsistent with the ARTS because they*  
15 *believe the proposed TSDC includes costs that should have been rolled into the PF rate as*  
16 *Transmission Component Costs. Specifically, PNGC claims: “[I]f the T[S]DC includes*  
17 *categories of costs that the UDC does not, the comparability required by the ARTS is not*  
18 *achieved.” Scott & Russell, BP-18-E-PN-02, at 7. Additionally, the parties argue that it*  
19 *is BPA’s policy to provide parity between Transfer Service customers and directly*  
20 *connected customers. Because the segmentation methodology changed in BP-16 and*  
21 *TSDC was not based on the exact methodology used to set the UDC, NRU argues that*  
22 *“BPA falls short in meeting its goal to provide parity between transfer and non-transfer*  
23 *customers.” Stratman & Weathers, BP-18-E-NR-01, at 7.*

24 *Q. Do you agree?*

25 *A. No. First, as we note above, these parties have not addressed the language in the RD*  
26 *Contract, which makes it clear that the TSDC includes the cost of deliveries over the*

1 “Low Voltage Segment,” which is based on the voltage of the facilities excluded from the  
2 Network Segment. Thus, the critical question for designing the TSDC is not simply what  
3 facilities must be rolled into the Network Segment (via the definition of Transmission  
4 Component Cost), but also what facilities Transfer Service customers committed to pay  
5 for under the RD Contract. As section 14.6.2 makes clear, they committed to pay for  
6 service over facilities with voltages that are excluded from the Network Segment, which,  
7 as we discussed above, includes most of the facilities that were previously in the Utility  
8 Delivery Segment.

9 Second, PNGC focuses on a limited set of facilities which, under the  
10 Segmentation Study, were included in the network segment. We acknowledge that there  
11 are certain costs, such as those identified by PNGC, which could be included in the  
12 network segment in a manner identical to the segmentation policy. However, whether the  
13 inclusion of these specific pieces of equipment in the Network Segment meant that the  
14 voltage of the facilities *excluded* from the Network Segment changed is unclear, and not  
15 supported by anything in the record.

16 *Q. If there were a conflict between the ARTS and the RD Contract, which one would*  
17 *control?*

18 *A.* This question is a legal question, so we leave it to the Draft and Final Records of  
19 Decisions to address. However, it is our understanding that in the event of a conflict  
20 between the ARTS and the RD Contract, the RD Contract would control:

21  
22 In the event that a conflict exists between the provisions of this  
23 Agreement and the Agreement Regarding Transfer Service  
24 (ARTS) Contract No. 05EO «#####», this Agreement shall  
25 govern.

26 RD Contract at § 14.6.

1 Q. Do you think there is a conflict between the ARTS and the RD Contract?

2 A. No. The ARTS and RD Contract work in tandem. Whereas BPA made the broad  
3 commitment to propose rolled-in treatment of costs over the network, BPA left open the  
4 question of what types of delivery facility costs would be recovered directly from  
5 Transfer Service customers through a delivery charge. ARTS ROD at 12. This question  
6 was answered in section 14.6.2 of the RD Contract through the development of the new  
7 term “Low Voltage Segment” and the creation of the TSDC. Thus, the two agreements  
8 work together, with the ARTS providing guidance on the broader context and the general  
9 rolled-in treatment for network-related costs, and the RD Contract providing more  
10 specific guidance on the costs included in the TSDC.

11 Q. PNGC claims that section 2(f) of the ARTS is a prohibition, arguing that “the TDC must  
12 be revised to ensure that BPA does not directly assign Transmission Component Costs to  
13 a ‘subgroup’ of TDC customers, as prohibited by § 2(f) of the ARTS.” Scott & Russell,  
14 BP-18-E-PN-02, at 7. Please respond.

15 A. Section 2(f) is not a prohibition but simply a definition that describes a cost allocation  
16 treatment for certain Transfer Service costs: “Rolled In cost” refers to a cost shared  
17 among preference customers. For BPA’s Power rates, section 2(f) states, “Rolled In  
18 means that the Transfer Service costs included in BPA’s power revenue requirement are  
19 not directly assigned or allocated to a subgroup of firm power load of preference  
20 customers under Section 5(b)(1) of the Northwest Power Act . . . .” ARTS, § 2(f). This  
21 simply means that “Rolled In” is a cost that was not directly assigned or allocated to a  
22 subgroup. If a cost is directly assigned, it cannot also be “Rolled In” because then the  
23 charge would be recovered twice.

1 Q. Does PNGC's proposal identify an instance in a prior ROD where BPA relied on the  
2 obligation contained in the ARTS as support for an action?

