

Scope of COSA Process

Background

Section 6 of the BP-12 Transmission Settlement Agreement requires BPA to “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.” It also requires BPA to “complete an illustrative cost of service study using forecasted data from a recent fiscal year” which will be shared with customers, with the methodology from the study to be used for BPA’s initial proposal for the BP-14 rate case. The work to be done to meet the requirements of section 6 is referred to here as the “COSA process.”

Proposed COSA Process Scope

BPA proposes that the COSA process begin with the segmented revenue requirement and end with the allocated costs to be recovered from each transmission rate and the two required ancillary service rates. The methodologies for determining the cost of each service would be reflected in the study that would be shared with customers and used in BPA’s BP-14 initial proposal. The rate development steps included in BPA’s current process that would be in the scope of the proposed COSA process are:

1. Adjustments to the segmented revenue requirement
 - Revenue Credits
 - DSI Delivery Cost
2. Determination of the costs allocated to be recovered for each transmission service and the two required ancillary services:
 - Each Network service: FPT, IR, PTP, NT
 - Southern Intertie
 - Utility Delivery
 - Each required Ancillary Service (Scheduling, Control and Dispatch and Generation-Supplied Reactive)
3. Allocation factors for determining the allocation of costs among Network services
 - This would include determining the sales measure and vintage that would be used to allocate costs among Network users; e.g., 3CP vs. 12CP; reserved capacity vs. use of that reserved capacity; historical vs. forecast values. (The sales forecast methodology itself is outside the scope of the COSA process.)

The final rate development step, rate design, is outside the scope of the COSA process. As part of rate design, BPA could propose adjustments to the cost of service based on its rate-making principles (e.g., avoidance of rate shock; rate stability).

Also outside the scope of the COSA process are the determination of revenue requirements, segmentation, sales forecast, and Eastern Intertie. Rates associated with the Eastern Intertie (IM, IE, TGT) are being addressed with customers in a separate forum. The other rate analyses and studies that are outside the scope of the COSA process will be addressed in rate workshops prior to the BP-14 initial proposal.

