

Tech Forum  
Bonneville Power Administration

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In the BP-12 Transmission Settlement Agreement, BPA agreed to work with interested transmission customers, to define the parameters of a Transmission Cost of Service Analysis (COSA) that includes consideration of alternative methodologies for allocating demand-related costs and that determines the costs of BPA's major transmission services. BPA also agreed to complete an illustrative cost of service study using forecasted data from a recent fiscal year and share the cost of service model with its customers. BPA is in the process of holding a series of workshops to define such parameters and requests comments on the ratemaking principles for the COSA. It is important to establish these principles at the outset because the upcoming transmission rate proceeding will need to begin with this fundamental understanding as a starting point for the BPA's transmission rate setting process. Northwest Requirements Utilities (NRU) provides the following comments on the proposed set of ratemaking principles.

Generally, NRU agrees with principles that have been articulated but suggests that BPA make a few changes. As originally stated the proposed principles are listed below:

### **Traditional BPA transmission rate making principles**

- Consistency with BPA statutes
- Cost causation allocate costs to customers based on proportionate use
- Simplicity, understandability, public acceptance, and feasibility of application
- Avoidance of rate shock
- Rate stability from rate period to rate period (magnitude of rates and rate design)

### **Additional principles proposed by some Customers**

- Adherence to industry standards
- New study must be administrable, understandable, durable and repeatable
- Advocates for change should demonstrate need for change and propose an alternative methodology

### **NRU's Specific Comment on Some of the Principles**

First, there may be different interpretations of the following principle and it is important to clarify what this principle is referring to: "Cost causation allocate costs to customers based on proportionate use." There are many ways of establishing proportionate use that are at odds with generally accepted rate making principles. Examples could include attempts to implement "value of service" pricing or applying retail ratemaking to a wholesale transmission provider such as BPA. However, we interpret this principle to mean that the allocation of costs should be done in accordance with industry accepted wholesale ratemaking principles.

Second, we find the following principle unclear: "Rate stability from rate period to rate period (magnitude of rates and rate design)." We propose the following revision: "Rate stability from rate period to rate period (both with regard to the level of the rates and the rate design to be implemented)."

Third, we also find this principle to be unclear: "New study must be administrable, understandable, durable and repeatable." We suggest the following wording: "Any new approach to cost of service proposed for adoption must be administrable, understandable, durable and repeatable."

With these changes NRU finds the proposed set of transmission ratemaking principles acceptable.