3 A. Yes. PNGC points to the BP-14 ROD as an instance where the Administrator reiterated  
4 the agency's obligations under the ARTS. Scott & Russell, BP-18-E-PN-02, at 7–8.  
5 However, the Administrator's explanation in the BP-14 ROD is in response to Joint Party  
6 12's proposal.<sup>1</sup> The BP-14 Final ROD states: "A change in segmentation [such as JP12's  
7 proposal] would likely trigger GTA cost shifts. Thus, further analysis should need to be  
8 performed." BP-14 Final ROD, BP-14-A-03, at 81.

9 Q. What is your response to PNGC's reliance on the BP-14 Final ROD?

10 A. The referenced citation must be read in the context of the BP-14 rate case. The sentences  
11 in the BP-14 Final ROD preceding the foregoing quotation state that the JP12  
12 segmentation proposal would likely increase the overall number of transfer customers'  
13 Points of Delivery (PODs) subject to the TSDC: "JP12's proposal would likely increase  
14 the number of transfer customers' PODs subject to the GTA Delivery Charge . . . ."  
15 BP-14 Final ROD, BP-14-A-03, at 81. In this context, the JP12 proposal was going to  
16 result in a substantial change to the voltage levels of facilities included in the UDC. If  
17 adopted, BPA acknowledged that this would be the type of change that would have  
18 triggered a recalculation of the TSDC because the voltage of facilities excluded from the  
19 Network Segment would have changed.

20 But that is not what has occurred here. It is our understanding that Transmission  
21 Services did not change its segmentation such that the voltage levels of facilities  
22 excluded from the Network Segment changed. Instead, Transmission Services took a  
23 more selective approach of moving some equipment from the Utility Delivery Segment

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<sup>1</sup> In BP-14, Joint Party 12 included direct testimony of Benton County Public Utility District No. 1, Iberdrola Renewables, LLC, Tacoma Power, Seattle City Light, and Snohomish Country Public Utility District No. 1. See BP-14-E-JP12-01.



1 into the Network Segment for policy and practical reasons. As noted above, we do not  
2 view this type of selective change as requiring a revision to the TSDC.

3 *Q. Assuming BPA were to agree that the TSDC must be revised to reflect Transmission  
4 Services' segmentation, could BPA perform this analysis before the end of the rate case?*

5 A. No. At this time, BPA does not have the resources or ability to deconstruct each third  
6 party's transfer facility schematics to perfectly mirror the segmentation methodology. As  
7 PNGC and NRU note, it would be difficult to precisely segment the transfer service  
8 facilities exactly as done in the Segmentation Study. Stratman & Weathers, BP-18-E-  
9 NR-01, at 7; Scott & Russell, BP-18-E-PN-02, at 8.

10 In this instance, regarding the revised definition of the Utility Delivery and  
11 Network segments, we have not performed an extensive review of third-party facility  
12 schematics to determine if there are components that could be included in the Network  
13 Component. Nor do we think such a review is possible, given that BPA does not have  
14 access to transfer provider utilities' proprietary and confidential detailed system and  
15 substation schematics and their associated costs. Moreover, the review likely would not  
16 be fruitful because the vast majority of transfer service costs concern step-down  
17 transformers and low-side feeder positions—facilities that were not the focus of the  
18 BP-16 Segmentation Study methodology changes.

19 *Q. Do PNGC and NRU want BPA to conduct an analysis of transfer costs under the new  
20 Segmentation Policy?*

21 A. No. Although PNGC makes the argument that BPA is obligated to determine  
22 Transmission Component Costs using Transmission Services' exact segmentation  
23 methodology, both PNGC and NRU correctly conclude that to do so would be  
24 administratively burdensome. Scott & Russell, BP-18-E-PN-02, at 8–9; Stratman &  
25 Weathers, BP-18-E-NR-01, at 7. Both parties then incorrectly conclude that simply

1 mirroring the UDC rate would be sufficient. Scott & Russell., BP-18-E-PN-02, at 9–10;  
2 Stratman & Weathers, BP-18-E-NR-01, at 9.

3 Thus, PNGC and NRU argue that if the TSDC simply mirrored the UDC, it would  
4 address the ARTS comparability concerns and would achieve greater parity between  
5 directly connected customers and Transfer Service customers. Scott & Russell, BP-18-E-  
6 PN-02, at 10; Stratman & Weathers, BP-18-E-NR-01, at 7.

