

March 30, 2012

Via Electronic Submission

Bonneville Power Administration
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Re: Comments of Iberdrola Renewables & PacifiCorp on Bonneville Power Administration's Cost Allocation Alternatives

On March 13, 2012 Bonneville Power Administration ("Bonneville") 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) or Non-Coincidental Peak (NCP). Bonneville should use either 1 NCP or 1 CP.

BPA's transmission system is built to meet peak demand requirements of the users. In accordance with the philosophy that the creators of the costs should pay the costs, the users should be required to pay based on their share of the peak demand. This demand occurs on an annual basis, thus the use of 1CP is consistent with cost causation principles. Changing to a 12CP method simply creates a cost shift or subsidy between customer classes, where some classes pay more than their peak share and others pay less.

To illustrate the dramatic cost shift that would result from moving from a 1CP to 12 CP rate calculation in its March 7, 2012 presentation titled "Transmission Cost of Service Analysis Workshop", BPA calculates that moving from 1CP to 12 CP, *while holding revenue constant*, would decrease the NT rate by 14.6% and increase the PTP rate by 4.2%.

In an alternative calculation by BPA in its January 11, 2012 COSA presentation, where revenue requirements were increased, BPA anticipates a 5.4 percent rate increase for point-to-point ("PTP") customers and a 0.2% rate increase for NT customers using 1 CP. Bonneville also anticipates a 9.8 percent rate increase for PTP customers and a 14.4 percent rate decrease for network ("NT") customers if rates are calculated using 12 CP. Use of 12 CP shifts costs from the NT customers to other transmission customers, particularly the PTP customers.

To the extent that Bonneville needs to curtail transmission on its system, under certain conditions, Bonneville maintains its NT schedules and cuts PTP. Moreover, Bonneville has recently suggested that the quality of PTP service on its system may be of significantly lesser quality than PTP service on other transmission providers systems. For example, in its Interim Environmental Redispatch and Negative Pricing Policies Record of Decision ("Environmental Redispatch Rod") issued in May 2011, Bonneville suggested that it has very broad statutory authority to curtail even long-term firm PTP

service. *See, e.g.*, Environmental Redispatch Rod at 12 (stating: “The Northwest Power Act provides that transmission access and services are to be provided subject to any existing legal obligations and without substantial interference with the Administrator’s power marketing program.”)