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

Fiscal Years 2018-2019 Proposed	**)**	**BPA Docket No. BP-18**
Power and Transmission Rate	**)**	
Adjustment Proceeding	**)**	

INITIAL BRIEF OF PUBLIC POWER COUNCIL

SUBJECT:
Montana Intertie Rate

May 2, 2017

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I. INTRODUCTION

Pursuant to the applicable rules of procedure,[1] the Public Power Council ("PPC") submits this Initial Brief to address issues relating to the rates the Bonneville Power Administration ("BPA") charges for transmission service over the Eastern Intertie segment. The record in this proceeding does not support a decision to reverse BPA's longstanding practice of treating the Eastern Intertie as a separate transmission segment and charging the Montana Intertie rate (IM rate) for service over that segment. BPA Administrators considered and rejected proposals to eliminate the IM rate or roll in the costs of the Eastern Intertie in the BP-12, BP-14, and BP-16 rate cases.[2] There have been no material changes since those decisions were made. Therefore, the Administrator should maintain the Eastern Intertie as a separate segment and once again reject the proposals to eliminate the Montana Intertie rate.

II. ARGUMENT

Previous BPA Administrators have noted that "[c]hanging the allocation of costs of transmission facilities previously classified as a separate segment in rates is a segmentation decision that must be supported by an appropriate rate case record,"[3] and that "the separate segmentation of BPA's Eastern Intertie capacity … should be changed only with good reason."[4] These observations are consistent with the basic procedural requirements of administrative law. While the agency may certainly change its existing policy, it needs to provide a reasoned explanation for the change and "show that there are good reasons for the new policy."[5] In explaining a change in policy, "an agency must also be cognizant that longstanding policies may

[1] BPA Rules of Procedure Governing Rate Hearings at § 1010.13(c); BP-18-HOO-03.
[2] Fredrickson et. al., BP-18-E-BPA-26 at 4.
[3] Administrator's Final Record of Decision, 2012 Wholesale Power and Transmission Rate Adjustment Proceeding, BP-12-A-02 ("BP-12 ROD") at 480 (July 2011).
[4] Administrator's Final Record of Decision, BP-14 Power and Transmission Rate Proceeding, BP-14-A-03 ("BP-14 ROD") at 176 (July 2013) (citation omitted).
[5] *Encino Motorcars, LLC v. Navarro*, 136 S. Ct. 2117, 2126 (2016) (internal quotations and citations omitted).

have engendered serious reliance interests that must be taken into account."[6] It must offer a reasoned explanation for disregarding the facts and circumstances that underlay or were engendered by the prior policy.[7] An "unexplained inconsistency in agency policy is a reason for holding an interpretation to be an arbitrary and capricious change from agency practice," and a policy of this sort is unlawful and receives no *Chevron* deference.[8]

A. BPA Has Previously Rejected Most of the Arguments Made in This Proceeding for Eliminating the IM Rate.

In its initial proposal for the IM rate, BPA Staff "proposed no changes from the methodology used in previous rates cases, including BP-16."[9] In response, two parties – Renewable Northwest and Montana Environmental Information Center together with Sierra Club (collectively "MEIC") – advanced proposals to eliminate the IM rate. Similar proposals to eliminate the IM rate or to "roll in" the costs of the Eastern Intertie into BPA's Network segment[10] were made in BP-12, BP-14, and BP-16 rate cases, and were rejected each time. In fact, BPA Administrators previously rejected many of the specific arguments Renewable Northwest and MEIC advance in this proceeding in support of their proposals. No good reasons exist for reconsidering these arguments here and the Administrator should reject them outright.

