

BPA Staff Response to Customer Comments on the Proposed Scheduling, System Control and Dispatch Rate Change

At the May 30, 2018 and June 14, 2018 BP-20 Rate Case workshops, BPA staff presented a proposal to explore changing the Scheduling, System Control and Dispatch (SCD) rate design, including two rate design options. Staff requested feedback on the proposal, as well as additional rate design alternatives to evaluate. Below are staff's responses to the customer comments received.

1. Customers requested additional information on the proposed billing determinants and analysis of the cost shifts between status quo and the rate design options presented by staff.

Staff Response: Staff has provided a more detailed description of the rate design alternatives, as well as our analysis, including customer impacts. Both can be found on the BP-20 Meetings and Workshops page under the June 14, 2018 and July 18, 2018 headings, respectively: <https://www.bpa.gov/Finance/RateCases/BP-20/Pages/Meetings-and-Workshops.aspx>

2. Customers requested BPA provide them with some activity based cost accounting relating to SCD in order to better explain the work, systems, and personnel involved in providing SCD and why it costs so much.

Staff Response: Staff is currently reviewing the different components of the Scheduling, System Control and Dispatch investments and costs. As part of that review, we are also looking at the functions of each component and the possible cost allocator for the costs. We will share the cost information no later than August 3. BPA is working with SMEs to understand the functions of those costs and give a definition at the August 22, 2018 rate case workshop.

3. Can BPA provide further information on what they believe is the problem to be resolved, and why they propose making changes to the SCD charge?

Staff Response: BPA is reviewing all rates and exploring whether the service customers receive is priced appropriately. In addition, as part of the Montana Renewable Action Plan (Montana Plan), we were asked to review the Montana Intertie Rate and consider alternatives, including alternatives to the current SCD rate design. Currently, the status quo SCD rate design is still being considered.



4. Please explain how the current rate design fails to meet the rate case principles.

Staff Response: BPA staff does not believe the status quo rate design fails to meet rate case principles. However, staff was asked to explore whether our products are priced at the appropriate level for the value the service provides, and to consider alternatives as part of the Montana Plan. We are reviewing the additional options customers suggested at the July 18, 2018 BP-20 Rate Case workshop and analyzing the cost components and functions of SCD. This may lead to another rate design proposal or confirm our current rate design.

5. Can BPA provide an explanation how their proposal aligns with industry standard and is consistent with BPA strategy, including examples from other comparable transmission tariffs?

Staff Response: We are following agency strategy by reviewing our products and insuring that our products are priced based on the value that customers receive. The strategy does not require that pricing be consistent with industry standard. With that said, based on our quick review, there are utilities that roll in the SCD rates and there are several utilities that charge the SCD separately. We have also seen some utilities charge the scheduling separately from the control and dispatch.

6. Can BPA explain why any such change would be “superior” to the FERC pro forma?

Staff Response: Commission *pro forma* tariff policies are not applicable to Bonneville’s rates.

7. Can BPA clarify the definition of “hurdle rate” and the term’s connection to BPA’s ratemaking principles?

Staff Response: The term “hurdle rate” was meant to describe some customers’ concerns that the existing rate was a barrier to making business decisions relying on payment of the rate. For example, the Montana Plan identified the SCD rate as a potential barrier to the development of Montana renewable resources.

8. NRU expressed concern over the work required for BPA to forecast scheduled MWhs and whether a new billing determinant would possess risks of inaccurate forecasting and billing.

Staff Response: Changing the SCD rate design may require an additional forecast; however, this would be no different than creating forecasts for other rates. New billing determinants do not pose any additional risks of inaccurate forecasting and billing.

9. NRU expressed concern that a new SCD methodology would cause cost shifts.

Staff Response: Bonneville will not adopt a rate design that is inconsistent with cost causation. Cost shifts may occur, but that is a result of any change in rate design.

10. NRU expressed concern over how BPA would allocate costs to individual transmission customers for schedules that include multiple owners.

Staff Response: Staff proposed how to handle multiple owners on the same schedule in the SCD Rate Alternatives Description document posted on the BP-20 Meetings and Workshops page (see the June 14, 2018 workshop heading):
<https://www.bpa.gov/Finance/RateCases/BP-20/Pages/Meetings-and-Workshops.aspx>