7 *Q. Does BPA support recoupling the UDC and the TSDC?*

8 A. No. BPA does not believe that returning to the UDC is the appropriate solution. The  
9 TSDC rate is reflective of the actual costs incurred by Transfer Service. We believe that  
10 setting the TSDC to recover its costs is a sound practice that will, in the long run, be more  
11 beneficial to transfer customers than mirroring a rate that is not reflective of the facilities  
12 being charged for. For example, if Transmission Services were to revise its practices  
13 next rate period, the result could be a substantially higher rate than a separately identified  
14 TSDC. Power Services could once again be in the situation of charging a rate that  
15 exceeds its costs.

16 *Q. The parties both cite to BPA setting the Operating Reserve Charge equal to the ACS rate  
17 as support for the TSDC to mirror the UDC. Scott & Russell, BP-18-E-PN-02, at 9–10;  
18 Stratman & Weathers, BP-18-E-NR-01, at 7–9. Please respond.*

19 A. In the Initial Proposal, BPA proposed for the Transfer Service Operating Reserve Charge  
20 to continue to mirror the ACS-18 Operating Reserve rates. Yokota *et al.*, BP-18-E-  
21 BPA-21, at 6–7. NRU cites Staff’s statement as evidence that because BPA used an  
22 equal rate for the Operating Reserve Charge to achieve parity between directly connected  
23 and transfer service customers, the TSDC rate should equal the UDC to achieve parity.  
24 Similarly, PNGC cites to the BP-16 ROD where BPA explained that “[t]his revision  
25 helps maintain parity between directly connected customers and other transfer  
26 customers.” Scott & Russell, BP-18-E-PN-02, at 10.

1 In either situation, the parties are correct that BPA set the Operating Reserve  
2 Charge rate equal to the ACS rate to achieve closer parity. However, this does not  
3 establish a precedent that simply mirroring a transmission rate will bring the Transfer  
4 Service customers and directly connected customers in closer parity. In addition, since  
5 the inception of the ARTS, BPA has been clear that it would not always mirror the UDC  
6 and that BPA would consider other approaches to calculating the low-voltage delivery  
7 charge. ARTS ROD at 12. BPA developed a specific approach to the low-voltage  
8 delivery charge in the RD Contract, and that approach should govern.

9 *Q. Do you have other concerns with recoupling the UDC and the TSDC?*

10 *A.* We are also concerned about setting a precedent that BPA will couple/decouple the UDC  
11 and TSDC based on whichever rate is most favorable to the transfer customers. Directly  
12 connected customers do not have this choice. In BP-14, Transmission Services adopted a  
13 more aggressive policy of cost recovery from low-voltage facilities, with the consequence  
14 that directly connected preference customers paid a Utility Delivery rate that increased by  
15 25 percent. Transfer customers, however, were sheltered from these increases through  
16 Power Services' separate rate, and thus benefitted from the separate rate treatment.

17 Now that Transmission Services revised its segmentation methodology in BP-16  
18 and transfer service costs have increased so that the proposed UDC rate is slightly below  
19 the TSDC rate, PNGC and NRU would have BPA return to mirroring the UDC. We  
20 fundamentally disagree with a rate construct that has BPA changing its methodology for  
21 a rate in each rate case based on whichever rate is lowest. This approach would  
22 encourage customers to cherry pick between the rate methodologies—arguing that BPA  
23 must mirror Transmission Services' UDC when that rate is lower than the TSDC rate, but  
24 then demanding Power Services develop its own rate if the UDC begins to increase above  
25 the TSDC rate. We think the better approach is to adopt a rate methodology that is

1 sustainable through time, and that focuses on the cost of facilities being charged to Power  
2 Services. Thus, we believe our proposal remains the most reasonable.

3 *Q. Would you expect that further analysis of TSDC costs, if possible, would yield a*  
4 *significant lowering of the TSDC costs?*

5 A. We are not sure. PNGC states that “[t]he new segmentation in BP-16 resulted in a UDC  
6 decrease of 27 percent (from \$1.749/kW-mo to \$1.285/kW-mo) from the Initial Proposal  
7 to the final rate.” Scott & Russell, BP-18-E-PN-02, at 9. PNGC then presumes that “we  
8 would expect a substantial lowering of the TDC rate if BPA were to perform the  
9 necessary analysis.” *Id.* As described above, BPA does not have the information  
10 necessary to conduct an analysis.