1. <u>The Eastern Intertie Was Constructed for a Limited Purpose and Will Be Used Solely for That Purpose in the BP-18 Rate Period.</u>

Thomas J. Schneider, one of the witnesses for MEIC, argues that BPA played an extensive role in building and justifying the need for the Eastern Intertie facilities to the Montana

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6 *Encino Motorcars*, 136 S. Ct. at 2126 (internal quotations and citations omitted).
7 *Id*.
8 *Id*.
9 Fredrickson et. al., BP-18-E-BPA-26 at 2.
10 For purposes of ratemaking, eliminating the IM rate and "rolling in" the costs of the Eastern Intertie are functionally equivalent – under either proposal, BPA would recover its share of Eastern Intertie costs in Network rates. Administrator's Final Record of Decision, BP-16 Rate Proceeding, BP-16-A-02 ("BP-16 ROD") at 122 (July 2015).

regulators. The fact that BPA was involved in the justification, development, or construction of the Eastern Intertie has no dispositive value in determining the proper segmentation for the facilities for cost recovery.[11] Besides, "BPA is involved in the justification for all transmission facilities that it constructs."[12]

Mr. Schneider further asserts that part of BPA's justification for the Eastern Intertie was the need to serve the Pacific Northwest, "including the rapidly growing loads of BPA's Montana cooperative customers."[13] Thus, Mr. Schneider reasons, the Eastern Intertie "is not an isolated segment" of BPA's transmission system, but rather "is and has always been part of BPA's regional transmission network."[14] Therefore, he argues, the IM rate should be eliminated. Mr. Schneider's assertions regarding the purpose and use of the Eastern Intertie are plainly contradicted by the well-established history of the Eastern Intertie and the record in this proceeding, and were previously rejected by the Administrator.

BPA and a group of investor-owned utilities that owns coal-fired generating facilities located in southeastern Montana ("Colstrip facilities") are parties to the Montana Intertie Agreement.[15] With the expansion of the Colstrip facilities in the 1970s and 1980s, the Colstrip owners needed additional transmission capacity to carry electricity generated at the Colstrip facilities to the west, where their customers were located.[16] The Colstrip owners took various steps to obtain the necessary capacity, including requesting that BPA construct 500 kV

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[11] Deen, BP-18-E-PP-02 at 12.
[12] Fredrickson et. al., BP-18-E-BPA-26 at 10.
[13] Schneider, BP-18-E-SC-01-V01 at 11.
[14] *Id*.
[15] *See* Fredrickson et. al., BP-18-E-BPA-26 at 10; BP-14 ROD at 176.
[16] *Pacific Power & Light Co. v. Montana Dept. of Revenue*, 773 P.2d 1176, 1179 (Mont. 1989), *cert. denied*, 493 U.S. 1050 (1990).

transmission lines west from Townsend to Garrison in Montana.[17] BPA agreed and ultimately completed the Eastern Intertie,[18] which has been used primarily to wheel Colstrip generation to loads in the Pacific Northwest.[19] BPA Staff have testified that providing service to BPA's preference customers was not among BPA's purposes for constructing the Eastern Intertie,[20] and they are not aware of the Eastern Intertie ever having been used to serve preference customer loads, including BPA's Montana cooperative customers.[21]

In the BP-14 proceeding, Renewable Northwest argued that the Eastern intertie is not a true intertie, but "an artificial segmentation that operates as an integrated part of BPA's transmission system."[22] In rejecting that argument, the Administrator concluded that the Eastern Intertie "is radial to BPA's Integrated Network, "is not an 'artificial segmentation,'" and "should be changed only with good reason."[23]

In setting rates, "BPA allocates the rate period transmission revenue requirement to the various transmission rates based on the projected use of the system."[24] Currently, "[t]here are no BPA customer loads served directly from the Eastern Intertie"[25] and that is not expected to change in the next rate period. BPA Staff "expect that the primary (and perhaps singular) use of the Eastern Intertie as a whole [will be] to transfer power from Colstrip to the Pacific Northwest during the BP-18 rate period."[26] The fact of the matter remains that the Eastern Intertie facilities

