

**COMMENTS OF THE NT CUSTOMER GROUP
REGARDING NETWORK COST ALLOCATION FOR THE BP-18 RATE PERIOD**

Submitted: June 3, 2016

Cowlitz PUD, Eugene Water & Electric Board, Northwest Requirements Utilities, PNGC Power, and the Western Public Agencies Group (collectively, the “NT Customer Group”) submit these comments in support of the Bonneville Power Administration’s (“BPA”) continued use of the 12 monthly non-coincidental *customer* (rather than POD peaks) peaks of its NT customers to allocate the costs of BPA’s Network transmission segment.

BPA’s adoption of the use of a 12 non-coincidental peak (“NCP”) allocation methodology based on customer peaks in the BP-14 Record of Decision (“ROD”) was the product of what was a heavily litigated issue (*i.e.*, Network cost allocation) in the BP-14 rate case. This determination was preceded by the selection of the same methodology in the Cost of Service Analysis (“COSA”) performed by BPA following the BP-12 rate case.¹ And, it was also reaffirmed less than a year ago in the BP-16 ROD in which the Administrator stated that, in selecting the current allocation methodology, “the BP-14 ROD amply demonstrates that the Administrator considered BPA’s planning approach, contractual rights to capacity, allocation of diversity benefits, and Commission precedent in depth...”²

We see no compelling reason why BPA should reconsider its allocation methodology so soon after it was so resoundingly confirmed in the BP-16 ROD. BPA’s recent rate case workshop presentations on its use of non-coincidental point of delivery (“POD”) peaks in transmission system planning do not change this conclusion. This is due, in part, because BPA further stated in those presentations that its transmission system planners also use non-coincidental customer peaks in planning.³ So neither NCPs based on POD nor customer peaks appear singularly dispositive in BPA’s transmission planning.

In addition, load levels at the POD level are but one factor in BPA’s overall system planning and they do not, in and of themselves, determine how costs are caused on BPA’s entire Network. Rather, as BPA staff testified in the BP-14 rate proceeding:

Load levels are not the sole driving force behind reinforcements or upgrades to the transmission system and, thus, the transmission costs BPA incurs . . . [D]emand on (or actual projected use of) the transmission system is a function of a number of interrelated factors, including forecast loads and load locations, generation locations and generation dispatch patterns, committed uses of the

¹Transmission Cost of Service Analysis Workshop (April 26, 2012), available at https://www.bpa.gov/Finance/RateCases/BP-14RateAdjustmentProceeding/MeetingsandWorkshops/COSA_Workshop_4-26-12.pdf.

² BP-16 ROD, BP-16A-02 at 127 (July 2015).

³ BP-18 Transmission Rate Workshop at 12 (May 6, 2016), available at https://www.bpa.gov/Finance/RateCases/BP-18/Meetings/BP-18_TxRateCaseWorkshop_20160506_withlabelupdates.pdf.

system, loading of the interties . . . and transmission facility conditions (for example, outage of critical facilities) . . . Use of the transmission system resulting from any combination of these factors may result in potential deficiencies that require a corrective action plan that causes BPA to incur costs.⁴

BPA's use of 12 NCP based on customer peaks better balances this assortment of factors than would a methodology based on POD peaks. This is because a methodology based on POD peaks would unduly shift the allocation towards one based solely on load levels at the POD level without consideration of other factors driving and/or mitigating costs elsewhere on the transmission system. For example, any factors beginning where energy is picked up at the point of receipt(s) and ending just prior to its delivery at the PODs would be given no weight under such a methodology. No party has presented any reason why this would be reasonable or consistent with cost causation. We contend that there is none.

In conclusion, the NT Customers support BPA staff's leaning to not revise BPA's cost allocation methodology for the Network. This issue has been litigated and strongly decided multiple times over the last several rate cases. As a group, the NT Customers were and are not fully satisfied with the allocation methodology selected by the Administrator in those earlier proceedings, but we see no advantage to BPA or the region in re-litigating the issue without demonstrating a significant change in the relevant criteria or relevant facts supporting BPA's prior careful determination of the same. We urge BPA to require any party proposing to change the allocation methodology to make such a demonstration as a prerequisite to BPA's serious consideration.⁵

⁴ *Fredrickson, et al.*, BP-14-E-BPA-45, at 3-4.

⁵ The NT Customers reserve the right to present alternative allocation methodologies in the event other parties intend to reopen the cost allocation issue with positions contrary to the status quo.