

Flathead Electric

Your Co-op
Community...Integrity...Reliability

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January 12, 2012

BPA Transmission Services
VIA EMAL: techforum@bpa.gov

Re: **Comments on Transmission Cost of Service Analysis Workshop Process**

Dear BPA Transmission Services:

BPA has been very open and forthcoming with the various data requests of the parties in this process. Flathead would like to express our appreciation to BPA for these efforts and urge BPA continue its reasonable approach to meeting the terms of the Partial Transmission Settlement Agreement. However, I would like to make a few comments on the current state of the process.

First, I think everyone in these discussions should be reminded of the terms of the partial settlement. In the settlement agreement BPA agreed to the following:

6. Before the start of the 2014 rate case, BPA will (a) work with interested transmission customers in an open and collaborative forum to define the parameters of a cost of service study that includes consideration of alternative methodologies for allocating demand-related costs and that determines the costs of BPA's major transmission services, (b) complete an illustrative cost of service study using forecasted data from a recent fiscal year, and (c) share the cost of service model with customers to ensure clear and transparent cost of service determinations. BPA will use the methodology from the study in the initial proposal for the 2014 rate case to prepare rate designs and allocate costs among rate classes. (BP-12-A-02A Page 3)

I suggest that at the next customer forum BPA include it as the first slide. Increasingly the discussion on what is or is not Cost of Service "methodology" has become an opportunity for some customers to bring up issues that were not within the scope of the settlement agreement and are more properly handled in the regular rate case process.

Second, the settling parties agreed to a cost of service study that includes "alternative methodologies for allocating demand-related costs" Clearly the focus was on peak allocation methodologies such as the 1 CP vs. the 12 CP.

Third, the settlement agreement indicates that "forecasted data" was acceptable, rather than a massive effort on the part of BPA to provide historical load data on every customer for the last five years.

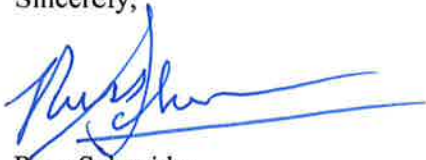
Fourth, as mentioned above I think this process should be focused on the actual settlement agreement issue, but two issues that were raised are of particular concern: the suggestion that the Utility Delivery Segment should be expanded beyond the current low voltage threshold is far beyond the scope of the settlement and the suggestion that BPA should start a new Transmission

rate design, especially after we are barely into the new rate design on the power side is also out of line. These issues are clearly outside the scope of the settlement.

Finally, there seems to be propensity of some customers who want BPA to do things like FERC "industry" standards suggest, but only if it suits them for their current needs. Every utility employee wants what costs the least and offers the most for their stakeholders. It is ironic that the same folks that want BPA to seek reciprocity object to BPA using the FERC standard test for 12 CP cost allocation. Flathead pays BPA for Power and for Transmission for almost all our needs and all the unnecessary FERC-mandated separation and processes simply costs our members more. Flathead and others have had to bend to the FERC winds and now it is time for the FERC advocates to bear the same wind.

Thank you for the opportunity to comment.

Sincerely,

A handwritten signature in blue ink, appearing to read "Russ Schneider", with a long horizontal flourish extending to the right.

Russ Schneider
Regulatory Analyst