11  
12 **Section 4: Capping the TSDC Rate Increase**

13 *Q. Does PNGC have other concerns regarding the proposed TSDC?*

14 A. Yes. PNGC argues that a 38 percent rate increase is too burdensome to be applied  
15 in a single rate period. Scott & Russell, BP-18-E-PN-02, at 11. In addition,  
16 transfer customers do not have the option of purchasing their delivery substations  
17 to mitigate the impact. *Id.* PNGC proposes that BPA limit the TSDC average  
18 rate period rate increase to 25 percent until the TSDC and the UDC are equal, and  
19 from that point forward the TSDC and UDC rates should match. *Id.*

20 *Q. Should BPA limit the increase of the TSDC rate to an effective 25 percent average*  
21 *increase per rate period until it is at the same level as the UDC?*

22 A. No. At this time, Staff does not support a 25 percent cap until the TSDC equals  
23 the UDC. PNGC argues that having a 25 percent cap would result in a *de minimis*  
24 cost shift to the PF rate. However, the fact that the effect on others is *de minimis*  
25 does not make an action justifiable. Further, the parties’ proposal to mirror the  
26 Initial Proposal UDC rate would result in a nominal decrease of \$255,698.

1           However, since decoupling from the UDC, transfer customers have saved  
2           \$3,551,242.

3    *Q.    Has BPA previously applied a 25 percent rate cap?*

4    A.    Yes. In BP-14, BPA applied a 25 percent cap on the rate increase of the UDC.  
5           PNGC points to the BP-14 ROD, where BPA stated that setting the rate level for  
6           the UDC “requires striking a balance between cost causation and avoidance of  
7           rate shock.” *Id.* at 11. However, nothing in the Regional Dialogue or ARTS  
8           commits BPA to setting rate increase caps. Further, applying a 25 percent cap in  
9           BP-14 does not establish a present requirement or commitment to apply a cap  
10          going forward. Finally, applying a 25 percent cap would be inconsistent with the  
11          commitments the Transfer Service customers made in the RD Contract to pay for  
12          service over the facilities with voltages that are excluded from the Network  
13          Segment.

14  
15    **Section 5:    Proposed Modification to the Treatment of NorthWestern Energy in the**  
16                    **Calculation of the TSDC**

17    *Q.    Why is BPA proposing to modify the method for calculating the TSDC as it pertains to*  
18            *service provider NorthWestern Energy?*

19    A.    As noted above, PNGC and NRU identified the different rate levels between the UDC  
20           and the TSDC rates. In preparing our response to their concerns, we reexamined our  
21           method for developing the independent Power Services’ rate and discovered a  
22           methodology issue we believe should be addressed, resulting in a slightly lower TSDC.  
23           Specifically, in BPA’s Initial Proposal, we explained how we calculated the costs from  
24           NorthWestern Energy:

25                    Instead of having a separate charge for low-voltage delivery,  
26                    NorthWestern rolls the cost of low voltage service into the transmission  
27                    rate that BPA pays for transfer service. To calculate NorthWestern’s cost

1 of low-voltage service, we used the average cost of low-voltage service on  
2 all other third-party transmission provider systems and then multiplied this  
3 average by the amount of low-voltage transfer service for customers on  
4 NorthWestern's system.

5  
6 Yokota *et al.*, BP-18-E-BPA-21, at 4.

7 Because NorthWestern has had a fixed—albeit rather high—Open Access  
8 Transmission Tariff (OATT) rate for some time, we determined it is more equitable to  
9 use a static value for NorthWestern rather than the method used to establish  
10 NorthWestern's initial distribution rate in BP-14. That method, which applied an average  
11 cost based on the costs of all other low-voltage service provided over third-party  
12 transmission provider systems, could misrepresent actual changes in NorthWestern's  
13 transmission rate. Consequently, we believe that establishing NorthWestern's rate using  
14 the average distribution rate of all other transmission providers may have unintended  
15 consequences for the General Transfer Agreement (GTA) delivery charge.

16 To adjust for this unintended outcome, BPA proposes to establish a base  
17 distribution rate for NorthWestern's calculated distribution rate. This rate would be the  
18 average distribution rate of all transmission providers that was set in BP-14, and would  
19 remain constant until the time NorthWestern changes its transmission rate or develops a  
20 unique distribution rate. This adjustment best reflects the real cost of low-voltage  
21 distribution in the case where a transfer service provider does not split out low-voltage  
22 delivery as an independent charge.

1 Q. *What does this change do to the overall TSDC rate?*

2 A. All else being equal, making this change results in a slight decrease in the TSDC rate to  
3 \$1.26/kW-mo. from the Initial Proposal rate of \$1.30/kW-mo.

4 Q. *Does this conclude your testimony?*

5 A. Yes.

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