

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

**Fiscal Years 2018-2019 Proposed )  
Power and Transmission Rate )  
Adjustment Proceeding )**

**BPA Docket No. BP-18**

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**TESTIMONY OF:**

Public Power Council  
Northwest Requirements Utilities

as

**JOINT PARTY 8**

**SUBJECT:  
Spill Surcharge**

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**WITNESSES:**

Michael Deen  
Bo Downen  
Megan Stratman

May 25, 2017

1    **INTRODUCTION**

2    *Q:     Please state your name and qualifications.*

3    A:     My name is Michael Deen. My qualifications are shown at BP-18-Q-PP-03.

4    A:     My name is Bo Downen. My qualifications are shown at BP-18-Q-PP-05.

5    A:     My name is Megan Stratman. My qualifications are shown at BP-18-Q-NR-01.

6    *Q:     What is the purpose of your testimony?*

7    A:     The purpose of this testimony is to respond to parties’ supplemental testimony regarding  
8           BPA staff’s supplemental proposal for a Spill Surcharge. This proposal was presented by  
9           BPA staff in BP-18-E-BPA-55. Specifically, we are responding to certain elements of  
10          the testimony of Idaho Rivers United (BP-18-E-IR-01), Industrial Customers of  
11          Northwest Utilities (BP-18-E-IN-05), and Western Public Agencies Group (BP-18-E-  
12          WG-07).

13   **RESPONSE TO IDAHO RIVERS UNITED**

14   *Q:     What aspects of the Idaho Rivers United (“IRU”) testimony would you like to respond*  
15       *to?*

16   A:     The IRU testimony raises concerns regarding BPA staff’s proposal in two general areas.  
17           First, the testimony questions whether or not BPA staff’s proposed procedure is superior  
18           to other potential alternatives. Second, the testimony expresses concerns regarding the  
19           use of “estimated” values in the surcharge formula rather than “actual” hydro data and  
20           market prices.

21   *Q:     What are some of the alternatives to BPA staff’s proposed procedure for the Spill*  
22       *Surcharge?*

23   A:     The IRU testimony notes that BPA could potentially rely on existing NFB mechanisms or  
24           conduct a “mini-7(i)” proceeding. Additionally, we note that BPA staff could have taken

1 the approach of proposing to simply update the final proposal based on a projection of  
2 potential changes to spill operations.

3 *Q: Are any of these approaches preferable from a technical perspective to BPA staff's*  
4 *proposal?*

5 A: No, they are not. This is especially true considering the context of this situation and the  
6 potential increased costs from additional spill for consumers. In response to data request  
7 PP-BPA-26-63, BPA staff provided a reasonable explanation as to why the existing NFB  
8 mechanisms would likely not be an appropriate way to handle this particular  
9 circumstance. This response is attached to this testimony as Attachment A.

10 Although a targeted 7(i) process would be potentially feasible, it would be time-  
11 consuming, expensive, and impose restrictions on communication between BPA and  
12 customers. Under these specific circumstances, it is our view that a 7(i) process would  
13 not add sufficient value from a technical or policy perspective to outweigh the costs and  
14 restrictions. If BPA staff were not proposing such limited changes to its modeling from  
15 the BP-18 final proposal, our analysis could very well be different.

16 Finally, as discussed in our direct testimony, BPA staff's proposed approach is  
17 clearly superior to speculating on the outcome of court-ordered proceedings or a future  
18 Biological Opinion ("BiOp").<sup>1</sup>

19 *Q: Are you concerned that whatever procedure BPA adopts in this proceeding will set a*  
20 *precedent for how future changes in hydro operations may be handled?*

21 A: Our analysis is that the proposed rate solution is very particular to the current  
22 circumstances and is unique historically. These circumstances include the timing of the

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<sup>1</sup> See Deen et. al., BP-18-JP08-01 at 6, lines 6-15.

1 court opinion, the particular content of that opinion, and additionally BPA's current  
2 financial situation. Given these factors, we do not view BPA staff's proposal to  
3 constitute a new "standard practice."

