

**NT CUSTOMER RESPONSE  
TO THE BONNEVILLE POWER ADMINISTRATION'S  
12 NON-COINCIDENTAL PEAK PROPOSAL**

This response is submitted on behalf of the following association members and individual utilities: Clark Public Utilities, Cowlitz PUD, Eugene Water & Electric Board, Idaho Falls Power, Northern Wasco County PUD, Northwest Requirements Utilities, PNGC Power, and the Western Public Agencies Group (collectively "NT Customers").

The NT Customers rely on the Network Integration Transmission Service ("NT") from the Bonneville Power Administration ("BPA") to deliver power to meet the electrical needs of their retail customers at an economical rate. For this reason, the NT Customers appreciate this opportunity to respond to BPA staff's proposal to use a 12 non-coincidental peak ("12 NCP") methodology for allocating costs for its Network segment in the Transmission Cost of Service Analysis ("COSA").

The NT Customers recognize and appreciate that BPA's 12 NCP proposal is a marked improvement over the modified 1 coincidental peak ("1 CP") methodology BPA currently uses to allocate transmission costs. Further, the NT Customers understand how BPA staff reached their conclusion to use 12 NCP based on BPA's explanation of how it plans its transmission system.

Nonetheless, for the reasons stated in our earlier submittals in this COSA process (see attached), the NT Customers continue to believe that BPA should seriously consider the use of the 12 CP approach in its initial rate proposal for the BP-14 rate case. The 12 CP approach is industry standard for allocating costs for transmission systems like BPA's, and its use is supported by the application of the tests used by the FERC to determine the proper allocation method. For these reasons, BPA should adopt 12 CP to close out the COSA process.<sup>1</sup>

BPA's obligation under the BP-12 Transmission Settlement Agreement to select an allocation methodology when it closes out the COSA and use that methodology in the BP-14 initial proposal is not deferrable. Since the COSA process will conclude on May 26, 2012, the NT Customers fully expect that BPA staff will have made their final selection of an allocation methodology to be used in BPA initial rate proposal on or before that date.

Furthermore, contrary to the position now taken by some parties in the COSA workshops, there was no agreement in the BP-12 Transmission Settlement Agreement, either express or implied, to review BPA's segmentation methodology within the COSA process. Segmentation is a sufficiently important issue that if parties had intended to discuss it in the COSA process, it would have been expressly called out in the Settlement Agreement. In fact, this is exactly what the parties did for the Eastern Intertie, which is a sub-issue in the overall segmentation

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<sup>1</sup> To the extent that BPA staff selected 12 NCP rather than 12 CP for purposes of moderating the impact to PTP rates that would otherwise arise from use of a 12 CP methodology, the NT Customers believe that better course of action would be to adopt 12 CP in the COSA so that the COSA remains technically sound and then to consider "rate shock" arguments in the rate case workshops and rate case.

discussion. Section 2.b of the Settlement Agreement expressly provides that BPA will make available a forum during the rate period for interested customers to discuss the Eastern Intertie and associated rates. It is illogical to assume that the parties to the Settlement Agreement implicitly agreed by their silence to include segmentation in the COSA process, while in the same document expressly calling out the need for a separate workshop to discuss the Eastern Intertie. Accordingly, it would be contrary to the intent and terms of the Settlement Agreement for BPA to now hold up the close out of the COSA so we can discuss segmentation as part of the COSA.

For the above reasons, we look forward to BPA staff's final selection of an allocation methodology at the COSA close out meeting on May 26, 2012. This decision will allow BPA and its transmission customers to move beyond the COSA so that they can start the dialogue on the many other important issues that need to be explored in the transmission rate case workshops.