



Your Northwest renewables utility

August 20, 2014

Submitted via Email to techforum@bpa.gov

Bonneville Power Administration
905 NE 11th Avenue
Portland, OR 97232

Re: Comments on August 13 Transmission Pre-Rate Case Workshop Topics

Transmission Cost Allocation (Raised by Tacoma Power)

Snohomish County PUD No. 1 (Snohomish) appreciates BPA staff's willingness to re-examine the current 12 non-coincidental peak (NCP) cost allocation for transmission costs. The information provided during the workshops and the data responses BPA has provided to Tacoma Power (Tacoma) indicate that a cost allocation based on contract demand (i.e., firm reservation) for long-term point-to-point (PTP) customers and a cost allocation of 12 NCP load for Network Transmission (NT) customers is not equitable for long-term firm PTP customers because the reality is that contract demand is not equivalent to actual load for cost allocation purposes.

Background

Under BPA's Open Access Transmission Tariff (OATT), customers can choose either PTP or NT transmission service. Customers with long-term firm PTP agreements contract for a certain amount of firm transmission capacity. Load serving entities like Snohomish, with long-term firm PTP service, contracted for an amount of firm transmission sufficient to cover severe winter conditions to ensure it could serve its peak demand obligations. When a PTP customer does not utilize all of its contracted-for firm transmission service, the customer is allowed to reassign or "resell" that transmission to a third party. This ability to resell unused firm transmission service to a third party is largely what allows PTP service to be in "parity" (financial or otherwise) with firm NT service. Under the provisions of BPA's OATT, BPA is required to provide enough firm transmission service to an NT customer to serve that customer's load, regardless of the quantity required; in exchange, the NT customer does not have the ability to reassign or resell any "unused" firm transmission.

BP-16 Workshops

Based on discussions during BP-16 pre-rate case workshops, including the July 23rd workshop discussing the NT and PTP assumptions used in BPA transmission planning studies, it became clear that the foundational framework needed for long-term firm PTP service to be in parity with NT service remains deficient.

First, BPA stated that it does not build transmission facilities based on contract demand. Although BPA tests specific paths for stress in order to handle a particular customer's full contract demand, and the

BPA Network Open Season (NOS) process takes the aggregate contract demand quantity into account, the existing BPA transmission system would be unable to meet all of its PTP service obligations if customers called on them. Second, a customer with PTP is unable to reassign or resell its remaining PTP transmission capacity due in part to operational constraints on the transmission network and because of market conditions.

In the BPA Transmission rate case settlement of 1996, it was agreed that the costs to PTP customers would be allocated on a contract demand basis, but that a modified 1 NCP cost allocation would apply to NT service along with the addition of a load shaping charge. While not perfect, the 1 NCP approach for NT service remedied what otherwise would have been a cost allocation inequity between the two products.

BPA Should Provide a Remedy

Putting aside arguments on whether the cost allocation coincides with how BPA plans its system in the future, the fact of the matter (as evidenced by the information revealed during the workshops) is this: today, customers with firm PTP service cannot take full advantage of their PTP transmission service either to serve their load (in Snohomish's case) or to reassign/resell unused transmission that is not used to serve load, to third parties. Until this is resolved, it is inappropriate for BPA to allocate costs based on 12 NCP for NT service and contract demand for PTP service. Continuing to allocate costs to NT service based on 12 NCP implies that PTP customers are able take full advantage of their PTP transmission service for which they have contracted for – which they cannot.

Snohomish urges BPA to fully consider and adopt one of the rate allocation proposals presented by Tacoma or to meet with PTP customers and negotiate revisions to PTP contracts to provide parity between PTP and NT transmission service.

BP-14 Revenue Requirement Error

As revealed in the August 13th 2014 Pre-Rate Case workshop presentation we understand that BPA recently discovered that when it calculated BP-14 transmission rates, the spreadsheet used an incorrect reference from the BP-12 rate period, rather than linking to the proper BP-14 values. BPA staff confirmed that this error resulted in firm PTP and NT transmission rates that were 1.4% higher than if the rates had been correctly calculated.

The current firm PTP transmission rate that Snohomish is paying for BPA Fiscal Years 2014 and 2015 is \$1.479 per kilowatt per month. However, we understand that the corrected rate should be \$1.459 per kilowatt per month. For the two-year rate period, Snohomish estimates it will be charged approximately \$66.3 million for its PTP service at the incorrect rate of \$1.479. Under the corrected rate of \$1.459, Snohomish's PTP service would be approximately \$65.4 million; a reduction of approximately \$900,000.

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BPA long-term firm network and intertie transmission contract holders have been impacted by this error and BPA must take corrective action resulting in the affected parties being made whole. We look forward to discussing BPA's suggestions for how this is best accomplished.

Snohomish thanks BPA staff for the work they have done on these topics and looks forward to continuing the dialogue in future Pre-Rate Case workshops. If there are any questions about our comments, please do not hesitate to contact us.

Sincerely,



Craig W. Collar
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