



3628 South 35th Street  
Tacoma, Washington 98409-3192

TACOMA PUBLIC UTILITIES

September 12, 2012

**VIA EMail**

Tech Forum  
Bonneville Power Administration  
PO Box 491  
Vancouver, WA 98666  
techforum@bpa.gov

Re: Tacoma Power's comments in support of PTP Coalition Proposal

Tacoma Power supports the PTP Coalition's proposal to directly assign Distribution facilities that serve individual or certain multiple utility customer loads<sup>1</sup>. These Distribution facilities serve no bulk Network function and should not be "peanut buttered" across all Network users, many of whom take service at the Bulk Network level and who have paid for their own sub-network (distribution) facilities to connect their loads to the bulk network transmission system.

Direct assignment of costs to individual customers or customer classes is a standard cost of service principle. Remaining joint and common costs are then allocated to customer classes on a cost causative basis. Line extension policies in utility tariffs and direct assignment of facility costs through separate Use of Facility charges are examples of directly assigning costs to the customer, or customers, benefiting from such costs. Under these policies, the customer's facility costs of hooking up to the utility's backbone are not subsidized by other customers taking service at the network level.

The Power Business Line's Tiered Rates Methodology is a perfect example of direct assignment and allocation of joint and common costs. Cost pools have been developed to directly assign cost to either the Slice or Non-slice cost pools (customer classes). Joint and common costs are then assigned to the Composite cost pool and allocated to Slice and Non-Slice customers based on the Tier One Cost Allocator (on an equal, energy-based, allocator between the classes).

With regard to the allocation of joint and common costs, BPA should adopt an allocator that recognizes how the system is designed, built and used; and recognizes how the two customer classes benefit from such usage. Utility systems are designed to serve loads under extreme weather conditions and built to serve future load growth (having excess capacity much of the year). We believe that a 12CP (or NCP) NT allocator does not strike the right balance, especially if set at WP-14 average weather NT loads. BPA struck a more appropriate balance in

---

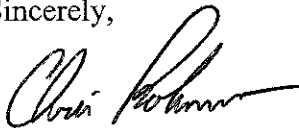
<sup>1</sup> Direct O&M and gross (and net) facility costs were identified. Revenue requirement elements associated with facility costs include depreciation, interest, and MRNR and should be directly assigned along with direct O&M.

the 1996 case when it adopted a 1CP allocator for NT service. The Record of Decision (ROD, page 426) in that case supporting the 1CP methodology stated that, "...BPA proposed to allocate costs to firm network rate classes using annual contract demand or their equivalent" (emphasis added). If BPA refuses to adopt a 1CP (or 1NCP) allocator for the NT class, then it should not credit the NT class with short-term and non-firm PTP sales.

NT customers will undoubtedly argue against direct assignment and advocate that all network costs be allocated based on their forecasted average rate-period usage. The use of two different allocators (maximum annual peak demand for PTP and annual average normal weather peak for NT) is completely unfair from our perspective and BPA should adopt a fair and sustainable COSA methodology in TR-14 as we described above.

We thank BPA for the transmission COSA process and pre-rate case workshops that it has held prior to the TR-14 rate case and look forward to future engagement on this important issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Robinson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Chris Robinson  
Power Manager