

## **Public Power Position on GTAs**

Bonneville Power Administration (BPA) provides transmission service to 128 public power utilities. Of its 128 public power customers, 60 are served, at least in part, over third-party facilities via general transfer agreement (GTA) contracts, exchanges, or open-access transmission tariff agreements. This practice recognizes that BPA entered into the GTAs as a more cost-effective, politically feasible, and environmentally viable alternative to building federal transmission facilities to reach GTA loads. Currently, BPA rolls the transfer service costs into its power rates.

In the past, public power has been divided on issues related to the allocation of transfer service costs. GTA supporters maintain that BPA's historical treatment of these costs is appropriate because that these contracts were entered into as a substitution, in part, for the construction of transmission capacity by BPA for the delivery of federal power. Others believe that GTA costs should, at least in part, be directly assigned to GTA customers. Some believe that, if the GTAs are substitutes for constructing transmission capacity, then those costs should be recovered through BPA's transmission rates.

Compounding the debate over GTA costs, some GTA customers have encountered quality of service problems. Some facilities used for GTA service do not receive adequate maintenance, planning and expansion, rendering questionable the operational reliability of these facilities. Further, some GTA contracts either do not expressly permit or, in fact, actually prevent wheeling of surplus federal energy or non-federal energy to meet load, resulting in additional charges to move such power.

Coming to a mutual understanding of GTA issues will help public power speak with a unified voice on other transmission issues. Further, developing a united public power message will increase our political efficacy. With that in mind, public power adopts the following positions pertaining to GTA agreements (and their replacement service) and commitments to GTA type service as of as of May 1, 2003

1. **Access.** GTA customers should have access to BPA transmission service on the same basis as public utilities directly connected to the BPA system. GTA customers should be permitted to wheel non-federal energy to meet load as if they were connected directly to the BPA system. GTA customers requiring transmission to wheel power in excess of load should arrange for and buy such transmission separately, as do customers connected directly to the BPA transmission system.
2. **Cost Recovery.** BPA's costs of acquiring transfer service under existing or replacement GTAs/OATTs should be treated as a Network cost and recovered through BPA's transmission revenue requirement in the same manner as other Network costs. To the extent new facilities are required to provide transfer services, then the incremental costs of the new facilities should be treated in accordance with BPA's direct assignment policies.
3. **GTA Cost Evaluation.** BPA, in cooperation with its customers, should periodically evaluate (and report) the cost of replacing the services provided under existing GTAs on a case-by-case basis with open-access transmission tariffs (OATTs). It is possible that replacement of at least some of the GTAs with OATTs will provide a cost-effective means to resolve many issues of access and reliability. Replacement of a GTA with an OATT should not harm other public power customers served by the same GTA contract. Additionally, replacement of a GTA by an OATT before the GTA expires should not occur without the express consent of all the GTA customers served by any particular GTA.
4. **Quality of Service.** GTA customers should receive a quality of service equivalent to that of similarly situated customers of the transferring utility. Toward that goal, BPA should fully enforce its GTA contracts and assure that the participating IOUs satisfy the reliability, planning, and maintenance provisions to which they have agreed. BPA should ensure that utilities receiving GTA service are fully involved in BPA's enforcement of current GTA rights and should have full participation in discussions

between BPA and the transferring utility(ies) regarding such service. In the alternative, in cooperation with the affected parties, BPA should develop new agreements that provide to recipients of transfer service the right to enforce quality of service provisions. These new agreements should provide quality of service dispute resolution through a well-defined mechanism (e.g., arbitration). Such new agreements should work in conjunction with either GTAs or OATTs.

5. **Costs Due to RTO Formation and Operation.** In the event that BPA provides transfer service while BPA is a participating transmission owner (PTO) in an RTO, then the following principles should apply to the recovery of RTO-imposed costs: During the eight-year Company Rate period approved by FERC, BPA should roll the costs of transfer service into the transmission general revenue requirement and treat them as Network costs. Non-converted GTA customers will pay the BPA NT, PTP, or pre-888 rate for transmission services.

- When assessing charges to a PTO, an RTO may identify costs (e.g., costs associated with upgrades) that benefit individual utilities or groups of utilities. If TBL is assessed such charges and TBL elects to directly assign such costs from the RTO in lieu of rolling them into the general revenue requirement, then all costs so identified by the RTO should be so recovered by TBL, regardless of whether the utility benefited is a GTA customer or directly connected to the federal grid.
- If the RTO identifies costs as above, and if TBL or PBL chooses to recover such costs from all rates, by rolling them into the general revenue requirement rather than directly assigning such costs, then all costs so identified by the RTO should be recovered by the TBL, regardless of whether the utility benefited is a GTA customer or directly connected to the federal grid.

6. **Direct Assignment.** BPA should expand the applicability of the Guidelines for Direct Assignment Facilities (January 1999) so that facilities and costs associated with transfer service, whether incurred by BPA or directly charged to BPA by the transferring utility, are treated in the same way as facilities and costs associated with service on BPA's grid. In general, if TBL directly assigns costs under the Guidelines to customers directly connected to BPA, then TBL should directly assign similar costs to customers receiving transfer service. The Direct Assignment Guidelines should be modified to prohibit the direct assignment of investment costs required to provide a GTA customer with reliability comparable to similarly situated customers of the GTA provider.
  
7. **Duration and Durability.** Resolution of these issues regarding transfer service should be memorialized in long-term (20-year) agreements with clear and reliable enforcement mechanisms.