[17] *Pacific Power & Light Co.*, 773 P.2d at 1179; *Portland General Elec. Co. v. Montana Dept. of Revenue*, 773 P.2d 1189, 1192 (Mont. 1989), *cert. denied*, 493 U.S. 1049 (1990).
[18] *Pacific Power & Light Co.*, 773 P.2d at 1179.
[19] Fredrickson et. al., BP-18-E-BPA-26 at 8.
[20] Data Responses Admitted via BP-18-M-BPA-07, BP-18-E-BPA-53 at 602 (Response to Data Request SC-BPA-26-12).
[21] *Id.*; Fredrickson et. al., BP-18-E-BPA-26 at 11.
[22] BP-14 ROD at 175.
[23] *Id.* at 176.
[24] BP-12 ROD at 475.
[25] Fredrickson et. al., BP-18-E-BPA-26 at 9.
[26] Data Responses Admitted via BP-18-M-BPA-07, BP-18-E-BPA-53 at 601 (Response to Data Request SC-BPA-

were constructed to wheel power from Colstrip to the Pacific Northwest, and they have not, are not currently, and are not expected in the next rate period to be used for load service by BPA. Thus, BPA should continue to charge the IM rate for service on its capacity share of the Eastern Intertie.

2. The IM Rate Is Not an Impediment to Development of Montana Generating Resources.

Renewable Northwest argues that the IM rate adds more than $2 per MWh to the cost of Montana generating resources, making those resources less competitive when compared to resources that do not have to pay both the IM rate and a Network rate.[27] Likewise, Robert M. Fagan, a witness for MEIC, argues that eliminating the IM rate would "reduce the overall cost of delivering Montana wind to the BPA region load by $2.05/MWh," and "this incremental cost savings would make Montana wind more competitive with resources that currently do not have to pay additional pancaked rates to reach load."[28]

Beyond the fact that the IM rate would be an additional transmission charge for Montana generating resources, neither Renewable Northwest nor MEIC offer any support for their conclusion that eliminating the IM rate would make Montana resources more competitive. Indeed, Mr. Fagan readily admits that "[i]t is impossible to say with certainty that eliminating the Montana Intertie Rate will result in greater Montana wind development."[29] That is precisely why the Administrator previously rejected arguments that eliminating the IM rate would encourage renewable resource development in Montana, and the evidence in this proceeding does not support a different conclusion.

26-11); Fredrickson et. al., BP-18-E-BPA-26 at 9.
[27] Yourkowski, BP-18-E-RN-01 at 7-8.
[28] Fagan, BP-18-E-SC-02-V01 at 9.
[29] *Id.*

First, the $2-per-MWh charge added by the IM rate is negligible relative to the levelized cost of new wind resources in the region. According to the Northwest Power Planning Conservation Council's Seventh Power Plan, new wind resources in the region would have a levelized cost of energy between $94 and $110 per MWh.[30] "A $2-per-MWh charge is a relatively small component of this overall amount and is likely to be overwhelmed by other, more impactful considerations in choosing between projects."[31] The Administrator reached a similar conclusion in the BP-16 proceeding, noting that $2 per MWh "is a relatively small addition to the total cost of over $100/MWh [for delivered energy]."[32]

Second, Montana wind is fully competitive with other resources even including the IM rate. In comparing generating resources, the Seventh Power Plan analyzed five "reference" plants; four of the plants were located in Montana and one was located in the Columbia Gorge. "All four Montana plants came in with a lower levelized cost of energy than the Columbia Gorge plant, including the cost of transmission."[33] The fact that "even having to pay the IM rate, Montana wind generation has comparable or lower costs" was one of the other reasons the Administrator rejected the argument that eliminating the IM rate would make Montana wind more competitive.[34]

Third, Renewable Northwest and MEIC ignore the actual factors that likely impede the development of wind generation in Montana. As the Administrator noted in BP-16, although Montana's potential wind generation exceeds 9,000 MW, "the absence of available transmission capability in Montana and on BPA's Network would make large-scale wind development

