

TO: bpaaveragesystemcost@bpa.gov

March 15, 2010

**Comments of the Pacific Northwest Investor-Owned Utilities¹
in response to
BPA's Request for Comments on February 25, 2010 ASC Workshop**

The Pacific Northwest Investor-Owned Utilities appreciate this opportunity to make additional comments on topics and proposals for the FY 2012-2013 ASC Review Process. These comments are submitted in response to BPA's letter, dated March 1, 2010, requesting comments regarding issues discussed at the ASC Workshop, dated February 25, 2010 (the "ASC Workshop"). The Pacific Northwest Investor-Owned Utilities understand that the above-referenced letter does not request comments regarding Rate Period HWM ASC Calculations at this time. Each Pacific Northwest Investor-Owned Utility reserves its right to participate in any proceeding that involves the development and implementation of Rate Period HWM ASC Calculations.

1. Timing of New Resource Materiality Threshold Based on BPA Update to Gas Price Forecasts

In the ASC Workshop, BPA proposed that the Initial Proposal's natural gas price forecast will be the basis for the natural gas fuel costs used for determining the materiality of new resource additions in both the Draft and Final ASC Reports. The Pacific Northwest Investor-Owned Utilities agree with this proposal. However, it will be problematic and unduly complicated to use gas prices from the Initial Proposal for pricing of new resources and to use gas prices from the Final Proposal for other cost determinations. Therefore, the Pacific Northwest Investor-Owned Utilities propose that BPA use gas prices from the Initial Proposal for determining the materiality of new resources but use gas prices from the Final ROD to update applicable fuel costs, including but not limited to determining costs associated with new resources.

2. NLSL (functionalization ratio and direct assignment):

The Pacific Northwest Investor-Owned Utilities do not object to BPA's proposal to group the post-1979 resources and allocate over-heads based on the post-1979 resource investment

¹ For purposes of these comments, the Pacific Northwest Investor-Owned Utilities are Avista Corporation, Idaho Power Company, NorthWestern Energy, PacifiCorp, Portland General Electric Company, and Puget Sound Energy, Inc.

ratios in determining the total cost of a NLSL. The Pacific Northwest Investor-Owned Utilities continue to urge BPA to retain the option to direct assign these overheads, where specific costs can be identified and where costs differ from what the proposed overhead allocation methodology would calculate. Notwithstanding the foregoing, each Pacific Northwest Investor-Owned Utility reserves the right to make further comments with respect to this proposed allocation methodology.

3. Account 303 Software Allocation:

The Pacific Northwest Investor-Owned Utilities appreciate BPA's movement toward a functionalization framework for Accounts 303 and do not object to BPA's proposal to allow a utility the option of using the software functionalization framework or direct analysis to functionalize costs in Accounts 303.

4. Disclosure of Confidential Information

The Pacific Northwest Investor-Owned Utilities do not object to BPA's Rules Governing the Disclosure of Confidential Information in BPA's Average System Cost Review Proceedings.

5. ASCM Rules of Procedure

The Pacific Northwest Investor-Owned Utilities encourage BPA to notify parties of BPA's final determinations with respect to issues identified in comments on Draft ASC Reports, including without limitation determinations with respect to materiality of new resources and requested direct assignments, prior to the issuance of Final ASC Reports. According to the FY 2012-2013 ASC Review Process Timeline provided at the ASC Workshop, BPA will issue Draft ASC Reports in early- to mid-November 2010 to coincide with release of WP-12 Initial Proposal and comments on such Draft ASC Reports would be due February 25, 2011. However, BPA will not issue Final ASC Reports until the BPA issues the Final ROD in the WP-12 wholesale power rate proceeding. According to the presentation provided at the 2012 BPA Rate Case Customer Workshop, dated March 3, 2010, BPA will issue the Final ROD in the WP-12 wholesale power rate proceeding on or around July 18, 2011. Thus, parties must wait almost five months between the time they submit comments on Draft ASC Reports and the time of issuance of the Final ASC Reports. The Pacific Northwest Investor-Owned Utilities understand that this delay results from the use of the final gas and market price forecasts from the Final Proposal. BPA could, however, notify parties of BPA's determinations with respect to comments on Draft ASC Reports that are unrelated to gas or market price forecasts.

The Pacific Northwest Investor-Owned Utilities encourage BPA to amend Section 3.3.2 of the Draft Rules of Procedure for BPA ASC Review Processes to allow a responding utility ten business days to provide the requested data. One week, or five business days, is too short of a period to provide responses to many detailed data requests. Moreover, a period of ten business

days to respond to a data request is consistent with most discovery response periods allowed by state public utility commissions in the region.

Finally, the Pacific Northwest Investor-Owned Utilities encourage BPA to delete all of Section 5 of the Draft Rules of Procedure for BPA ASC Review Processes. This Section 5 appears to be a holdover from prior contract periods when BPA utilized rate filings to determine ASCs. Nothing in BPA's current Average System Cost Methodology (18 C.F.R. Part 301) requires BPA to retain these provisions. Indeed, these provisions conflict with the following statement from the Final Rule published in the Federal Register:

Bonneville states that its amended 2008 ASC methodology removes the connection between a utility's request for a retail rate change and a change in its average system cost, thereby limiting the administrative burden for both Bonneville and the Commission. Bonneville states that the only time a utility's average system cost may change once established for an Exchange Period is: (1) To account for major resource additions or reductions; or (2) to adjust for the loss or gain of service territory. Bonneville explains that, except for these limited circumstances, a utility's average system cost is locked-in until the beginning of Bonneville's next average system cost review process.

Sales of Electric Power to the Bonneville Power Administration; Revisions to Average System Cost Methodology, 74 Fed. Reg. 47052, 47055 (Sept. 15, 2009) (amending 18 C.F.R. Part 301). Therefore, BPA should strike Section 5 of the Draft Rules of Procedure for BPA ASC Review Processes in its entirety.

6. Invoicing Policy and Procedures

The Pacific Northwest Investor-Owned Utilities do not object to BPA's invoicing proposals. Notwithstanding the foregoing, each Pacific Northwest Investor-Owned Utility reserves the right to make further comments with respect to the invoicing policy and procedures.