

**COMMENTS OF THE NT CUSTOMER GROUP
ON TACOMA POWER'S TRANSMISSION COST ALLOCATION PROPOSAL**

Submitted: August 20, 2014

I. Introduction.

Cowlitz PUD, Eugene Water & Electric Board, Northwest Requirements Utilities, PNGC Power, and the Western Public Agencies Group (collectively, the "NT Customer Group") appreciate this opportunity to comment on Tacoma Power's ("Tacoma") recommendation that the Bonneville Power Administration ("BPA") adopt an allocation methodology for the Network segment based upon the sum of the contract demands of Point to Point ("PTP") customers and the annual non-coincidental peaks ("1 NCP") of Network Transmission ("NT") customers.

In support of its proposal Tacoma repeats the same arguments raised by Joint Party 11 ("JP-11") (of which Tacoma Power was a member) and Powerex in the BP-14 Rate Proceeding. Those arguments were ultimately rejected by the Administrator in the BP-14 Record of Decision ("ROD") for being inconsistent with how BPA plans its system and cost causation. Nothing has occurred since the issuance of the BP-14 ROD in July of 2013 that would justify any other determination in the BP-16 Rate Proceeding. BPA should therefore not adopt Tacoma's proposal for the BP-16 Initial Proposal.

II. Discussion.

Tacoma urges BPA to accept its proposal based on the supposition that it strikes a better balance than the 12 NCP allocation methodology BPA adopted in the BP-14 ROD because it "recognizes long-term system planning, rights to capacity, and the allocation of diversity benefits."¹ However, in support of its 1 NCP proposal Tacoma merely reiterates the same arguments raised by JP-11 and Powerex in the BP-14 Rate Proceeding², which arguments were rejected by the Administrator in the BP-14 ROD. BPA staff's and the Administrator's responses and determinations as to those earlier arguments can be summarized as follows:

1. The Administrator determined that BPA's transmission planning process considers a range of system conditions to meet demands throughout the whole year. Tacoma asserts that its 1 NCP proposal is supported by BPA's planning process because in performing the cluster studies in its Network Open Season process BPA looks at a winter peak scenario.³ However, as stated by the Administrator, "[t]he 1 NCP method is inconsistent with BPA's planning approach because it does not account for any off-peak conditions that are

¹ See, Tacoma's Network Cost Allocation Pre-Rate Case Transmission Workshop Presentation, August 13, 2014.

² See, e.g., Finley et al., BP-14-E-JP-01, at 21-23; see, e.g., Opatrny, BP-14-E-PX-01-E01, at 28, 31, 34-35, 39.

³ See, Tacoma's Network Cost Allocation Pre-Rate Case Transmission Workshop Presentations, June 25, 2014 and August 13, 2014.

considered in BPA's transmission planning."⁴ The Administrator determined that off-peak periods affect the costs BPA incurs and, therefore, it is important to consider off-peak periods in cost allocation.⁵ Nothing in Tacoma's 1 NCP proposal demonstrates that this is no longer the case.

2. The Administrator determined that BPA's use of contract demand to allocate costs to PTP customers and monthly peak loads for NT customers is equivalent. Tacoma contends that BPA's methodology of allocating costs to PTP customers based on their contract demands and to NT customers based on their monthly peak loads creates a subsidy from PTP customers to NT customers. According to Tacoma this is because while BPA plans the system to be able to meet the higher 1 NCP of NT customer loads, it allocates costs to NT customers based on the (lower) average of their monthly peaks under 12 NCP. Tacoma's solution to this alleged shortcoming is to allocate costs to NT customers using 1 NCP as a contract demand equivalent.⁶

The Administrator rejected this argument in the BP-14 ROD and instead found that using contract demand for PTP and monthly load for NT is equivalent for purposes of cost allocation.⁷ In making this determination the Administrator considered the relative rights of NT and PTP customers to use the transmission system and BPA's different planning obligations for the two services.⁸

For instance, the Administrator found using the loads of NT customers for cost allocation is appropriate because load defines an NT customer's right to use the system. This means that although NT customers are allocated costs and billed based on their monthly peak demands, they only are allowed to use that amount of transmission during their monthly peak hour.⁹ This is in contrast to PTP customers who have the right to use their full contract demand during all hours, including the right to resell, assign, and redirect transmission service during hours when their contract demand exceeds their needs.¹⁰

The Administrator also found that the different basis for cost allocation between PTP and NT customers is appropriate because it is consistent with BPA's different planning obligations to the two services. "BPA's planning obligation for PTP . . . service is based on contract demand" and "[s]ince PTP service is flexible (the customer has the right to resell, assign, and redirect transmission service during hours when its contract demand exceeds its needs), BPA's planning obligation is to ensure that it has sufficient capacity for customers to flexibly use their reserved capacities consistent with their contracts."¹¹ On the other hand, BPA's planning obligation for NT service is "load based" and "BPA must plan the transmission system to serve each NT

⁴ BP-14 ROD, BP-14-A-03, at 149.