4 *Q: Please describe IRU's concern regarding the use of forecasts in calculating the Spill*  
5 *Surcharge.*

6 *A:* In general terms, IRU expressed concerns that the lost generation and market price  
7 components of the surcharge will be based on forecasts rather than actual data after the  
8 fact. Since the spill surcharge will be calculated during the rate period, IRU argues that  
9 BPA should wait until the conclusion of the spring spill period and base the cost  
10 component on actuals.

11 *Q: Please respond to this concern and recommendation.*

12 *A:* While we agree that it is desirable to use the most accurate information available, we do  
13 not support IRU's recommendation in this instance. Delaying calculation and collection  
14 of costs until after the spring spill period would create significant potential issues for  
15 power customers in terms of cash flow management and would also be inconsistent with  
16 BPA's general ratemaking practices. BPA staff's proposal has the effect of collecting the  
17 same revenue through rates as if the unknown spill operations were already known during  
18 the rate case process. It also mitigates concerns regarding cash flow by collecting for the  
19 surcharge (net of any available cost reductions) as early as possible in the fiscal year.  
20 BPA staff's responses to data requests IR-BPA-26-1 and IR-BPA-26-5 further elaborate  
21 on these issues and are attached to this testimony in Attachment A.

1    **RESPONSE TO INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES**

2    *Q:     Please describe the issues raised by the Industrial Customers of Northwest Utilities*  
3       *(“ICNU”) that you wish to respond to in this testimony.*

4    A:    ICNU has raised the issue that increased spill during the spring period would lead to  
5       reduced regional supply of generation and therefore increased market prices. These  
6       increased market prices would raise the value of BPA’s remaining inventory, which in  
7       turn would mitigate the impact of reduced generation relative to the BP-18 market prices  
8       (that do not include any increased spill assumptions). ICNU proposes that BPA include  
9       this factor as an additional component to the Spill Surcharge formula or alternately  
10       modify the *CostR* parameter to include the impact of increased prices on secondary  
11       revenues.

12   *Q:     What is your response to this concern and proposal?*

13   A:    ICNU has raised a valid issue regarding the impact of increased market prices on BPA’s  
14       remaining sales inventory on a forecast basis. We support further exploration of the  
15       magnitude of this issue following the rate case and inclusion of an offset in the *CostR*  
16       parameter if appropriate. If necessary, BPA should modify the definition of the *CostR*  
17       parameter to allow this recommendation to be effectuated.

18   **RESPONSE TO WESTERN PUBLIC AGENCIES GROUP**

19   *Q:     What aspects of the Western Public Agencies Group (“WPAG”) testimony do you wish to*  
20       *respond to?*

21   A:    We would like to respond to the proposal for BPA to commit to a minimum of \$10  
22       million in cost reductions and also to expand the public process and comment period if  
23       BPA goes ahead with its proposed mechanism and procedure.

1    *Q:     What is your position regarding cost offsets to minimize the rate impact of the proposed*  
2        *Spill Surcharge?*

3    A:    As described in our supplemental direct testimony, we strongly support the  
4        Administrator's use of cost reductions to the maximum extent possible to offset the  
5        financial impact of increased spill. We therefore support any commitment by BPA that  
6        can be made in that regard.

7    *Q:     What is your response to WPAG's recommendations regarding BPA staff's proposed*  
8        *public process?*

9    A:    We support as transparent and comprehensive of a public process as possible. In  
10        particular, we would support moving the comment period to at least two weeks and a  
11        commitment by BPA to work closely and proactively with customers to resolve questions  
12        and respond to requests for information.

13   *Q:     Does this conclude your testimony?*

14   A:    Yes.

**ATTACHMENT A  
TO REBUTTAL TESTIMONY OF JOINT PARTY 8  
ON SPILL SURCHARGE**

**DATA RESPONSE**  
**BONNEVILLE POWER ADMINISTRATION**  
**BP-18 RATE CASE**

**DATA REQUEST NUMBER: PP-BPA-26-63**

DATE/TIME<sup>1</sup> OF RECEIPT OF REQUEST: 5/1/17; 1:53pm

DIRECTED TO: BP-18-E-BPA-55

REQUESTOR'S NAME: Michael Deen  
AGENCY: PPC

PAGE(S): 5  
LINE(S): 22-24

**DATA REQUEST:**

Please describe why changes in spill operations covered in the supplemental testimony could not and/or should not be addressed through the operation of the NFB mechanisms.

