



BILLING CODE 6717-01-P  
DEPARTMENT OF ENERGY  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Neil Chatterjee, Chairman;  
Cheryl A. LaFleur, and Robert F. Powelson.

Bonneville Power Administration

Docket No. EF17-3-000

ORDER APPROVING RATES ON AN INTERIM BASIS  
AND PROVIDING OPPORTUNITY FOR ADDITIONAL COMMENTS

1. In this order, we approve on an interim basis Bonneville Power Administration's (Bonneville) proposed 2018-2019 transmission rates, with the exception of the rates for transmission service on the Southern Intertie, which are addressed separately in another order, pending our further review. We also provide an additional period of time for parties to file comments.

**I. Background**

2. On July 31, 2017,<sup>1</sup> Bonneville filed a request for interim and final approval of its transmission rates<sup>2</sup> in accordance with section 7 of the Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act)<sup>3</sup> and Part 300 of the

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<sup>1</sup> Bonneville submitted errata filings on August 7, 2017, and August 10, 2017, respectively, to correct various attachments to the July 31, 2017 Transmittal Letter and to add inadvertently omitted documents to the record.

<sup>2</sup> The proposed transmission rates for which Bonneville seeks approval for the period of October 1, 2017 through September 30, 2019 are: Formula Power Transmission Rate (FPT-18.1); Formula Power Transmission Rate (FPT-18.3); Integration of Resources Rate (IR-18); Network Integration Rate (NT-18); Point-to-Point Rate (PTP-18); Montana Intertie Rate (IM-18) (IM Rate); Use-of-Facilities Transmission Rate (UFT-18); Advance Funding Rate (AF-18); Townsend-Garrison Transmission Rate (TGT-18); WECC and Peak Service Rate (PW-18); Oversupply Rate (OS-18); Eastern Intertie Rate (IE-18); Ancillary and Control Area Services Rates (ACS-18); and Transmission General Rate Schedule Provisions. Bonneville July 31, 2017 Transmittal Letter at 3.

<sup>3</sup> 16 U.S.C. 839e (2012).

Commission's regulations.<sup>4</sup> Bonneville projects that the filed rates will produce average annual transmission revenues of \$1.044 billion and annual net revenues of \$4.65 million.<sup>5</sup> Bonneville asserts that this level of annual revenues is sufficient to recover its costs for the 2018-2019 rate approval period, while providing cash flow to ensure 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.<sup>6</sup>

## **II. Notice of Filing**

3. Notice of Bonneville's July 31, 2017 filing was published in the *Federal Register*, 82 Fed. Reg. 37,445 (2017),<sup>7</sup> with protests and interventions due on or before August 30, 2017. Timely motions to intervene were filed by Pacific Northwest Generating Cooperative, Powerex Corporation, Turlock Irrigation District, Avista Corporation, Sacramento Municipal Utility District, Northwest Requirements Utilities, Industrial Customers of Northwest Utilities, NorthWestern Corporation, Western Public Agencies Group, M-S-R Public Power Agency, Snohomish County Public Utility District No. 1, Public Power Council, Puget Sound Energy Inc., Idaho Power Company, and Avangrid Renewables LLC. Renewable Northwest filed a timely motion to intervene and comments. Sierra Club and Montana Environmental Information Center (Sierra Club/MEIC) filed a timely motion to intervene and protest. On September 14, 2017, Bonneville filed a request for leave to answer and answer to Sierra Club/MEIC's protest and Renewable Northwest's comments.

4. Sierra Club/MEIC argues that eliminating Bonneville's IM Rate,<sup>8</sup> in particular, is necessary to meet Bonneville's statutory mandate to encourage the widest possible

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<sup>4</sup> 18 CFR pt. 300 (2017).

<sup>5</sup> These values are the totals of all of Bonneville's transmission revenues, inclusive of the transmission rates at issue in Docket No. EF17-4-000. See Bonneville August 7, 2017 Transmittal Letter at 2; *Bonneville Power Admin.*, 160 FERC ¶ 61,113 (2017) (approving on an interim basis the transmission rates associated with the Southern Intertie).

<sup>6</sup> Bonneville July 31, 2017 Transmittal Letter at 5, 8.

