

**EUGENE WATER & ELECTRIC BOARD'S (EWEB) COMMENTS ON BPA'S 2012  
TRANSMISSION RATE SETTLEMENT COST OF SERVICE ANALYSIS (COSA)**

March 20, 2012

EWEB appreciates the opportunity to provide feedback to BPA on the implementation of the provisions of the 2012 Transmission Settlement Agreement. Our staff have been active participants in BPA's workshops. We have provided comments on BPA's proposed COSA principles, scope of the COSA analysis, and support the NT customer proposal to use a 12 CP Transmission Cost of Service Analysis.

As BPA winds down this effort and makes a cost allocation decision, EWEB would like to emphasize the importance of adhering to the both BPA's traditional rate making principles and the additional principles proposed by customers last fall:

- Consistency with BPA statutes
- Cost causation – allocating costs to customers based on proportionate use;
- Simplicity, understandability, public acceptance and feasibility of application;
- Avoidance of rate shock and rate stability from rate period to rate period; and
- Rate stability from rate period to rate period (magnitude of rates and rate design).

Three additional principles were identified by BPA's customers which include:

- Adherence to industry standards;
- Approach must be administrable, understandable, durable and repeatable; and
- Demonstrable need for change

These principles need to provide the basis for BPA's determination. Throughout the COSA workshops, BPA staff has demonstrated that if BPA followed the Federal Energy Regulatory Commission's ("FERC") approach to cost allocation it would use a twelve monthly coincident peak ("12 CP") allocation methodology. This allocation method provides better alignment of the terms and conditions contained in BPA's Open Access Transmission Tariff ("OATT") with the FERC *pro forma* and objective of making a tariff filing seeking reciprocity with FERC.

In light of this information and its consistency with the COSA principles agreed to by BPA and its customers, EWEB proposes BPA adopt a 12 CP methodology.

1. 12 CP is consistent with BPA's statutes in that it would ensure cost recovery and allocate the costs of the Network segment equitably between federal and non-federal users of the system.
2. 12 CP allocates costs to customers based on their proportionate use in accordance with accepted industry practice for wholesale transmission services.
3. 12 CP is simple, administrable, understandable, publicly accepted, feasible in application, durable and repeatable.

4. 12 CP would ensure rate stability from rate period to rate period both in regard to the level of rates and the rate design to be implemented.
5. NT Customers have demonstrated a need for change from a 1 CP to a 12 CP methodology.

The one principle not addressed above is 'avoidance of rate shock'. EWEB strongly encourages BPA to adopt the 12 CP rate allocation method and make a separate determination to avoid rate shock, if necessary, during the rate design phase of the rate case. However, in that determination, BPA should consider the impact on total power supply costs, not just transmission. Finally, EWEB would support providing an opportunity for public power customers using point-to-point transmission to serve native load to switch to network service.

Thank you for the opportunity to provide comments.