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[30] Deen, BP-18-E-PP-02 at 6 (citations omitted).
[31] *Id.* at 6-7.
[32] BP-16 ROD at 124.
[33] Deen, BP-18-E-PP-02 at 7 (citation omitted).
[34] BP-16 ROD at 124.

unlikely."[35] BPA has 184 MW of available transmission capacity on the Eastern Intertie. Even assuming that Montana wind generation could get to BPA's Network using another transmission provider, which is unlikely, BPA's Network is constrained over the West of Garrison and West of Hatwai flowgates. BPA Staff testified that the West of Garrison flowgate "currently has zero long-term firm available transfer capability," and the West of Hatwai flowgate "is similarly constrained."[36] Given these transmission constraints, it is unlikely that eliminating the IM rate would encourage renewable resource development in Montana.

3. <u>Eliminating the IM Rate Is Not Likely to Result in Additional Sales Over the Eastern Intertie, but Would Expose Network Customers to Massive Costs in Violation of Cost-Causation Principles.</u>

Renewable Northwest and MEIC argue that by eliminating the IM rate and making Montana wind more competitive, BPA "would be better off" because it would be more likely that BPA's 184 MW of unsubscribed capacity on the Eastern Intertie will be sold.[37] They argue that the rate impact on BPA's Network transmission customers would be "minimal"[38] or "de minimis."[39] As discussed above, the absence of available transmission capability from Montana makes large-scale wind development – and subscription of the remaining Eastern Intertie capacity – unlikely.

As in past rate cases, arguments about "de minimis" rata impacts ignore the *real* costs of rolling in the IM rate and accommodating additional wind development. The Administrator previously observed that "the real rate impacts would result from transmission upgrades and

[35] BP-16 ROD at 125.
[36] Fredrickson et. al., BP-18-E-BPA-26 at 6.
[37] Yourkowski, BP-18-E-RN-01 at 13-14; Fagan, BP-18-E-SC-02-V01 at 10.
[38] Fagan, BP-18-E-SC-02-V01 at 6.
[39] Yourkowski, BP-18-E-RN-01 at 13.

balancing capacity, which would be needed to support more wind development."[40] BPA Staff testified that BPA may need to reinforce the West of Garrison flowgate, the West of Hatwai flowgate, and other parts of its transmission system depending on the parameters of the service requested.[41] The costs to the Network customers for these and other transmission upgrades and balancing capacity that would be needed to move a significant amount of wind generation from Montana to the BPA Network "could easily be measured in the hundreds of millions to more than a billion dollars."[42] Under the principle of cost causation, entities that create the costs should bear the responsibility for paying those costs. Eliminating the IM rate would expose BPA's Network customer to a variety of upgrade and service costs they did not cause and without commensurate benefits, in violation of the cost causation principle.[43]

BPA Staff testified that there are a myriad of other issues that need to be addressed holistically before the IM rate is eliminated:

> We continue to have concerns associated with service from Montana including balancing capacity issues, allocation of costs of potential reinforcements to provide transmission service to new renewable generation in Montana, scheduling and reservation system changes and associated costs, contract issues involving the Montana Intertie Agreement, and possible additional investments (RAS/build) needed to enable service. Most of these issues need to be addressed outside of the rate case and require a discussion with parties to the Montana Intertie Agreement, as well as other stakeholders. Many of these issues were identified in the BP-16 case and were the basis for the Administrator's decision not to eliminate the IM rate in that case.[44]

In addition, elimination of the IM rate "could be viewed as a precedent for arguments to roll in BPA's Southern Intertie Segment."[45] Both the Southern Intertie and the Eastern Intertie are used

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[40] BP-16 ROD at 125.
[41] Fredrickson et. al., BP-18-E-BPA-26 at 6.
[42] Deen, BP-18-E-PP-02 at 10.
[43] BP-12 ROD at 492 (stating that "BPA's expressed policy is to avoid significant cost shifts").
[44] Fredrickson et. al., BP-18-E-BPA-26 at 13.
[45] Deen, BP-18-E-PP-02 at 10.