<sup>7</sup> Notices of Bonneville's errata filings were published in the *Federal Register*, 82 Fed. Reg. 41,014 (2017) and 82 Fed. Reg. 40,151 (2017). The notices of the errata filings retained the August 30, 2017 date by which protests or interventions were due.

<sup>8</sup> The IM Rate is the rate that Bonneville charges for the available 200 megawatts (MW) of capacity on the Eastern Intertie, which is the portion of the Montana Intertie between the Townsend and Garrison substations in western Montana that Bonneville built and continues to operate.

diversified use of electric power at the lowest possible rates to consumers, consistent with sound business principles.<sup>9</sup> Sierra Club/MEIC asserts that the IM Rate is the primary impediment to renewable resource development in Montana.<sup>10</sup> Sierra Club/MEIC explains that Bonneville effectively charges two rates for Montana producers seeking to use the Eastern Intertie – the IM Rate and the Network Rate – which inequitably allocates transmission costs and has impeded subscription of the Eastern Intertie.<sup>11</sup> According to Sierra Club/MEIC, eliminating this “pancake” rate structure would enable high-quality Montana wind resources to affordably transmit their power and meet growing needs for renewable power in the Pacific Northwest.<sup>12</sup> Sierra Club/MEIC states that the IM Rate yields very little revenue for Bonneville because it is undersubscribed, and that cost recovery principles, cost causation principles, and Bonneville’s segmentation policy do not support maintaining the IM Rate.<sup>13</sup> Lastly, Sierra Club/MEIC states that speculation on future upgrades to Bonneville’s transmission network is not a legitimate basis for maintaining the IM Rate, and eliminating the IM Rate does not require Bonneville to roll-in the Southern Intertie.<sup>14</sup> Sierra Club/MEIC urges the Commission to disapprove the IM Rate and direct Bonneville to establish a rate structure for the Eastern Intertie that is consistent with Bonneville’s statutory mandate.<sup>15</sup>

5. Renewable Northwest similarly filed comments requesting that the Commission disapprove Bonneville’s proposed IM Rate on the basis that the rate does not “encourag[e] the widest possible diversified use of electric power at the lowest possible rates to consumers consistent with sound business principles.”<sup>16</sup> Renewable Northwest asserts that the IM Rate imposes a financial disadvantage that is a disincentive to the use of Bonneville’s 184 MW of unsubscribed Eastern Intertie capacity.<sup>17</sup> Renewable Northwest suggests that eliminating the IM Rate would encourage subscription of Eastern

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<sup>9</sup> Sierra Club/MEIC Protest at 1.

<sup>10</sup> *Id.* at 11.

<sup>11</sup> *Id.* at 2-3, 11.

<sup>12</sup> *Id.* at 2-3.

<sup>13</sup> *Id.* at 3, 12.

<sup>14</sup> *Id.* at 31, 33.

<sup>15</sup> *Id.* at 12.

<sup>16</sup> Renewable Northwest Comments at 7 (quoting 16 U.S.C. 838g (2012)).

<sup>17</sup> Of the 200 MW available on the Eastern Intertie that are subject to the IM Rate, 16 MW are subscribed, leaving 184 MW still available. *Id.*

Intertie capacity and generate additional revenue for Bonneville.<sup>18</sup> Renewable Northwest encourages the Commission to direct Bonneville to work with stakeholders on a rate structure that would encourage subscription of Bonneville's available Eastern Intertie capacity in a manner that is consistent with Bonneville's statutory directives.<sup>19</sup>

### **III. Discussion**

#### **A. Procedural Matters**

6. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2017), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

7. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 CFR 385.213(a)(2) (2017), prohibits an answer to a protest or an answer unless otherwise ordered by the decisional authority. We are not persuaded to accept Bonneville's answer to the comments and protests, and therefore, reject it.

