

**UNITED STATES DEPARTMENT OF ENERGY  
BEFORE THE  
BONNEVILLE POWER ADMINISTRATION**

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**2010 WHOLESALE POWER** ) **BPA Docket BPA-10**  
**AND TRANSMISSION RATE** ) **WP-10**  
**ADJUSTMENT PROCEEDING** ) **TR-10**  
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**REBUTTAL TESTIMONY  
OF  
NORTHWEST REQUIREMENTS UTILITIES**

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**WITNESS:**

**GEOFFREY H. CARR**

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**SUBJECT:**

**7(b)(3) Allocation to Surplus Firm Power Sales**

**April 17, 2009**

1 Q. *Please identify yourself?*

2 A. I am Geoff Carr. I represent Northwest Requirements Utilities (“NRU”) and its members  
3 in this case. My qualifications appear in Exhibit BPA-10-Q-NR-1.

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

5 A. The purpose of this testimony is to respond to BPA’s apparent decision to allocate 7(b)(3)  
6 surcharges to the surplus firm power rates (FPS), and request that BPA provide a  
7 showing of equitable treatment of Slice and Non-Slice customers as a result of any such  
8 7(b)(3) allocation. *See*, WP-10-E-BPA-05, at p.16.

9 Q. *Please describe NRU’s interests in filing this rebuttal testimony?*

10 A. NRU’s membership consists of 51 Load Following utility customers of BPA. NRU  
11 utilities are not Slice customers. As demonstrated in the WP-07 Supplemental Power  
12 Case, the 7(b)(3) allocation to FPS rates affects the Slice and Non-Slice rates in very  
13 different ways. As a result, NRU requests that BPA demonstrate in this rate proceeding  
14 that its Slice and Non-Slice customers are treated equitably with regard to 7(b)(3)  
15 allocation to FPS rates.

16 Q. *Has NRU addressed this issue in the past?*

17 A. Yes, in the NRU Brief on Exceptions filed September 3, 2008 in the WP-07 Supplemental  
18 case, NRU made the following request.

19 If BPA determines to adjust the FPS rates for 7(b)(3) amounts over the  
20 objections of public power, then NRU utilities need assurance that the rate  
21 impact of this adjustment at a minimum will be equitably shared between the  
22 Slice and Non-Slice preference customer groups. In such case, NRU specifically  
23 requests that the Administrator demonstrate, in the final studies for this WP-07  
24 supplemental rate case and in all subsequent rate cases where the crediting of  
25 surplus sales revenue costs and credits is an issue, that the Administrator’s  
26 allocation of the 7(b)(3) amounts to surplus sales results in an equitable sharing  
27 of these costs and credits between Slice and Non-Slice preference customers. If

1 such a demonstration cannot be made, then the Slice and Non-Slice rates will  
2 need to be adjusted until the 7(b)(3) allocation to surplus sales can be  
3 demonstrated to be equitably shared in terms of rate effects and cost  
4 responsibility between both preference customer groups.  
5

6 *Q. Did BPA make such a demonstration in the WP-07 Supplemental case?*

7  
8 A. Yes. Attached as Exhibit 1 is the demonstration the BPA made in the WP-07S case  
9 regarding this issue, titled “Impact of 7(b)(3) allocation to FPS on Slice and Non-Slice PF  
10 rates.” This document allowed the customers to review the 7(b)(3) allocation to FPS and  
11 the effect on Slice and Non-Slice rates and to make their own judgments as to whether  
12 Slice and Non-slice were being treated equitably.

13 *Q. Has BPA performed this analysis for this proceeding?*

14 A. No. NRU has not found such an analysis in the studies or documentation provided.

15 *Q. Can you perform your own analysis based on the data provided by BPA?*

16 A. No. BPA describes its decision to recover a portion of the 7(b)(3) surcharge from FPS  
17 rates. *See*, WP-10-E-BPA-05, at p.16. BPA further describes how BPA allocates  
18 secondary energy revenues remaining after the 7(b)(3) allocation and how sales of  
19 secondary to the Slice rate customers reduces the revenue credit to the PF Preference  
20 Rate. *Id.*, at 64 (and WP-10-E-BPA-05A Documentation, Tables 2.5.3 and 2.6.1.,  
21 citations contained therein). Despite this information, it is very difficult, using the data  
22 provided in the studies and documentation, to generate a “with” and “without” 7(b)(3)  
23 allocation analysis. We expect that this analysis will be relatively simple for BPA to  
24 perform and that all the customers will benefit from a demonstration of Slice/Non-Slice  
25 equity.

26 *Q. Do you have any further recommendations on this matter?*

1 A. Yes. We request that BPA provide an analysis (similar to that provided in Exhibit 1) of  
2 the relative effects on Slice and Non-Slice customers as long as the agency continues to  
3 allocate 7(b)(3) amount to FBS rates, either in its Rebuttal Testimony or in the Draft  
4 Record of Decision in this WP-10 case. We also request that this analysis be provided in  
5 future rate cases where this treatment continues. This analysis will allow all of BPA's  
6 customers to assess the equity on Slice and Non-Slice customers of the allocation of the  
7 7(b)(3) amount to FPS rates.

8 *Q. Does this conclude your testimony?*

9 A. Yes.

## Impact of 7(b)(3) Allocation to FPS on Slice and Non-Slice PF Rates

<u>With Allocation to Surplus</u>		<u>Without Allocation to Surplus</u>		<u>Delta</u>
IOU Exchange Costs	1,937,909	IOU Exchange Costs	1,937,909	0
PA Exchange Costs	15,677	PA Exchange Costs	15,677	0
Secondary Credit	-574,345	Secondary Credit	-774,239	199,893
Exchange Costs Alloc to PFp	1,249,239	Exchange Costs Alloc to PFp	1,249,239	0
Other Costs/Credits	1,289,822	Other Costs/Credits	1,289,822	0
Secondary Credit to PFp	-367,271	Secondary Credit to PFp	-495,094	127,824
Total Costs	<u>2,171,791</u>	Total Costs	<u>2,043,967</u>	127,824
7(b)(2) Protection	-509,679	7(b)(2) Protection	-409,002	-100,677
Net PF Allocated Costs	<u>1,662,112</u>	Net PF Allocated Costs	<u>1,634,965</u>	27,146
Slice Revenues	-520,693	Slice Revenues	-514,539	-6,154
Slice Secondary Revenue	<u>175,193</u>	Slice Secondary Revenue	<u>175,193</u>	0
Non-Slice Allocated Costs	<u>1,316,612</u>	Non-Slice Allocated Costs	<u>1,295,620</u>	20,992
Non-Slice PF sales (GWh)	48,814	Non-Slice PF sales (GWh)	48,814	0
Non-Slice PF Rate	26.97	Non-Slice PF Rate	26.54	0.43
Slice PF Rate	43,591,086	Slice PF Rate	43,078,232	
PF Exchange Rate	47.51	PF Exchange Rate	48.27	-0.77
7(b)(2) Trigger	8.10	7(b)(2) Trigger	6.50	1.60
Total REP Benefits	268,351	Total REP Benefits	241,153	27,198
7(b)(3) Allocated to PFx	309,786	7(b)(3) Allocated to PFx	409,002	
7(b)(3) Allocated to FPS	199,893	7(b)(3) Allocated to FPS	0	
		Non-Slice PF delta (\$/MWh)	0.43	
		Non-Slice PF sales (GWh)	48,814	
		Expected Revenue delta	20,992	
		Total REP delta	27,198	
		Slice pctg.	22.6278	
		Slice REP delta	6,154	
		Non-Slice REP delta	21,043	
		diff Expected to Calculated	51	