For technical questions about this request please contact Michael Deen. Phone: (503.595.9774)  
Email: ([mdeen@ppcpdx.org](mailto:mdeen@ppcpdx.org))

For legal questions about this request please contact Irene Scruggs. Phone: (503.595.9779)  
Email: ([iscruggs@ppcpdx.org](mailto:iscruggs@ppcpdx.org))

**RESPONSE:**

Consistent with our statements in Fisher *et al.*, BP-18-E-BPA-55, at 2, lines 1-6, the combination of the (1) financial size (substantial); (2) asymmetrical nature (most, if not all, of the possible outcomes will result in a positive expected cost); and (3) likelihood of occurring (extremely likely, particularly in FY 2018) caused us to determine that the NFB mechanisms would not properly address cost recovery during the BP-18 rate period. The NFB mechanisms and the CRAC are designed to mitigate cost risk and support Treasury Payment Probability rather than ensure the recovery of expected costs within a rate period. For example, we do not believe BPA can ignore a known cost, say a new annual maintenance expense at Grand Coulee, when setting rates and still demonstrate cost recovery over the BP-18 rate period – even though, all else equal and assuming financial reserves equal to the CRAC threshold, the CRAC would trigger and recover those costs in the next year. This is further emphasized with expected costs not recovered in FY 2019 because those costs would have to be recovered through mechanisms included in BP-20 rates.

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<sup>1</sup> Requests received after 4:30 pm PST shall be deemed to have been received on the next business day.



**DATA RESPONSE**  
**BONNEVILLE POWER ADMINISTRATION**  
**BP-18 RATE CASE**

This issue is further complicated in this particular rate period given the proposed Financial Reserves Policy. Depending on the NFB mechanisms alone to recover expected increased spill costs would, all else equal, result in the expected use of any available Power financial reserves before a CRAC was triggered and, as a result, could effectively undermine some of the proposed goals and solutions being considered for the Financial Reserves Policy.

For questions about this response, please contact Kurt R. Casad by phone at 503-230-4024 and/or email [krcasad@bpa.gov](mailto:krcasad@bpa.gov).

**DATA RESPONSE**  
**BONNEVILLE POWER ADMINISTRATION**  
**BP-18 RATE CASE**

**DATA REQUEST NUMBER: IR-BPA-26-1**

DATE/TIME<sup>1</sup> OF RECEIPT OF REQUEST: 5/1/17; 2:57pm

DIRECTED TO: BP-18-E-BPA-55

REQUESTOR'S NAME: Todd True  
AGENCY: Idaho River United

PAGE(S): 6  
LINE(S): 2-4

**DATA REQUEST:**

On page 6, lines 2-4, of BPA's supplemental testimony, you explain that "the Spill Surcharge is to allow BPA to increase its revenue collection . . . when the planned annual spill levels increase relative to the spill levels assumed in setting rates." For voluntary spill for fish passage during the spring juvenile migration season, did you assume in setting rates the voluntary spill levels would be those specified in the 2014 BiOp that the Court in NWF v. NMFS concluded in May of 2016 was arbitrary and illegal? Were you aware that the NWF plaintiffs had informed the Court in June and July of 2016 that they were considering seeking an injunction to require increased voluntary spill for juvenile fish passage during future migration seasons above the levels in the 2014 BiOp?