#### **B. Standard of Review**

8. Under the Northwest Power Act, our review of Bonneville's transmission rates is limited to determining whether Bonneville's proposed rates satisfy the specific requirements of section 7(a)(2) of the Northwest Power Act, including that such rates:

(A) are 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) are based upon [Bonneville's] total system costs; and

(C) insofar as transmission rates are concerned, equitably allocate the costs of the Federal transmission system between Federal and non-Federal power utilizing such system.<sup>20</sup>

9. Unlike the Commission's statutory authority under the Federal Power Act, the Commission's authority under section 7(a) of the Northwest Power Act does not include the power to modify the rates. The responsibility for developing rates in the first instance

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<sup>18</sup> *Id.* at 4.

<sup>19</sup> *Id.* at 10.

<sup>20</sup> 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.

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.<sup>21</sup>

10. Moreover, review at this interim stage is further limited. In view of the volume and complexity of a Bonneville rate application, such as the one now before the Commission in this filing, and the limited period in advance of the requested effective date in which to review the application,<sup>22</sup> the Commission generally defers resolution of issues on the merits of Bonneville's application until the order on final confirmation. Thus, we generally approve the proposed rates on an interim basis, unless the filing is patently deficient, and provide the parties with an additional opportunity to raise issues with regard to Bonneville's filing.<sup>23</sup>

11. We decline at this time to grant Bonneville's request for final confirmation and approval of Bonneville's proposed transmission rates. However, we will grant Bonneville's request for interim approval. Our preliminary review indicates that Bonneville's transmission rates filing appears to meet the statutory standards and the minimum threshold filing requirements of Part 300 of the Commission's regulations.<sup>24</sup> Moreover, our preliminary review of Bonneville's submittal indicates that it does not contain any patent deficiencies. The proposed rates, with the exception of the rates for transmission service on the Southern Intertie which are addressed separately in another order, therefore will be approved on an interim basis pending our further review. In addition, we note that no one will be harmed by this decision because interim approval allows Bonneville's rates to go into effect subject to refund with interest; the Commission may order refunds with interest if the Commission later determines in its final decision not to approve the rates.<sup>25</sup>

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<sup>21</sup> See, e.g., *Bonneville Power Admin.*, 152 FERC ¶ 61,201, at P 10 (2015) (citing *U.S. Dep't of Energy – Bonneville Power Admin.*, 67 FERC ¶ 61,351, at 62,216-17 (1994); *Aluminum Co. of Am. v. Bonneville Power Admin.*, 903 F.2d 585, 592-93 (9th Cir. 1989)).

<sup>22</sup> See 18 C.F.R. § 300.10(a)(3)(ii) (2017).

<sup>23</sup> See, e.g., *Bonneville Power Admin.*, 152 FERC ¶ 61,201 at P 11 (citing *U.S. Dep't of Energy – Bonneville Power Admin.*, 64 FERC ¶ 61,375, at 63,606 (1993); *U.S. Dep't of Energy – Bonneville Power Admin.*, 40 FERC ¶ 61,351, at 62,059-60 (1987)).

<sup>24</sup> See, e.g., *id.* P 12 (citing *U.S. Dep't of Energy – Bonneville Power Admin.*, 105 FERC ¶ 61,006, at PP 13-14 (2003); *U.S. Dep't of Energy – Bonneville Power Admin.*, 96 FERC ¶ 61,360, at 62,358 (2001)).

<sup>25</sup> 18 CFR 300.20(c) (2017).

12. We will also provide an additional period of time for parties to file comments and reply comments on issues related to final confirmation and approval of Bonneville's proposed rates. This will ensure that the record in this proceeding is complete and fully developed. Specifically, if parties wish to file additional comments, they will be due within 30 days of the date of this order. Reply comments are due 20 days thereafter.

The Commission orders:

(A) Interim approval of Bonneville's proposed transmission rates, with the exception of the rates for transmission service on the Southern Intertie, is hereby granted, to become effective on October 1, 2017, through September 30, 2019, subject to refund with interest as set forth in section 300.20(c) of the Commission's regulations, 18 C.F.R. § 300.20(c), pending final action and either their approval or their disapproval.

(B) Within 30 days of the date of this order, parties who wish to do so may file additional comments regarding final confirmation and approval of Bonneville's proposed rates. Parties who wish to do so may file reply comments within 20 days thereafter.

(C) The Secretary shall promptly publish this order in the *Federal Register*.

By the Commission.

Issued: September 25, 2017.

Kimberly D. Bose,  
Secretary.

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