

147 FERC ¶ 61,053
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Acting Chairman;
Philip D. Moeller, John R. Norris,
and Tony Clark.

Bonneville Power Administration

Docket Nos. EF13-7-000
EF13-8-000
EF13-9-000
EF13-10-000
EF13-11-000
EF13-12-000
EF13-13-000
EF13-14-000

ORDER CONFIRMING AND APPROVING RATES ON A FINAL BASIS

(Issued April 16, 2014)

1. In this order, we confirm and approve the Bonneville Power Administration's (Bonneville) proposed 2014 wholesale power and transmission rates on a final basis.

I. Background

2. On July 29, 2013, as supplemented on August 1, 2013, and August 14, 2013, Bonneville filed a request for interim and final approval of its wholesale power¹ and transmission rates² in accordance with the Pacific Northwest Electric Power Planning and

¹ The proposed wholesale power rates for which Bonneville seeks approval for the period October 1, 2013 through September 30, 2015, include: Priority Firm Power Rate (PF-14); New Resource Firm Power Rate (NR-14); Industrial Firm Power Rate (IP-14); Firm Power Products and Services Rate (FPS-14); General Transfer Agreement Service Rate (GTA-14); and Power General Rate Schedule Provisions (GRSPs).

² The proposed transmission rates for which Bonneville seeks approval for the period October 1, 2013, through September 30, 2015, include: Formula Power Transmission Rate (FPT-14.1), Formula Power Transmission Rate (FPT-14.3); Integration of Resources Rate (IR-14); Network Integration Rate (NT-14); Point-to-Point Rate (PTP-14); Southern Intertie Rate (IS-14); Montana Intertie Rate (IM-14); Use-of-
(continued...)

Conservation Act (Northwest Power Act)³ and Part 300 of the Commission's regulations. (Bonneville's Filing)⁴ Bonneville projected that the filed rates will produce average annual power revenues of \$2.788 billion, and average annual revenues from transmission and ancillary services rates of \$1.014 billion. Bonneville asserted that this level of annual revenues is sufficient to recover its costs for the 2014-2015 rate approval period while providing cash flow to assure at least a 95 percent probability of making all payments to the United States Treasury in full and on time for each year of the rate period.

3. On September 27, 2013, the Commission granted interim approval of Bonneville's rates for the period October 1, 2013, through September 30, 2015, and provided an opportunity for additional comments.⁵

II. Protests and Comments

4. In response to Bonneville's Filing, Iberdrola Renewables, LLC (Iberdrola) and Powerex Corporation (Powerex) filed protests requesting that the Commission issue an order remanding the proposed transmission rates back to Bonneville for development of a full and complete administrative record to support such rates. Additionally, Avista Corporation, PacifiCorp, Portland General Electric Company, and Puget Sound Energy, Inc. (Joint IOUs), filed joint comments challenging Bonneville's segmentation of its transmission rates.

5. Subsequently, consistent with the Interim Order, the Joint IOUs and the Public Power Parties each filed comments on October 25, 2013. First, Joint IOUs request that the Commission remand Bonneville's proposed rates to the agency for more development consistent with their protests. Specifically, the Joint IOUs argue that Bonneville has not performed an adequate segmentation analysis to support its proposed transmission rates for this rate period and instead relied on a bright line 34.5 kV and above voltage test to

Facilities Transmission Rate (UFT-14); Advance Funding Rate (AF-14); Ancillary and Control Area Services Rates (ACS-14); Townsend-Garrison Transmission Rate (TGT-14); Eastern Intertie Rate (IE-12); and Transmission General Rate Schedule Provisions (GRSPs).

³ 16 U.S.C. § 839e (2012).

⁴ 18 C.F.R. Part 300 (2013).

⁵ *Bonneville Power Administration*, 144 FERC ¶ 61,239 (2013) (Interim Order).

assign costs.⁶ They assert that Bonneville relied primarily on a bright line test based on a methodology agreed to in a non-precedential settlement adopted in Bonneville's 1996 rate case and they ask that, before making "any fundamental determination" regarding segmentation, the Commission allow an opportunity for Bonneville to engage the region to attempt to resolve differences with respect to segmentation.⁷

6. The Public Power Parties, in contrast, ask the Commission to affirm Bonneville's segmentation policy and to deny the Powerex and Iberdrola protests). The Public Power Parties first assert that Bonneville's segmentation policy is beyond the scope of the Commission's review which is limited to the standards of section 7(a)(2) of the Northwest Power Act,⁸ and does not allow the Commission to consider the reasonableness of the design of Bonneville's rates. They add that, even if the Commission were able to review that policy, it appropriately allocates costs and should be affirmed.⁹ The Western Agencies filed comments asking the Commission to deny Powerex's protest against Bonneville's segmentation policy because that policy equitably allocates costs.¹⁰

7. On November 14, 2013, Bonneville filed a reply to the comments by the Joint IOUs, Western Agencies and Public Power Parties. Bonneville asserts that the Commission's jurisdiction to review its rates is limited to the standards set forth in the Northwest Power Act.¹¹ Bonneville also asserts that it analyzed and considered all parties' arguments before coming to a final decision that its proposed segmentation, including a 34.5 kV voltage threshold for separating facilities and costs, equitably allocates costs.¹²

⁶ Joint Comments of Avista Corporation, PacifiCorp, Portland General Electric Company, and Puget Sound Energy, Inc. at 2, 3.