For technical questions about this request please contact Todd True. Phone: (206.343.7340)  
Email: ([ttrue@earthjustice.org](mailto:ttrue@earthjustice.org))

For legal questions about this request please contact Todd True. Phone: (206.343.7340) Email: ([ttrue@earthjustice.org](mailto:ttrue@earthjustice.org))

**RESPONSE:**

BPA's power rates, like utility rates generally, are established using forecasts. These forecasts often span two years to reflect BPA's two-year rate periods, and are developed several months (measured to the beginning of the rate period) to more than two years (measured to the end of the rate period) in advance of actual hydro operations for the rate period. At the time BPA prepared the resources portion of the BP-18 Initial Proposal (late spring and early summer of 2016), the spill operations information included in the 2014 BiOp was the best information available to develop BPA's initial hydro studies. Bellcoff *et al.*, BP-18-E-BPA-19, at 12, lines 13:23. In the

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<sup>1</sup> Requests received after 4:30 pm PST shall be deemed to have been received on the next business day.

**DATA RESPONSE**  
**BONNEVILLE POWER ADMINISTRATION**  
**BP-18 RATE CASE**

May 2016 summary judgment opinion and order in the *NWF* litigation, the district court ordered the Federal agencies to continue implementing the 2014 BiOp until a new BiOp was in place, and this included the spill operations identified in the BiOp.

BPA was aware that in the briefing on a remand schedule in June 2016, the *NWF* plaintiffs indicated they were “evaluating whether to seek additional injunctive relief regarding FCRPS operations.” Joint Br. Resp. of NWF, Oregon, and the Nez Perce Tribe to Fed. Defs.’ Opening Br. Re Remand Schedule at 20, *NWF v. NMFS*, 3:01-cv-00640-SI (D. Or. June 17, 2016), ECF No. 2074. However, the fact that a party in litigation is “considering” some future action before a court does not provide sufficient factual information upon which to base comprehensive hydro operations for the purpose of developing BPA’s Initial Proposal. Moreover, after publishing a Federal Register notice announcing the BP-18 Initial Proposal in late 2016, interested parties had the opportunity to intervene in the rate case, and rate case parties had a full opportunity to challenge BPA’s hydro studies, including whether BPA should have assumed for ratemaking purposes a different forecast of assumed spill. No party in the BP-18 proceeding argued that BPA was incorrect in proposing to use the operations described in the 2014 BiOp to develop its hydro studies.

For questions about this response, please contact Kurt R. Casad by phone at 503-230-4024 and/or email at [krcasad@bpa.gov](mailto:krcasad@bpa.gov).

**DATA RESPONSE**  
**BONNEVILLE POWER ADMINISTRATION**  
**BP-18 RATE CASE**

**DATA REQUEST NUMBER: IR-BPA-26-5**

DATE/TIME<sup>1</sup> OF RECEIPT OF REQUEST: 5/1/17; 3:01pm

DIRECTED TO: BP-18-E-BPA-55

REQUESTOR'S NAME: Todd True  
AGENCY: Idaho River United

PAGE(S): 7-8  
LINE(S): 3-25, 1-23

**DATA REQUEST:**

On page 7, lines 3-25 and page 8, lines 1-23, of BPA's supplemental testimony you explain how you calculate the "spill cost component" of the proposed Spill Surcharge and on page 11, lines 2-17, you provide an example of this calculation.

Please explain how this calculation of the spill cost component accounts for the actual river flow, spill and power market conditions that will occur at the lower Snake and lower Columbia River dams in the spring of 2018 and in any subsequent year, when for example, if river flows in spring 2018 or any subsequent year are similar to those this year, much of the spill that occurs at these dams during the spring juvenile migration season will be what is typically called involuntary spill (as has occurred thus far this year), such that any increase in voluntary spring spill as compared to the voluntary spill levels of the 2014 BiOp would have no effect on "cost (or lost revenue) associated with increased spill relative to the spill assumed in setting rates."

For technical questions about this request please contact Todd True. Phone: (206.343.7340)  
Email: ([ttrue@earthjustice.org](mailto:ttrue@earthjustice.org))

For legal questions about this request please contact Todd True. Phone: (206.343.7340) Email: ([ttrue@earthjustice.org](mailto:ttrue@earthjustice.org))

**RESPONSE:**

The spill cost component is not designed to account for "the actual river flow, spill and power market conditions that will occur . . . in the spring of 2018 and in any subsequent year . . ."

