

Customer Comments

BP-16 Rate Case

Tacoma Power responses to BPA questions asked
at the July 23 Transmission Rate Case Workshop

Tacoma Power

July 25, 2014



Q1: During your June 25, 2014 presentation, you indicated that FERC's approval of the 12CP method was not consistent with cost causation and was intended to protect and benefit native retail load. Could you provide the information you have that FERC's approval was related to retail load and that FERC intended to subsidize native load?

A: Really the point we were trying to make is that FERCs pro forma method that allocates cost to NT on 12CP and to PTP based upon reserved amounts sacrifices cost causation for simplicity, especially as it relates to BPA's Network segment that has no retail customers and is approximately 80% PTP service.

In our July 9th comments we pointed to some language in Order 888 that FERC recognized that it was adopting its methodology as an "administrative convenience" and encouraged utilities to file other proposals that better suited their circumstances. We also pointed to other relevant language in Order 888 where FERC seemed to recognize that one-size doesn't necessarily fit all and that "flow based pricing" may be appropriate. They also stated that "Other methodologies could more accurately assign capacity rights in accordance with a party's contribution to capacity costs."

We didn't directly state that FERC intended to subsidize native load under its pro forma approach. The point we were trying to make is simply that jurisdictional utilities have an incentive to adopt a 12CP over a 1CP allocator between their native retail load and NT service because it results in a higher PTP rate on their systems. As shown on our slide 5 a much higher percentage of IOU's wholesale transmission revenues are derived from PTP than NT sales.

We didn't say that FERC "intended to protect and benefit native retail load". The intent was to imply that IOU's and their state regulatory commissions have a mutual financial incentive to adopt 12CP over 1CP...no wonder it's the "industry standard".

Q2: Can you help us understand what is different in your current proposal that was not already discussed in the last rate case?

Our proposal outlined in our June 25th presentation is conceptually similar, that is: “We propose that for BP-16 BPA adopt an allocation based upon NOS design/build criteria (or other appropriate criteria) that reflects true cost causation and assigns diversity benefits on the Network segment appropriately.” We believe that the BP-14 allocation which adopted FERC pro forma was inequitable on BPA’s Network segment but we were left with little hard data to support our assertion. In BP-14 we asked several data requests similar to the ones we have asked recently to get at these issues and in BP-14 BPA objected to answering many of them based upon different grounds. Because we were left with little data in BP-14 we relied on the pre-rate case historical TTLS and peak load data that was presented. In the end BPA shot down our case partially on the basis of our reliance on this data to calculate the PTP coincidence factor to get at PTP coincident peaks (or “usage”). We simply want to better understand, based upon data, whether and why the FERC pro forma does in fact results in an equitable allocation on BPA’s network segment, and if not consider and discuss other options. We initially only sought data to assure ourselves prior to the BP-16 Initial Proposal that the FERC pro forma was equitable if applied to BPA’s network segment and if not then make a proposal. Given the timing on the decision for the Initial Proposal and a decision on Segmentation we thought it best to make a proposal sooner rather than later. We continue to assess data and better understand BPA’s responses that we have received. We are still awaiting a response on our request related to NT’s rights to Network capacity.

I guess one last point would be that since we made our proposal in the formal rate case after BPA filed its Initial Proposal we were probably fighting an up-hill battle.

Q3: Define how usage should be determined. Is it schedules, flows, hourly, average monthly, etc.?

We have asked data request to get at both “usage” and “contract demand” equivalent MWs for reservation based and NT transmission service. In our June 25th proposal we state that “BPA adopt an allocation based upon NOS design/build criteria (or other appropriate criteria) that reflects true cost causation and assigns diversity benefits on the Network segment appropriately”. We expected that a “usage” allocator for long-term PTP might be determined from NOS cluster studies from modeling of load and particular generation resources. BPA runs a summer and winter case under three scenarios with additional sensitivities. In its response to our data request #1 (slide 7 of our presentation monthly MWs associated with NOS base cases) BPA stated that this information was used in the 2013 NOS and 2013 ATC basecase studies. We need to more fully understand what the data is that BPA provided because there seems to be a disconnect between BPA’s statement at the workshop that PTP amounts reflect reserved quantities and the May NOS Cluster study presentation indicating that wind is set at 60% of contracted/requested demand, thermal based upon Thermal Merit Order Sequence, and Hydro set at 95th percentile dispatch. Based upon these generation assumptions we would expect that at least wind and thermal PTP use would be below reserved quantities. Through this request, at least I was expecting BPA to determine long-term PTP usage by matching long-term PTP contract holders with each of the generators. We need to more fully understand the data in the response. Hopefully later today we’ll gain a better understanding.

Q4: To fully represent usage for PTP, do you think short-term firm and non-firm PTP should be included for the allocation? If not, why not?

No, our proposal is to exclude short-term and non-firm from the allocation of network segment costs between long-term PTP and NT service and to credit the revenues to long-term PTP and NT service on a pro-rata basis. This aspect is consistent with FERC pro forma and BPA's BP-14 decision. Arguably if you did include short-term and non-firm MW's in the allocation to PTP service, which we are not advocating, you should also allocate all the revenues to PTP service.

(Note: it was clarified at the workshop that BPA includes an annual MW amount for short-term PTP sales in the rate denominator rather than as a revenue credit against the revenue requirement. This treatment is not consistent with our understanding of FERC ratemaking that includes reserved amounts only for long-term PTP commitments in the rate denominator and then credits both short-term and non-firm sales revenues against the transmission revenue requirement. This approach is consistent with long-term transmission planning [i.e. short-term and non-firm sales are made on an "as available basis"].)

Q5: Do you think the flexibility permitted in the PTP service (such as redirects and resales) should be factored in the cost allocation? How do you account for this?

- **For example, should there be an adder to the usage value to account for this value? If yes, how should the adder be determined? You state that there is limited market to resell, but data shows that there is a very large quantity of PTP resales. How do explain the discrepancy?**

Yes, in any "usage" based allocation to PTP resales and redirects made by long-term contract holders should be included in the MW's so that their associated costs get allocated to that service. I assume that resales are only made by long-term contract holders and not BPA under short-term and non-firm sales of PTP...whereas redirects can be done by both long-term PTP contract holders and by purchaser of BPA of short-term and non-firm PTP product. The revenues derived from short-term and non-firm PTP redirects are credited back to long-term and NT service.

Q6: For cost allocation, NT load served by internal (behind the meter) generation is included in the total NT load (the customers are also billed for the load served by internal generation). Since PTP service is only used to transmit generation over BPA's system, a PTP customer does not need to pay for transmission to serve load with internal generation. In your usage based allocation methodology, should NT behind the meter generation be removed from the NT allocation factor?

I assume you would also remove it from the utility's billing factor?...That could be a likely equitable outcome depending on the determination of usage...and Tacoma would likely request to switch to NT service under that kind of a scenario.

Q7 WPAG's question is same as BPA's question 2