

## **COMMENTS OF THE WESTERN PUBLIC AGENCIES GROUP REGARDING TRANSMISSION LOSSES**

The utilities comprising the Western Public Agencies Group (“WPAG”) appreciate this opportunity to comment on the proposals made by the Bonneville Power Administration (“BPA”) at its BP-22, TC-22 and EIM Phase III workshop held on August 25th regarding transmission losses.

### **A. Issue 1: Should BPA allow customers to choose to supply in-kind losses in BP-22?**

As stated in prior comments, the WPAG utilities value the optionality to provide either in-kind or financial loss returns to BPA. Accordingly, we support BPA’s proposal to maintain the option to provide in-kind loss returns for the BP-22 rate period.

### **B. Issue 2: Should BPA update its network loss factor?**

WPAG supports BPA’s proposal to update its network loss factor. It has been nearly 20 years since BPA last updated the loss factor and BPA has demonstrated that the current loss factor of 1.9 percent understates the actual loss rate on the network. This understatement negatively impacts BPA Power Services and, for this reason, BPA’s power customers, because it means that BPA Power Services receives less MW/hrs in loss returns (whether the returns are made in-kind or financially) from BPA’s transmission customers than the amount of MW/hrs BPA provides them in the form of real power losses. Allowing this shortage between losses provided and losses returned to continue would (i) be inconsistent with cost causation principles and (ii) constitute an improper subsidy from one business line to another—deficiencies that adopting BPA’s proposal to update the network loss factor would help remedy.

### **C. Issue 3: Should BPA adopt a seasonal and/or diurnal loss factor?**

WPAG supports use of monthly or, at the very least, seasonal average network loss factors because it would more closely reflect the actual losses of the system than the current annual loss factor approach while being simpler to implement than the more granular approaches BPA explored (e.g., a diurnal loss factor).

### **D. Issue 4: How should BPA calculate the cost of providing loss services and how will that cost be allocated?**

BPA has demonstrated that by allowing 168 hour in-kind loss returns it is providing a capacity service from the FCRPS to transmission customers for which it is not currently compensated. Similar to Issue 2 above, the WPAG utilities support BPA’s proposal to begin charging transmission customers for this service because doing so would (i) be more consistent with cost causation principles and (ii) put an end to an inappropriate subsidy from one business line to another. We look forward to further reviewing the details of BPA’s proposed methodology on this issue in the rate case.

**E. Issue 5: Should BPA adopt a Financial for Inaccuracy (“FFI”) rate?**

WPAG supports BPA’s proposal to develop an FFI rate to apply when transmission customers fail to meet their in-kind loss return commitments/obligations. We agree with BPA that the amount billed under the FFI should be based on the cost of financial loss returns, including the charges determined for both the energy and capacity components of financial loss returns, at the time of the default with at least the energy based charge for financial loss returns multiplied by a to be determined penalty factor. We see the penalty factor as an important element of the FFI rate because it would help dissuade customers from intentionally defaulting on their in-kind loss return obligations when market conditions would make it favorable to do so.

**F. Issue 6: Future loss model options for BP-24**

WPAG believes it is premature for BPA to make a final determination as to how it will allow loss returns in the BP-24 timeframe in these BP-22 pre-rate case workshops/proceedings. We reiterate our comments under Issue 1 above that we value the optionality to provide either in-kind or financial loss returns to BPA and desire similar optionality in the BP-24 timeframe and beyond. Further, we believe that BPA has yet to determine the systems and processes necessary or administrative burden on BPA and its customers that would result from a shift to concurrent loss returns. We would encourage BPA to work with its customers to determine the feasibility of this transition, and to sufficiently plan for its implementation with the goal of minimizing customer impact.

Thank you for the opportunity to comment.