⁷ *Id.*

⁸ 16 U.S.C. § 839e(a)(2) (2012).

⁹ Public Power Parties Comment at 11-14.

¹⁰ Western Agencies Comment at 11, 14.

¹¹ Bonneville Reply at 3-5.

¹² *Id.* at 5-7.

8. On November 18, 2013, Powerex filed a Reply to the Comments by Western Agencies and the Public Power Parties. Powerex asserts that the Commission's review includes Bonneville's segmentation determination.¹³ Powerex also asserts that Bonneville's segmentation explanations are insufficient to demonstrate that transmission costs are equitably allocated.¹⁴ Finally, Powerex argues that uniform transmission rates for the network do not alone satisfy the equitable allocation standard.¹⁵

III. Discussion

A. Standard of Review

9. Under the Northwest Power Act, the Commission's review of Bonneville's regional power and transmission rates is limited to determining whether Bonneville's proposed rates meet the three specific requirements of section 7(a)(2) of the Northwest Power Act:¹⁶

- (A) they must be sufficient to assure repayment of the federal investment in the Federal Columbia River Power System over a reasonable number of years after first meeting Bonneville's other costs;
- (B) they must be based upon Bonneville's total system costs; and
- (C) insofar as transmission rates are concerned, they must equitably allocate the costs of the federal transmission system between federal and non-federal power.

10. Commission review of Bonneville's non-regional, non-firm rates also is limited. Review is restricted to determining whether such rates meet the requirements of section 7(k) of the Northwest Power Act,¹⁷ which requires that they comply with the Bonneville Project Act, the Flood Control Act of 1944, and the Federal Columbia River

¹³ Powerex Reply at 3.

¹⁴ *Id.* at 10-11.

¹⁵ *Id.* at 8-10.

¹⁶ 16 U.S.C. § 839e(a)(2) (2012). Bonneville also must comply with the financial, accounting, and ratemaking requirements in Department of Energy Order No. RA 6120.2.

¹⁷ 16 U.S.C. § 839e(k) (2012).

Transmission System Act (Transmission System Act). Taken together, those statutes require that Bonneville's non-regional, non-firm rates:

- (A) recover the cost of generation and transmission of such electric energy, including the amortization of investments in the power projects within a reasonable period;
- (B) encourage the most widespread use of Bonneville power; and
- (C) provide the lowest possible rates to consumers consistent with sound business principles.

11. Unlike the Commission's statutory authority under the Federal Power Act, the Commission's authority under sections 7(a) and 7(k) of the Northwest Power Act does not include the power to modify the rates. The responsibility for developing rates in the first instance is vested with Bonneville's Administrator. The rates are then submitted to the Commission for approval or disapproval. In this regard, the Commission's role can be viewed as an appellate one: to affirm or remand the rates submitted to it for review.¹⁸

B. Analysis

12. With the foregoing principles in mind, we will approve on a final basis Bonneville's proposed rates. Based upon Bonneville's filings with the Commission, including the power repayment studies, we find that the revenues expected to be collected under the proposed rates will be sufficient to recover Bonneville's total system costs, including recovery of the remaining federal investment with interest, over the repayment period.

13. While section 7(a) of the Northwest Power Act requires only that the federal investment be repaid sometime within a reasonable number of years, traditionally we have considered the repayment period as 50 years. In addition, we have required that some reasonable intermediate level of repayment should exist to ensure that repayment will occur by the end of the fiftieth year.

¹⁸ *E.g., United States Department of Energy - Bonneville Power Administration*, 67 FERC ¶ 61,351, at 62,216-17 (1994); *see also, e.g., Aluminum Co. of America v. Bonneville Power Administration*, 903 F.2d 585, 592-93 (9th Cir. 1989).

14. The traditional measure of the adequacy of Bonneville's revenues has been the power repayment study. Bonneville's power repayment studies indicates that the revenues expected to be collected under the proposed rates will be sufficient to recover Bonneville's total system costs, including the recovery of the remaining federal investment, with interest, over the repayment period.

15. In sum, our review of Bonneville's power repayment studies indicates that its proposed rates are consistent with sections 7(a)(2)(A) and (B) of the Northwest Power Act.

16. With regard to Iberdrola's and Powerex's challenges to Bonneville's segmentation analysis, requesting that the Commission remand the rates, and arguing that Bonneville relied primarily on a segmentation methodology originally agreed to in a non-precedential settlement adopted in Bonneville's 1996 rate case, we find their arguments are, in fact, challenges to the design of Bonneville's rates, and are therefore beyond the scope of the Commission's authority.¹⁹

The Commission orders:

Bonneville's proposed wholesale power and transmission rates are hereby confirmed and approved on a final basis for the period October 1, 2013, through September 30, 2015.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.

¹⁹ *E.g., United States Department of Energy - Bonneville Power Administration*, 95 FERC ¶ 61,082, at 61,244-45 & n.12 (2001); *accord United States Department of Energy - Bonneville Power Administration*, 100 FERC ¶ 61,102, at P 11 (2002) (Bonneville has "relatively unfettered discretion to design rates").