primarily for transporting energy to and from locations that are remote to BPA's Network and the Pacific Northwest. "Given the trajectory of non-dispatchable renewables development in California, there may soon come a time when there is substantial demand for the export of renewable energy from California to the Northwest."[46] Arguments that eliminating the IM rate would facilitate renewable energy imports could be used in the context of the Southern Intertie, to the detriment of Network customers and contrary to the purpose for segmenting those facilities. Although roll-in of the Southern Intertie was not at issue in the BP-16 proceeding, the Administrator noted that rolling in the Southern Intertie would produce a 12.5 percent Network rate increase, which "could result in rate instability and rate shock."[47] Because eliminating the IM rate is likely to expose Network customers to substantial costs and risks creating a precedent for additional costs, the Administrator should retain the IM-18 rate.

4. BPA's IM Rate Design Is Based on BPA's Longstanding Segmentation Methodology and Is Consistent with its Statutory Obligations and FERC Policy.

Renewable Northwest argues that the "IM rate pancake" is inconsistent with (1) Federal Energy Regulatory Commission's (FERC) "or" pricing policy because Eastern Intertie transmission customers pay both the Network rate and the IM rate, and (2) with sound business principles because it discourages utilization of BPA's full Eastern Intertie capacity.[48] FERC's "or" pricing policy allows transmission provider to charge the higher of an incremental cost or embedded cost rates, but not both.[49] BPA's IM rate design follows its segmentation methodology, which has passed muster with BPA Administrators, the FERC, and the courts time

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[46] Deen, BP-18-E-PP-02 at 10.
[47] BP-16 ROD at 125.
[48] Yourkowski, BP-18-E-RN-01 at 11-12.
[49] *Inquiry Concerning the Commission's Pricing Policy for Transmission Services Provided by Public Utilities Under the Federal Power Act*, Order on Reconsideration and Clarifying Policy Statement, 71 FERC ¶ 61,195, at p. 61,690 (1995).

and time again. Thus, arguments that BPA's IM rate design violates FERC policies or BPA's statutory obligations have no merit.

As discussed above, BPA has separately segmented the Eastern Intertie since the 1983 rate case because it was a radial line built by BPA primarily to transmit Colstrip generation to BPA's Network.[50] BPA Staff testified that they still "consider the use of BPA's Eastern Intertie facilities to be a separate and distinct use of the transmission system from use of the Network system."[51] Indeed, for the BP-18 rate period, BPA Staff "expect that the primary use of the Eastern Intertie will continue to be wheeling the output of Colstrip to BPA's Network starting at Garrison," thus maintaining the segment's distinct purpose.[52]

In setting rates, BPA allocates the rate period transmission revenue requirement to various transmission rates based on projected use of the system. Because the entire system is not needed to provide each type of service, this method of cost allocation is equitable and consistent with sound business principles.[53] Given that the Eastern Intertie and the Network have distinct uses, BPA Staff have calculated separate and distinct embedded costs for each segment and used those costs to set rates for each segment.[54] Thus, because "the rates recover the costs of *different* facilities, they are intrinsically not duplicative," and because the rates are set based on embedded costs of each segment, "they are inherently not excessive."[55] By definition, BPA cannot and does not "double" recover its costs from either segment. Therefore, it does not violate FERC's pricing guidelines or its statutory requirement to offer the lowest possible rates consistent with sound business principles.

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[50] BP-12 ROD at 479.
[51] Fredrickson et. al., BP-18-E-BPA-26 at 12.
[52] *Id*.
[53] *See* BP-12 ROD at 475.
[54] Fredrickson et. al., BP-18-E-BPA-26 at 12; Deen, BP-18-E-PP-02 at 6.
[55] Deen, BP-18-E-PP-02 at 6.

