

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

Fiscal Years 2022-2023 Proposed)	BPA Docket No. BP-22
Power and Transmission Rate)	
Adjustment Proceeding)	

REBUTTAL TESTIMONY OF:

Northwest Requirements Utilities

SUBJECT:

UTILITY DELIVERY CHARGE

Response to Direct Testimony of the Western Public Agency Group,
BP-22-E-WG-01, page 28, line 1 – page 34, line 2

WITNESS:

Megan Stratman

March 16, 2021

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

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

3 A: My name is Megan Stratman, and my qualifications are shown at BP-22-Q-NR-
4 01.

5 Q: *Please describe the purpose of your testimony.*

6 A: The purpose of this testimony is to respond to the Western Public Agency
7 Group's ("WPAG's") direct testimony that addresses the long-standing controversy of
8 the Utility Delivery segment and the proposed 29% rate increase to the Utility Delivery
9 Charge ("UDC"). WPAG's direct testimony on the UDC is at BP-22-E-WG-01, page 28,
10 line 1 – page 34, line 2, and the specific proposal to mitigate the proposed UDC rate
11 increase to which this testimony responds is at BP-22-E-WG-01 page 33, line 6 – page 34,
12 line 2.

13 Q: *Please summarize your testimony.*

14 A: First, I provide a restatement of my direct case testimony on the UDC. Second, I
15 observe that the proposal offered in the direct case of WPAG falls short of satisfactorily
16 addressing the issues related to the Utility Delivery segment and UDC. Finally, I share
17 that the NRU Board of Directors advances that elimination of the Utility Delivery
18 segment and rolling it into the Network segment is the long-term, sustainable solution
19 the region has sought for years.

1 **Section 2: The Utility Delivery Charge and Response to WPAG’s Testimony**

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3 Q: *Please summarize the direct case you submitted on the issue of the UDC.*

4 A: In my direct case, I expressed strong concern over the Initial Proposal wherein
5 the UDC rate was proposed to increase by 29%. The UDC rate appears to be in the so-
6 called “death spiral” NRU warned about in the BP-16 proceeding. The “death spiral”
7 results from the continual increase in the numerator (in BP-22, due to increasing O&M
8 and depreciation costs) while the denominator stays unchanged or decreases if
9 additional facilities are sold.¹

10 I then summarized the concerns expressed by BPA in the BP-16 Record of
11 Decision (“ROD”), when the UDC was proposed to increase 25% compared to BP-14.²

12 Finally, I proposed that “BPA should take action to mitigate the rate impact to
13 the UDC.” I stated that a 29% UDC rate increase is untenable, particularly in addition to
14 the 17.28% NT rate increase. I observed that is it “evident that despite BPA staff’s
15 attempt to develop a ‘long-term, sustainable solution’ [per the BP-16 ROD],” more work
16 is needed.³

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¹ BP-22-E-NR-01 at 29-31.

² BP-22-E-NR-01 at 31-32.

³ BP-22-E-NR-01 at 32-33, lines 11-5.

1 Q: *What did WPAG's testimony say about the UDC proposal?*

2 A: WPAG proposed that "BPA should limit the UDC rate increase to the weighted
3 average increase that BPA proposes for all other transmission rates, i.e., limit the
4 increase to 11.6%." WPAG asserted that this would put the UDC rate increase "within
5 the norm of other transmission rates being revised in this proceeding and ease the
6 substantial burden that BPA's proposal would have placed on the many small utilities
7 that receive Utility Delivery service." The unrecovered revenue requirement of
8 approximately \$438,000 would be allocated to the Network segment. All else equal, this
9 would increase Network rates by approximately 0.06% compared to BPA's Initial
10 Proposal.⁴

11 Q: *How do you respond to WPAG's proposal?*

12 A: WPAG's proposal has merit as a short-term, quick fix but falls short of a long-
13 term, sustainable solution that has been sought for years. WPAG's proposal to mitigate
14 the rate increase would provide immediate economic relief to the customers subject to
15 the UDC, compared to BPA's Initial Proposal, but does not offer a long-term solution to
16 the underlying problem of the Utility Delivery segment.

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⁴ BP-22-E-WG-01 at 33, lines 5-18.

1 Q: What is the underlying problem in your opinion?

2 A: The Utility Delivery segment has outlasted its usefulness. Most of the facilities
3 within the segment that can feasibly be purchased by utilities have been. The remaining
4 facilities have operational, environmental and/or financial issues that impede utilities
5 from acquiring them.

6 The UDC rate now functions more as a punitive rate, requiring small utilities to
7 pay two rates for service across the same facility – the UDC and the NT rate. Under
8 BPA’s Initial Proposal, a customer taking Utility Delivery service in addition to NT
9 service would pay 82% more than a customer taking only NT service.⁵ When there is no
10 real, viable option to purchase these facilities, these customers become captive and
11 forced to pay nearly twice that of customers receiving the same service without the
12 Utility Delivery segment.

13 In the BP-16 ROD, BPA attempted to implement a “long-term, sustainable
14 solution to the Utility Delivery rate.”⁶ Unfortunately, despite best intentions, the BP-22
15 Initial Proposal demonstrates that a long-term, sustainable solution has yet to be
16 implemented.

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⁵ BP-22-E-NR-01 at 32, lines 14-18.

⁶ BP-22-E-NR-01, Exhibit S, page 5 (*excerpt of BP-16-A-02 at 71*).

1 Q: *Did you consult with the NRU Board of Directors on WPAG's proposal for treatment of*
2 *the UDC? If so, what was the response?*

3 A: Yes. After careful consideration, the NRU Board of Directors strongly supports
4 eliminating the segment and recovering the associated costs via the Network segment.

5 This is a long term, sustainable solution to the Utility Delivery segment dilemma.
6 The costs recovered via the Utility Delivery segment (approximately \$3.2 million
7 annually) are nominal compared to the \$757 million annually recovered via the
8 Network segment, meaning full roll-in of the Utility Delivery segment would have a
9 minimal rate impact of 0.4% to the Network segment, all else equal.⁷ In return, the
10 region can finally settle the decades-long controversy of the Utility Delivery segment
11 and remove what has resulted in a punitive rate to some of the smallest utilities in the
12 region.

13 Q: *Would eliminating the Utility Delivery Segment undo established precedent or establish*
14 *new precedent on how BPA segments its transmission system?*

15 A: No. BPA and its customers should consider treatment of the Utility Delivery
16 segment independently and on the merits of the specific arguments about only that
17 segment. As I discuss above, eliminating the segment now is long-term solution based
18 on the particulars of the segment. With this testimony, I do not make, nor does the NRU

⁷ BP-22-E-BPA-08, Tables 7 and 9.

- 1 Board of Directors make, any broad statements about any other aspects of the way that
- 2 BPA segments its transmission system now or in the future.
- 3 Q: *Does this conclude your testimony?*
- 4 A: Yes, it does.

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing on the Hearing Officer, the Hearing Clerk, and all Litigants in this proceeding by uploading it to the BP-22 Rate Case Secure Website pursuant to section 1010.10 of the Rules of Procedure.

DATED: March 16, 2021.

s/ Zabyrn Towner

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