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<sup>1</sup> Requests received after 4:30 pm PST shall be deemed to have been received on the next business day.

**DATA RESPONSE**  
**BONNEVILLE POWER ADMINISTRATION**  
**BP-18 RATE CASE**

As noted in Data Response IR-BPA-26-1, BPA's rates are set prospectively for two years using forecasts. BPA must calculate and file rates with the Federal Energy Regulatory Commission for confirmation and approval before actual rate period conditions are known. As a result, with very few exceptions, BPA's rates are set on a forecast of variables such as generation and market prices. These rate case forecasts are developed several months prior to the beginning of the rate period. With regard to calculating rates for the Initial and the Final Proposals, the forecast generation is based in part on modeling the planned spill assumptions in HYDSIM against the range of flows in the 80-year set of historical water conditions. The proposed Spill Surcharge would function in this same way. When information regarding changes in planned spill assumptions becomes available for each year of the rate period, BPA would use those new spill assumptions to generate an updated generation forecast to calculate the cost of additional spill. The proposed Spill Surcharge adjusts power rates to recover costs that would have been included in power rates had Staff known what the planned spill operation would be for the FY 2018-2019 rate period when calculating the final rates. As with most components of BPA's rates, actual costs will be higher or lower than forecast costs.

For questions about this response, please contact Kurt R. Casad by phone at 503-230-4024 and/or email [krcasad@bpa.gov](mailto:krcasad@bpa.gov).

### **CERTIFICATE OF SERVICE**

I hereby certify that I have served the foregoing on the Bonneville Power Administration's Office of General Counsel, the Hearing Clerk, and all litigants in this proceeding by uploading it to the BP-18 Rate Case Secure Website pursuant to BP-18-HOO-02 and BP-18-HOO-05.

DATED: May 25, 2017.

s/ Irene A. Scruggs  
Irene A. Scruggs  
Public Power Council  
825 NE Multnomah, Suite 1225  
Portland, OR 97232  
Tel. (503) 595-9779  
E-mail: iscruggs@ppcpdx.org

**UNITED STATES OF AMERICA  
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**TESTIMONY OF:**

Public Power Council  
Northwest Requirements Utilities

as

**JOINT PARTY 8**

**SUBJECT:  
Spill Surcharge**

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**WITNESS:**  
Michael Deen  
Bo Downen  
Megan Stratman

May 11, 2017

1   **INTRODUCTION**

2   *Q:     Please state your name and qualifications.*

3   A:     My name is Michael Deen. My qualifications are shown at BP-18-Q-PP-03.

4   A:     My name is Bo Downen. My qualifications are shown at BP-18-Q-PP-05.

5   A:     My name is Megan Stratman. My qualifications are shown at BP-18-Q-NR-01.

6   *Q:     What is the purpose of your testimony?*

7   A:     The purpose of this testimony is to respond to the supplemental testimony filed by BPA  
8           staff, which proposed a “Spill Surcharge” to address recent developments in the *National*  
9           *Wildlife Federation v. National Marine Fisheries Service*, No. 3:01-cv-0640-SI, 2017  
10          WL 1135610 (D. Or. Mar. 27, 2017, *as amended* Apr. 3, 2017) (“*National Wildlife*  
11          *Federation*”). BPA staff’s supplemental proposal is described in BP-18-E-BPA-55.

12   *Q:     Please describe your approach to evaluating the proposed Spill Surcharge and its*  
13          *components.*

14   A:     We use four criteria to evaluate BPA staff’s supplemental proposal for a Spill Surcharge:  
15           

- 16           ● Effects on BPA competitiveness and cost control;
- 17           ● Clear and transparent definition of costs attributable to the court opinion;
- 18           ● Collection of the correct amount of revenue;
- 19           ● Does not pre-judge or bias the outcomes of the processes to determine potential

20   *Q:     Please summarize your conclusions.*

21   A:     The potential for additional costs in rates for the BP-18 rate period is highly problematic  
22           for power customers given the trajectory of power rates in recent years. It is also  
23           particularly harmful given the difficult market and financial situations that are already



1 likely to put upward pressure on the rate increase from the BP-18 Initial Proposal. Given  
2 these circumstances, BPA staff's proposal to include the "Cost Reduction Component" is  
3 appropriate and we urge the Administrator to use it to its full potential to mitigate any  
4 costs that arise due to increased spill operations.