B. Renewable Northwest Presents No Compelling New Evidence for the Administrator to Reverse BPA's Prior Decisions.

Renewable Northwest claims that circumstances "have changed significantly since the BP-16 ROD, warranting elimination of the IM rate in this proceeding."[56] Specifically, Renewable Northwest cites two changes: (1) Oregon's passage of the Clean Electricity and Coal Transition Plan ("CECTP"), which increases Oregon's Renewable Portfolio Standard to 50 percent by 2040 and requires investor-owned utilities to shed coal generation assets from their rate base by 2035, and (2) an agreement was reached requiring Colstrip units 1 and 2 to retire no later than July 1, 2022.[57] Renewable Northwest further asserts that it became aware since BP-16 that the IM rate and the TGT rate "are not cost-based."[58]

1. <u>Planned and Future Closures of Colstrip Facilities Are Unlikely to Have Any Revenue Impact on BPA During the BP-18 Rate Period.</u>

Renewable Northwest argues that the closure of Colstrip facilities, whether on account of Oregon's passage of CECTP or the planned retirement of Units 1 and 2, will reduce the transmission sales and revenues over the BPA Network.[59] It argues that eliminating the IM rate would encourage both the full subscription of the Eastern Intertie and the use of BPA Network capacity freed up by the retirements.[60] Renewable Northwest's assertions are based on speculative assumptions[61] and present no valid concerns.[62] Even MEIC concedes that "[i]t is impossible to say with certainty that eliminating the Montana Intertie Rate will result in greater Montana wind development or full subscription of BPA's share of the Eastern Intertie."[63]

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[56] Yourkowski, BP-18-E-RN-01 at 4.
[57] *Id.*
[58] *Id.*
[59] *Id.* at 5-6.
[60] *Id.*
[61] Fredrickson et. al., BP-18-E-BPA-26 at 7.
[62] Deen, BP-18-E-PP-02 at 8.
[63] Fagan, BP-18-E-SC-02-V01 at 9.

First, as discussed above, "eliminating the IM rate would have no bearing on the economic viability of the Eastern Intertie capacity,"[64] and given the serious transmission constraints for exporting out of Montana, is unlikely to encourage renewable resource development in Montana. Second, there is no evidence that Colstrip Units 1 and 2 or any other Colstrip facilities will be shut down during this rate period. It would be impudent for the Administrator to change the agency's longstanding segmentation and rate design methodology for the Eastern Intertie based on the speculations that Colstrip Units 1 and 2 *might* retire before their planned closure by 2022 and their retirement *might* impact BPA's revenues.

Third, evidence in the record does not support Renewable Northwest's claim that BPA's Network revenues would be substantially reduced by the closure of Colstrip facilities. First, BPA Staff testified that "BPA currently has approximately 1,191 megawatts in its transmission service queue requesting service from Montana across BPA's Network that may be able to use the capacity that might become available by unit retirements at Colstrip."[65] Second, customers delivering or purchasing the output of Colstrip facilities would still need to serve their native load and may replace the Colstrip generating capacity with other resources that continue to utilize BPA's Network.[66] If they do, closure of Colstrip units would have no impact on BPA's revenues. If they do not, BPA could simply remarket the freed-up capacity given the depth of its current queue. Third, even if any Colstrip facilities retired early and before the scheduled termination of the Montana Intertie Agreement in 2027, the Montana Intertie Agreement protects BPA from cost exposure.[67] Finally, depending on what Colstrip transmission customers may do with their rights following closure of their facilities, there could be contractual and policy

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[64] Deen, BP-18-E-PP-02 at 8.
[65] Fredrickson et. al., BP-18-E-BPA-26 at 7.
[66] *Id.*; Deen, BP-18-E-PP-02 at 8-9.
[67] Fredrickson et. al., BP-18-E-BPA-26 at 8.

considerations that would be further complicated by BPA's premature action. In summary, BPA Staff characterized Renewable Northwest's argument the best: it "involves a significant amount of speculation; it is too early to know if BPA's Network revenues will be impacted by retirements at Colstrip."[68]

