

August 20, 2014

Department of Energy
Bonneville Power Administration

Submitted to: techforum@bpa.gov

Re: Cost Allocation

Dear Ladies and Gentlemen:

By this letter, Avista Corporation (“Avista”), PacifiCorp, Portland General Electric Company (“Portland General”), Idaho Power Company, (“Idaho”), and Puget Sound Energy, Inc. (“PSE”) submit these comments on the Tacoma presentation on BP-16 Network Cost Allocation titled “Network Cost Allocation Pre-Rate Case Transmission Workshop August 13, 2014”¹ at the BPA workshop held that date.

Avista, PacifiCorp, Portland General, Idaho, and PSE appreciate the opportunity to submit these comments. It is particularly helpful to have the opportunity to discuss these matters prior to the commencement of the formal BP-16 proceeding. Tacoma has presented some interesting analysis that should be considered by BPA.

Tacoma proposes that BPA not include megawatts of short-term (“ST”) and nonfirm (“NF”) PTP Transmission sales in the cost allocation factor and proposes that BPA instead credit the ST and NF sales revenue against the revenue requirement for the segment of BPA’s transmission system on which the sales occur.² Because ST and NF sales are by definition “short term” and should be made only if there is available capability at the time, ST and NF sales do not cause transmission to be built and should not be used in calculating the allocator for long-term service such as long-term firm PTP service and NT service.

Revenue crediting of ST and NF revenues against the segment’s revenue requirement is a more robust methodology that does not distort the cost allocation. Further, revenue crediting ST and NF revenues is a transparent, standard approach under FERC ratemaking. Accordingly, BPA should credit the ST and NF sales revenue against the transmission segment’s revenue requirement.

¹ (“Tacoma Proposal”). Tacoma’s proposal document is the “Network Cost Allocation Pre-Rate Case Transmission Workshop August 13, 2014” document available at [http://www.bpa.gov/Finance/RateCases/BP-16/Meetings%20Workshops/Tacoma%20-%20Network%20Allocation%20Proposal%20\(Aug%2013,%202014\).pdf](http://www.bpa.gov/Finance/RateCases/BP-16/Meetings%20Workshops/Tacoma%20-%20Network%20Allocation%20Proposal%20(Aug%2013,%202014).pdf)

² Tacoma Proposal at page 1.

In its August 13, 2014 BP-16 transmission workshop presentation, Tacoma seemed to indicate that certain BPA forecasts of NT loads used for different purposes appeared to differ even though Tacoma would have expected them to be the same. These perceived differences should be examined and reconciled to determine, for example, if the numbers should be the same or if they are intended to be determined, and are appropriately determined, on a different basis.

Further, it is our understanding that BPA currently sells unlimited amounts of hourly firm PTP service but will abandon this practice when BPA has the systems in place to limit sales to available capability.³ The quality of long term firm PTP service is degraded to the extent that BPA sells unlimited amounts of hourly firm PTP service because ST hourly firm PTP service (and other ST firm PTP service) is curtailed proportionately along with long-term firm PTP service.⁴ Thus, to the extent that BPA sells unlimited hourly firm PTP service, this practice increases the likelihood that long-term firm PTP will be curtailed pro rata along with hourly firm PTP. This degradation should be reflected in BPA's cost allocation (or perhaps through rate design). For example, assuming for purposes of analysis that contract demand is used as the basis for allocating costs to PTP service on BPA's Network Segment, it makes no sense to use full contract demand as the allocator for such service without adjustment of the allocator or some other appropriate rate adjustment if BPA is selling unlimited hourly firm PTP service that degrades the quality of long-term PTP service.

³ The FERC *pro forma* OATT contemplates that sales of hourly firm PTP service will be limited to available capability.

⁴ *See, e.g.*, BPA OATT Section 13.6. (NT service may be affected by BPA's sale of unlimited amounts of hourly firm PTP service, but that is not at all clear due to the availability of redispatch (particularly of federal hydroelectric generation) before curtailment of NT service. *See, e.g.*, BPA OATT Section 33.4.)