5 Within that context, it appears that BPA staff's proposal meets the goals set out  
6 above as a mechanism to collect these costs. The surcharge costs will be transparent and  
7 based on the minimum possible changes from the BP-18 final proposal. Because the  
8 approach will model actual spill requirements when they are known, it will minimize  
9 chances that BPA will collect unnecessary revenues. Because BPA will not be  
10 speculating on the outcome of the 2018 spill design or the 2019 Federal Columbia River  
11 Power System Biological Opinion ("BiOp"), it will allow those processes to proceed  
12 unhindered by any rate case assumptions. Finally, given that the surcharge is meant to  
13 recover costs for a single year of operations or for unknown future BiOp operations, it is  
14 appropriate from a ratemaking perspective to have a separate charge rather than to simply  
15 roll the operational assumption into the baseline hydrological studies.

## 16 **COMPETITIVENESS AND COST CONTROL**

17 *Q: Please describe the context in which you are evaluating BPA staff's supplemental*  
18 *proposal for a Spill Surcharge adjustment to rates.*

19 *A:* We are evaluating BPA staff's supplemental proposal in the context of BPA's efforts to  
20 move the agency's costs and rates towards a more competitive long-term position, the  
21 agency's current financial situation, and also the overall level of fish and wildlife costs  
22 that impact rates.

23 *Q: Please describe your perspective on BPA's long-term competitiveness situation.*

1 A: As has been discussed both prior to and in this proceeding, BPA's rates are on an  
2 unsustainable trajectory. Since FY 2009, BPA rates have gone up approximately 28  
3 percent, well more than twice the rate of inflation during that time. BPA rates are  
4 currently well above the price of market power. If this trend continues unabated, there is  
5 a serious danger that BPA's financial stability and viability will be threatened, including  
6 the ability of the agency to fund initiatives such as fish and wildlife programs.

7 Q: *What immediate pressures are facing BPA rates and costs both currently and in the*  
8 *upcoming rate period?*

9 A: Although BPA's initial proposal was for a relatively modest power rate increase  
10 compared to other recent cases, we are concerned about the adverse market conditions  
11 and financial pressures facing the agency and what that may portend for rates. In FY  
12 2016, Power Services lost \$175 million relative to the BP-16 rate case forecast, driven in  
13 large part by weak market prices for secondary energy. In the current fiscal year, in spite  
14 of what is likely to be a high water year and also significant cost control efforts, Power  
15 Services is still forecasted to lose an additional \$29 million relative to the rate case  
16 forecast.

17 Q: *What does this financial and market situation potentially mean for rates in the BP-18 rate*  
18 *period?*

19 A: BPA's initially proposed rates for BP-18 are already subject to significant upward  
20 pressure, through continued erosion in the assumption of net secondary sales revenue and  
21 also through a high likelihood of costs through a Cost Recovery Adjustment Clause or  
22 other risk mitigation mechanisms.

23 Q: *How does the potential for increased spill during the BP-18 rate period affect the*

1        *prospects for a sustainable rate increase?*

2    A:    The potential for additional spill significantly adds to the potential for increased rates in  
3        the upcoming rate period, exacerbating the pressures described previously. This is highly  
4        problematic for BPA's power customers who bear the burden of the increase, and also for  
5        the efforts to put the agency's power rates on a sustainable trajectory.

6    Q:    *What do you conclude from this analysis?*

7    A:    There are two significant conclusions. First, BPA staff's proposal to include a "Cost  
8        Reduction Component" in the Spill Surcharge is both appropriate and needed. Second,  
9        given the pressures facing rates in the upcoming rate period, we urge the Administrator to  
10       make every effort to maximize cost reductions to mitigate the impacts of any increased  
11       spill. Power customers are committed to working collaboratively with BPA in this  
12       process.