2. Renewable Northwest's Claim That BPA's IM and TGT Rates Are Not Cost-Based Has No Merit.

Renewable Northwest claims that it recently learned that the TGT rate alone – a formula rate based on the Montana Intertie Agreement and intended to recover BPA's costs of the Eastern Intertie facilities[69] – collects approximately $1 million more in revenue than the $11.718 million it costs BPA to own and operate the Eastern Intertie.[70] This "disconnect between BPA's Eastern Intertie revenue requirement and the amount BPA is charging the TGT rate," according to Renewable Northwest, demonstrates that the IM rate is not cost-based.[71] However, BPA's IM rate and TGT rates are set to recover BPA's actual costs and therefore, are cost-based by definition. Renewable Northwest's argument has no merit.

First, as BPA Staff explained in their testimony, "[t]here are multiple methods for identifying costs on which to base rates; using the segmented revenue requirement is just one such method, as is using the costs specified in a contract."[72] Specifically, the actual costs of building and maintaining the Eastern Intertie are recovered by contract from the Colstrip parties through the TGT rate. Thus, BPA is appropriately collecting the revenues to which it is entitled.[73] Second, contrary to Renewable Northwest's claim, there is no "surplus" generated by

[68] Fredrickson et. al., BP-18-E-BPA-26 at 7-8.
[69] Transmission Rates Study and Documentation, BP-18-E-BPA-08 at 60.
[70] Yourkowski, BP-18-E-RN-01 at 9-10.
[71] *Id.* at 10.
[72] Fredrickson et. al., BP-18-E-BPA-26 at 6.
[73] Deen, BP-18-E-PP-02 at 3; Fredrickson et. al., BP-18-E-BPA-26 at 6.

the TGT rate because to the extent that revenues BPA collects from the TGT rate in any particular year exceed the costs of the Eastern Intertie facilities as set by the Montana Intertie Agreement, those revenues are actually accounted for in the computation of annual costs for succeeding years.[74] BPA Staff explained that "[t]he reason for doing so is to be sure that revenues match costs over time."[75]

Second, the IM rate, like the TGT rate, is set to recover the actual costs of BPA's firm capacity requirements (in this case 16 MW out of a possible 200 MW) on the Eastern Intertie.[76] Finally, to the extent there are surplus revenues from the TGT rate and the IM rate in any particular year, it is appropriate for those revenues to be allocated to the benefit of other segments in that year because those segments would have to pay for any potential deficit in Eastern Intertie revenues.[77] The bottom line is that "[b]ecause BPA's proposed rates are based on the actual costs of the Eastern Intertie, both the TGT and the IM rates are appropriate and cost-based"[78] and the Administrator should reject Renewable Northwest's claim to the contrary.

III. CONCLUSION

For the reasons presented above, PPC urges the Administrator to reject proposals to eliminate the IM rate, and maintain the Eastern Intertie as a separate segment for ratesetting purposes.

Respectfully submitted this 2nd day of May, 2017.

s/ Irene A. Scruggs
Attorney for PPC

[74] Data Responses Admitted via BP-18-M-BPA-07, BP-18-E-BPA-53 at 21 (Response to Data Request PP-BPA-26-61).
[75] *Id.*
[76] Deen, BP-18-E-PP-02 at 3.
[77] *Id.* at 4.
[78] *Id.*

Post-Hearing Exhibit List of Public Power Council

Exhibit	Document Title	Date Filed	Status
BP-18-E-PP-02	Rebuttal Testimony of PPC	3/14/17	Admitted
BP-18-Q-PP-03	Qualification Statement of Michael Deen	1/23/17	Admitted
BP-18-M-BPA-07	Joint Motion to Admit Certain Data Request Responses Into Evidence	4/5/17	Admitted
BP-18-E-BPA-53	Data Responses Admitted via BP-18-M-BPA-07	4/21/17	Admitted

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 2, 2017.

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