

March 30, 2012

Via Electronic Submission

Bonneville Power Administration
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Re: Comments of Listed PTP Customers¹ on Bonneville Power Administration's Cost Allocation Alternatives

On March 13, 2012, Bonneville Power Administration ("BPA") issued a request for comments regarding positions on annual peak (1 Coincidental Peak or 1 CP), annual average monthly peak (12 Coincidental Peak or 12 CP), the average of the 3 monthly peaks in the highest quarter (3 Coincidental Peak or 3 CP) and Non-Coincidental Peak (NCP). As discussed below, BPA (i) should not rely on the FERC cost allocation test and (ii) should use 1 NCP (or perhaps 1 CP) for allocation of BPA transmission costs.

The BPA transmission system is built to meet peak demand requirements of the users. In accordance with the principles of cost-causation, the users should be required to pay based on their share of the peak demand.

Particularly in light of the uniqueness of transmission service as currently offered by BPA and the statutory scheme under which BPA operates, the equitable allocation of BPA's transmission costs should not be determined through a mechanical application of FERC's cost allocation test. It is apparent that the NT service offered by BPA differs substantially from, and is superior to, *pro forma* NT service. For example, BPA's Network Resources are not required to be undesignated to provide power for off-system sales of less than a year.² In short, BPA should not rely on the results of the FERC cost allocation tests to determine BPA's cost allocation methodology.

¹ The Listed PTP Customers are comprised of Avista Corporation, Puget Sound Energy, Inc., Portland General Electric Company, Tacoma Power, Powerex Corporation, Snohomish County Public Utility District No. 1, Public Utility District No. 1 of Franklin County, and Public Utility District No. 1 of Benton County.

² Allowing off-system sales with a duration of less than a year from Network Resources is not consistent with FERC's *pro forma* tariff and fails to free up and make transfer capability fully available for transmission sales by BPA to others. Among other things, such foregone transmission sales result in increased BPA PTP transmission rates.

In the 1996 rates decision, BPA identified 1 NCP method as superior because it permits BPA to price all firm Network service on a similar basis, using “equivalent” billing determinants for NT and PTP customers (NCP for NT and contract demand for PTP):

BPA proposed to allocate firm Network rate classes using annual contract demands or their equivalents. For customers without contract demands (NT rate customers and 1981 Power Sales Contract customers under the NRP rate), the sum of their forecasted noncoincidental peaks is used as the contract demand equivalent. Woerner, *et al.*, WP-96-E-BPA-85, at 7-8. BPA identified three reasons to support the use of normal peaks, as opposed to cold weather peaks. First, BPA planning criteria are based primarily on meeting annual peak loading conditions with contingencies under normal weather conditions. Second, it is not clear that wheeling customers have adequate contract demand to cover cold weather peaks since they utilize significant amounts of nonfirm transmission during cold snaps. Finally, NT customers deserve some recognition for their inability to use or assign unused capacity during off-peak hours. Metcalf, *et al.*, WP-96-E-BPA-115, at 8-11. This cost allocation method permits BPA to price all firm Network service on a similar basis.

1996 Wholesale Power and Transmission Rate Proposal, Administrator’s Record of Decision, WP-96-A-02, at page 426. It has not been shown that BPA plans its system primarily on the basis of meeting its twelve monthly peaks.³ For example, BPA does plan to meet a system “super peak,” which occurs on an annual or less frequent basis. (This would perhaps support use of 1 CP.) In any event, there is no indication that circumstances have drastically changed since 1996 so as to warrant a change from the 1 NCP cost allocation method. Therefore, 1 NCP should be the starting point, from which BPA should deviate only for sound and demonstrated reasons.

³ In Order No. 888, FERC expressly stated that it was confirming the use of 12 CP for utilities that plan their systems to meet their twelve monthly peaks but declined to require the use of 12 CP for other utilities:

We are reaffirming the use of a twelve monthly coincident peak (12 CP) allocation method because we believe the majority of utilities plan their systems to meet their twelve monthly peaks. Utilities that plan their systems to meet an annual system peak (e.g., ConEd and Duke) are free to file another method if they demonstrate that it reflects their transmission system planning. Moreover, we recognize that alternative allocation proposals may have merit and welcome their submittal by utilities in future rate applications. They will be evaluated on a case-by-case basis and decided on their merits.

Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities, Order No. 888, FERC Stats. & Regs. ¶ 31,036, at P 31,737 (1996), *order on reh’g*, Order No. 888-A, FERC Stats. & Regs. ¶ 31,048, *order on reh’g*, Order No. 888-B, 81 FERC ¶ 61,248 (1997), *order on reh’g*, Order No. 888-C, 82 FERC ¶ 61,046 (1998), *aff’d in relevant part sub nom. Transmission Access Policy Study Group v. FERC*, 225 F.3d 667 (D.C. Cir. 2000), *aff’d sub nom. New York v. FERC*, 535 U.S. 1 (2002).

Changing to a 12CP method simply creates an unwarranted cost shift between customer classes. To illustrate the dramatic cost shift that would result from moving from a 1 CP to 12 CP rate calculation in its March 7, 2012 presentation titled “Transmission Cost of Service Analysis Workshop”, BPA anticipates that moving from 1 CP to 12 CP, *while holding revenue constant*, would decrease the NT rate by 14.6% and increase the PTP rate by 4.2%. With an increase in revenue requirements, BPA anticipates that

- (i) NT rates would *increase* 0.2% using 1 CP but *decrease* 14.4% using 12 CP; and
- (ii) PTP rates would *increase* 5.4% using 1 CP but *increase* 9.8% using 12 CP.

In summary, use of 12 CP shifts costs from the NT customers to other transmission customers, particularly the PTP customers. BPA should not rely on the FERC cost allocation test and should use 1 NCP (or perhaps 1 CP) for allocation of transmission costs.

As requested, these preliminary comments address the use of peak load cost allocation methodologies in the development of BPA’s transmission rates. The Listed PTP Customers look forward to providing further comments on this and other topics leading up to BPA’s Initial Proposal for the BP-14 rate period.

The Listed PTP Customers appreciate BPA’s review of these comments and consideration of the recommendations contained herein. By return e-mail, please confirm BPA’s receipt of these comments.