13    **CLEAR AND TRANSPARENT DEFINITION OF COSTS**

14   Q:    *Please describe how BPA staff proposes to calculate the spill cost component of the*  
15        *surcharge.*

16   A:    BPA staff is proposing to calculate a difference in hydro generation between the  
17        HYDSIM study for the BP-18 final proposal and a revised HYDSIM study that adjusts  
18        only for the changes in spill operations. This change in generation will then be multiplied  
19        by the final market prices from the BP-18 final proposal to come up with a dollar amount.  
20        Finally, the amount is adjusted proportional to the amount of Non-Slice PF power sales.  
21        This last step reflects that Slice sales are impacted directly by increased spill and also  
22        subject to annual true up of program expenses.

23   Q:    *Does this approach reasonably meet the goal of developing clear and transparent costs*

1           *associated with a change in spill operations?*

2    A:     Yes. BPA staff's proposed approach is transparent and based on the minimum amount of  
3           changes from the BP-18 final studies. BPA staff is also proposing to publish its  
4           assumptions and results for review, hold a public workshop, and accept comments from  
5           stakeholders.

6    **COLLECTION OF THE CORRECT AMOUNT OF REVENUE**

7    *Q:     Does BPA staff's proposal reasonably meet the goal of collecting the correct amount of*  
8           *revenue associated with the impact of changes in spill operations?*

9    A:     Yes. BPA staff's proposed methodology is consistent with other rate case assumptions  
10          and limits any rate adjustment to that based on modeling of known spill operations. This  
11          approach has the benefit of coming as close as possible to setting rates during the BP-18  
12          rate period at the same level as if the spill operations were known during the case. It also  
13          avoids the issue of forcing BPA staff to speculate on assumptions that are ultimately  
14          unknown at this time and outside the scope of decision making in this proceeding. Given  
15          these specific circumstances, a separate surcharge calculated per the schedule and  
16          methodology proposed by BPA staff is appropriate.

17   *Q:     Does BPA staff's proposal single out fish and wildlife costs for special treatment?*

18   A:     No. The proposed surcharge is limited to a very specific cost and circumstance. The vast  
19          majority of potential fish and wildlife related costs, both in terms of programmatic  
20          spending and operational limitations, are included in BPA's base rates.

21   *Q:     What level of fish and wildlife costs are already paid by BPA power customers?*

22   A:     During the FY 2011 through FY 2016 time period, it is our understanding that BPA  
23          power customers bore an average total cost of approximately \$614 million per year for

1 fish and wildlife actions. This constitutes an annual \$698 million in total program  
2 expenses, foregone revenues, and power purchases offset by \$83 million in 4(h)(10)(C)  
3 credits.

4 For context, reducing the BPA revenue requirement by this amount in BP-18  
5 would be a 29% reduction in the net cost of PF power.

6 **DOES NOT BIAS OR PRE-JUDGE OUTCOMES OF OTHER PROCESSES**

7 *Q: Does BPA staff's proposal reasonably meet the goal of not biasing or pre-judging the*  
8 *outcome of the processes that will ultimately determine what, if any, changes may be*  
9 *made to spill operations for the BP-18 rate period?*

10 A: Yes. The outcomes of the both the court process to determine spill operations for FY  
11 2018 and a future BiOp to take effect during FY 2019 are unknown. By not speculating  
12 on the outcomes, BPA staff's proposal will allow those processes to proceed unhindered  
13 by any rate case assumptions. Conversely, we would be concerned if BPA staff adopted  
14 an approach that involved predicting these outcomes as it could potentially have an effect  
15 on the processes themselves.

16 *Q: Does this conclude your testimony?*

17 A: Yes.

### **CERTIFICATE OF SERVICE**

I hereby certify that I have served the foregoing on the Bonneville Power Administration's Office of General Counsel, the Hearing Clerk, and all litigants in this proceeding by uploading it to the BP-18 Rate Case Secure Website pursuant to BP-18-HOO-02 and BP-18-HOO-05.

DATED: May 11, 2017.

s/ Megan Stratman

Northwest Requirements Utilities