⁵ *Id.* at 162-164.

⁶ *See*, Tacoma's Network Cost Allocation Pre-Rate Case Transmission Workshop Presentations, June 25, 2014 and August 13, 2014.

⁷ *Id.* at 149-159.

⁸ BP-14 ROD, BP-14-A-03, at 145-150.

⁹ *Id.* at 146-147.

¹⁰ *Id.*

¹¹ *Id.* at 146.

customer's peak loads and forecasted load growth from the customer's designated network resources."¹²

Accordingly, the Administrator has already determined that using contract demand for PTP and load for NT to allocate costs is equivalent because it is consistent with (i) the relative rights of the services to use the transmission system and (ii) how BPA plans the transmission system to accommodate those rights. Tacoma has failed to make even a modest showing that these factors have changed since issuance of the BP-14 ROD.

3. The Administrator determined that PTP customers significantly use their rights to resell, assign, and redirect during hours when their contract demand exceeds their load. One of the most significant shortcomings of Tacoma's 1 NCP proposal is that it fails to account for the right of PTP customers to deliver power to points of delivery off their systems as well as their rights to resell, assign, and redirect their capacity when they do not need it to serve their loads. These are rights that NT customers simply do not have. Tacoma asserts, however, that these rights are inconsequential because BPA has so much PTP service on its transmission system, thereby diluting the value of those rights.¹³ This, again, is an argument the Administrator unambiguously rejected in the BP-14 ROD, stating that "[t]he evidence indicates that PTP customers significantly utilize these rights."¹⁴ Tacoma has not presented any evidence demonstrating that this is still not the case.

4. BPA staff agreed that the increased flexibility in the terms and conditions of PTP service justified a different allocation methodology than in 1996. Tacoma argues that because in 1996 BPA staff proposed to use 1 NCP as the contract demand equivalent for NT customers, it was inequitable for BPA to adopt 12 NCP in BP-14.¹⁵ Apparently, this is due to a claimed reliance built up by PTP customers over the intervening years on the allocation proposal made by BPA staff in 1996. In responding to this same argument made by JP-11 and Powerex in their BP-14 testimony, BPA staff stated that "Although in 1996 BPA believed that the 1 NCP method was the 'contract demand equivalent' we do not think that is true any more. There is a key difference between the OATT and business practices during the 1997 case and the current OATT and business practices. This key difference provides PTP customers with significantly more flexibility to shape their service closer to their needs . . ." ¹⁶ For instance, one of the key differences from 1996 identified by BPA is the offering of hourly firm service, which was not available in 1996 and now allows PTP customers to redirect their service on a firm basis for as little as an hour upon a request made as short as 20 minute prior to flow.¹⁷

¹² *Id.*

¹³ *See*, Tacoma's Network Cost Allocation Pre-Rate Case Transmission Workshop Presentations, June 25, 2014, p. 13.

¹⁴ BP-14 ROD, BP-14-A-03, at 148.

¹⁵ *See*, Tacoma's Network Cost Allocation Pre-Rate Case Transmission Workshop Presentations, June 25, 2014.

¹⁶ Fredrickson et al., BP-14-E-BPA-45, at 24.

¹⁷ *Id.*

Consequently, BPA staff's demonstration that the increased flexibility of today's PTP product vis-à-vis the PTP product in 1996 helped justify a different cost allocation proposal in BP-14 than in 1996. This is different than Tacoma's proposal in this instance because, unlike BPA in BP-14, Tacoma has not demonstrated an even more recent change in circumstance that would justify a reversion to the 1996 cost allocation proposal in BP-16.

III. Conclusion.

Tacoma's proposal to use a 1 NCP cost allocation methodology for the Network has no more merit than it did when JP-11 and Powerex fronted similar proposals based on the same arguments in the BP-14 Rate Proceeding. The Administrator was right to reject those proposals in the BP-14 ROD for being inconsistent with how BPA plans its system and cost causation. Nothing has occurred since the issuance of the BP-14 ROD in July of 2013 that would justify any other determination. BPA should therefore decline Tacoma's request to do so.

Nonetheless, if BPA does decide that it wants to revisit its Network cost allocation methodology, both BPA and its customers would be better served by BPA adopting a 12 coincidental peak ("12 CP") methodology. A 12 CP methodology is the standard method used within the industry for transmission systems that have similar load profiles to the load profile for BPA's Network and for systems that are planned taking into consideration a range of system conditions to meet demands throughout the whole year (again, like BPA's Network). This is compared to Tacoma's 1 NCP proposal which largely ignores how BPA plans its transmission system to meet demands throughout the year, and for which Tacoma has not demonstrated any connection to standard industry practice.