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TACOMA PUBLIC UTILITIES

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VIA EMail
Tech Forum
Bonneville Power Administration
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RE: Comments on Network Segment Cost Allocation

We thank BPA for holding the BP-18 pre-rate case workshops on NT load forecasting and Network segment system planning. The May 6th workshop provided insight into one of our outstanding questions…Why are NT peak loads used for system planning higher than those used for allocating Network segment costs in the rate case?[1] The May 6th and June 29th workshop provided key information on how system planners model the Network segment for reliability planning and system build decisions.

At the May 6th workshop BPA posed the question of whether it should use "Customer peaks" or "POD peaks" in the allocation factor used for NT service. In response to BPA's May 6th request, the NT Customer Group argues that "load levels at POD level are but one factor in BPA's overall system planning and they do not, in and of themselves, determine how costs are caused on BPA's entire Network."[2] We agree, and therefore have used other relevant factors in allocating the illustrative Network revenue requirement in our August 10th presentation based upon particular system design criteria.

Simply stated, system reliability planning can be broken down into three major components: points of receipt (PORs); the Network "Highway"; [3] and, points of delivery (PODs). PORs are generally designed based upon the generation nameplate behind each POR. The Network Highway is designed based upon

[1] See BPA May 6th presentation (slides 4-7 at BPA May 6 Presentation). Also see Tacoma Power's August 13, 2014 presentation identifying the apparent discrepancy (slide 6 at Tacoma Aug 13, 2014 Presentation)

[2] The NT Customer Group comments filed on June 3rd.

[3] The Network "Highway" can simply be thought of as all the high voltage transmission equipment between the POR and POD demarcation points.

modeled flows under multiple stressed load-resource balance scenarios. PODs are designed for the maximum expected load at each location[4].

Based upon design criteria for each of the three major components and the BP-16 peak load forecast data, we presented a true cost causation based cost allocation between PTP and NT service on BPA's Network segment. That work indicated a total subsidy of approximately $43 million to NT service if total Network revenue requirement is allocated to PTP based upon full contract demand (CD) and to NT based upon annual average 1-in-2 peak loads (12"NCP")[5]. The total subsidy can be analyzed by component. The POR subsidy of $3.5 million results from designing Network PORs based upon generation nameplate while only allocating POR costs to NT based upon average annual peak loads (and to PTP based upon full CD). The Network Highway subsidy of $35 million results from design criteria based upon "higher of" flows under various heavy summer/winter load-resource balance scenario (i.e. 1CP equivalent) while only allocating costs to NT based upon their average annual peak loads (and again to PTP based upon full CD). The POR subsidy of $5 million results from designing PORs based upon each POD's maximum expected peak load while only allocating POR cost to NT based upon average annual peak loads.

In our August 13, 2014 presentation we indicated that FERC adopted the "cookie cutter" contract demand allocation for PTP and peak load based allocator for NT service, in part, to meet the "comparable requirement" between a jurisdictional IOU's retail and NT wholesale transmission customers. BPA's Network segment is unique: it is comprised of long-term PTP and wholesale NT customers; it is non-jurisdictional; and, it has no retail customers. FERC stated in Order 888 that its cost allocation proposal was adopted as an "administrative convenience" and that it was "…a practical way to move forward now" for establishing wholesale transmission rates for jurisdictional IOUs. As an invitation for utilities to file other more equitable methodologies, FERC acknowledged that "Other versions (of flow based pricing) could more accurately assign capacity rights in accordance with a party's contribution to capacity costs."

The NT Customer Group letter concludes; "…We urge BPA to require any party proposing to change the allocation methodology to make such a demonstration as a prerequisite to BPA's serious consideration." We believe there has been valuable new information shared at the recent BP-18 pre-rate case workshops on BPA's NT peak load forecasting values and how those values are considered in

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[4] System planners do not distinguish between PTP and NT service in reliability planning studies.

[5] See slide 13 at Tacoma Aug 10, 2016 Presentation)

Network segment reliability planning and we believe the NT Customer Group's threshold has been met. Our proposal strikes a better and more equitable balance by more accurately accounting for BPA's long-term system planning, wholesale customer rights to capacity, and by fairly allocating system diversity benefits on the Network segment.[6] We urge BPA to adopt our proposal in BP-18.

Finally, in light of the recent announcement by BPA to allow Network product conversions in BP-20, it is critical that BPA now adopt a more equitable and principled Network segment cost allocation methodology that will minimize the BP-20 cost under-recovery under the status quo allocation and stand the test of time.[7]

Thank you for your consideration.

Sincerely,

Nicolas Garcia
Assistant Power Manager

[6] Questions have been posed about the ability to re-sell our PTP capacity. However, given the substantial amount of long-term PTP service on BPA's Network we are able to re-sell very little of that excess capacity, and when we do it is sold at a substantial discount.

[7] 1NCP still allocates less to NT than a cost allocation methodology purely based upon system design/build criteria (see slide 18 at Tacoma Aug 10, 2016 Presentation)