From: Jack Speer [mailto:jackspeer1@mac.com]
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To: Tech Forum
Subject: Cost Allocation Alternatives

In response to your request for comments from customers and other interested parties on the cost allocation methodologies presented at the Transmission Cost of Service Analysis (COSA) workshops, Alcoa urges BPA to continue to use the annual coincidental peak (1CP) method for several reasons:

1. Customers have made, and continue to make long-term decisions based on an expectation of stable and consistent BPA transmission rates. Using the same cost allocation method that has been used for many years allows customers to have confidence in the stability and consistency of future BPA transmission rates.

2. We believe that the allocation of costs should be based, as closely as possible, on cost causation (the principle that rates should be designed to recover costs from the users who are causing those costs). Since transmission systems are mostly built to withstand the largest single loads placed on them, the 1CP method meets that principle better than other methodologies.

3. We believe that the 1CP method results in rates that encourage customers to use transmission facilities more efficiently, i.e. to transmit more annual energy per unit of peak transmission capacity.

4. We believe that the 1CP method results in rates that provide better signals for energy conservation measures, by rewarding those measures that reduce annual peak usage as well as energy usage. This is especially important as Northwest utilities struggle to meet the challenges of integrating new variable energy resources in systems with limited peak capabilities.