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TACOMA PUBLIC UTILITIES

Bonneville Power Administration
RE: Tacoma Power Network Cost Allocation Proposal
Via e-mail: techforum@bpa.gov

August 20, 2014

We would like to thank BPA for considering Tacoma Power's Transmission system cost allocation proposal. We are grateful for BPA's cooperation in providing foundational data for presentations we made during the June 25th and August 13th pre-rate case workshops. We understand the amount of work BPA staff has put into assembling data and presenting additional information on long-term Network system planning.

Fundamentally, Tacoma Power believes the allocation of BPA's Network segment costs should reflect cost causation. In this case, cost causation implicates how BPA plans, designs and builds the system to meet extreme load and generation requirements that may be placed upon it. BPA plans its Network system through modeling of the generation and transmission systems needed to meet extreme summer and winter peak loading. As indicated at the July 23rd workshop, BPA plans and builds the system to meet both the extreme summer and winter peak conditions (i.e. the higher of). This standard utility planning assures that BPA's electrical system is capable of meeting these extreme conditions when they occur.

As we have stated in previous comments and testimony, BPA's decision to allocate costs to NT based upon 12NCP¹ and to PTP/IR based upon the total sum of contract demand amounts is inequitable. Our intent in bringing this issue back to BPA in the current rate case has been to further investigate relevant information that was not made available during the prior rate case. Detailed data from BPA's planning studies and energy schedules were requested to better inform the understanding of how BPA's transmission system is constructed and used by its customers.

Detailed data from BPA's transmission system planning studies and the network open season (NOS) process has provided insight that we believe is useful for cost allocation purposes. Data requests intended to better understand customer usage of the transmission system produced interesting data but not useful insights for the purposes of cost allocation. The purpose of the requests for usage data was to better understand how long-term holders of PTP service were contributing to system peaks. The data BPA provided included short-term (ST) and non-firm (NF) sales made by BPA. We asked BPA to extract these ST and NF sales from the usage data but were informed this could not be accomplished. Our purpose for this request was to obtain data consistent with our understanding of BPA's NOS long-term planning for such existing and new long-term service. ST and NF sales are made on an "as available" basis and should not be included in any allocation of costs to the long-term reservation based class of service².

¹ There is some confusion in BPA's processes around the definition of NCP (non-coincident peak). BPA has indicated that it uses NCP in its planning studies because it simply sums the 1:2 peak monthly load forecasts of its NT customers and defines this value as an NCP. However the general definition of NCP used in cost of service studies is the sum of each individual customer's highest peak within a defined period of time.

² Instead we advocate that forecasted ST & NF sales revenues be credited to the allocated revenue requirement on a pro-rata basis.

BPA's July 27th second revised response to Tacoma provided aggregate multiyear billed quantities, customer peak usage, customer average usage, and customer usage at transmission system peak. Only the billed quantity had values that were separated between long-term and short-term system uses. As a result, customer peak usage, customer average usage, and customer usage at transmission system peak values did not distinguish between customers who had made multiyear financial commitments to BPA for transmission service and those customers who had made single day or even single hour reservations on BPA's Open Access Same Time Information System (OASIS).

Using detailed transmission system data to inform cost allocation is not only appropriate; it is also consistent with Federal Energy Regulatory (FERC) guidance on transmission rate development. In our July 9th comments, we highlighted language from Order 888 showing that the transmission pricing adopted by FERC, which we view as including cost allocation, was done as matter of administrative convenience and that FERC would be receptive to other methodologies that consider power flows or that align capacity costs with capacity rights.

Tacoma Power recommends that BPA allocate cost to PTP/IR based upon long-term contract demand and to NT based upon forecast 1NCP. This cost allocation strikes a better balance that recognizes long-term system planning, rights to capacity, and the allocation of diversity benefits on BPA's Network segment. It should be made clear in making this proposal that the "rights to capacity" value used representing NT 1NCP (8,609 MW) is the average December NCP from the BP-14 final transmission rate study. A true 1NCP would be the sum of each individual NT customer's maximum peak within the year (which we believe could be well over 11,000 MW under extreme weather conditions). As a data point for comparison, over a historical 13-year period NT coincident peak loads in December 2009 reached 9,767 MW. NOS forecasted NT peaks during the BP-16 rate period are in the 10,500 MW range.

Finally we want to address a point that was made at the August 13th workshop that under a "rights to capacity" allocation methodology ST/NF revenues should be allocated only to the NT class. Assuming for the moment that a true 1 NCP rights to capacity allocator was in the 10,000MW range and if NF/ST revenues were allocated to the NT class the allocation results would be similar to the results we presented at the August 13th workshop:

Segmented Network Costs	\$632,033				
FPT Revenues	<u>19,142</u>				
Net to Allocate	\$612,891				

	LT PTP/IR	NT (1NCP)			
CD/1NCP Allocator	25,681	10,000	(LT PTP/IR @ RP Avg CD, NT @ 1NCP)		
	72.0%	28.0%			
Alloc of Rev Req	\$441,123	\$171,769	<u>Rate</u>	<u>MW-mo</u>	<u>ST/NF Rev</u>
Credit for ST/NF sales (@ \$1.423)		<u>27,286</u>	1.431	1,589	27,286
Net Revenue Requirement	\$441,123	\$144,482			
NT redispatch direct assignment		430			
Total Net Revenue Req	\$441,123	\$144,912			
BP-14 Billing Factor (CD/12CP)	<u>25,681</u>	<u>6,148</u>			
Base PTP & NT rate	\$1.431	\$1.964			
Current BP-14 PTP & NT rates	\$1.479	\$1.741			
% Change From BP-14	-3.3%	12.8%			

Sincerely



Nicolas Garcia
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