

**To: BPA Tech Forum**

**Date: May 11, 2012**

**RE: Cost Allocation Methodology**

Northwest Requirements Utilities (“NRU”) appreciates the opportunity to respond to BPA staff’s proposal to use a 12 non-coincidental peak (“12 NCP”) methodology for allocating costs for its Network segment in the Transmission Cost of Service Analysis (“COSA”) and to reiterate our support for a 12 coincidental peak (“12 CP”) methodology. NRU represents 50 load following customers of BPA, all of whom purchase transmission under the Network Integration rate schedule. The choice of an allocation methodology will directly affect our membership because of the rate impacts that will result. NRU is a party to the February 29<sup>th</sup> and May 11<sup>th</sup> joint comments of the NT customers and continues to support the positions taken in those documents.

BPA’s 12 NCP proposal is an improvement over the modified 1 coincidental peak (“1 CP”) methodology BPA currently uses, but NRU continues to advocate that BPA adopt a 12 CP approach. As the NT customers have pointed out many times throughout this process, a 12 CP methodology is the industry standard for allocating costs for transmission systems like BPA’s. BPA staff has presented ample evidence that demonstrates if BPA follows the industry standard and the Federal Energy Regulatory Commission’s (“FERC”) preferred approach, a 12 CP approach is warranted.<sup>1</sup> If BPA does not move to a 12 CP methodology, NT customers will continue to subsidize the PTP segment of the transmission system, and BPA will continue to deviate from standard industry practice.

NRU recognizes that BPA staff may be concerned that a move to 12 CP will cause a rate increase to the PTP rates. Avoidance of rate shock is an important principle to which BPA should adhere, but any alleged rate shock is an issue that should be addressed in the rate case and rate case workshops, not in the COSA process. BPA should adopt the 12 CP cost allocation methodology in the COSA to be consistent with the industry standard and address any related concerns through the rate design process.

In conclusion, NRU appreciates BPA conducting this transparent and informative process to examine its cost allocation methodology. The evidence presented throughout the process has soundly demonstrated that BPA’s adoption of a 12 CP cost allocation methodology is long overdue, and we urge BPA to move to the 12 CP methodology now.

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<sup>1</sup> See, Transmission Cost of Service Analysis Workshop Power Point Presentation, December 5, 2011, available at [http://www.bpa.gov/corporate/ratecase/docs/COSA\\_Workshop\\_12-05-11\\_revised.pdf](http://www.bpa.gov/corporate/ratecase/docs/COSA_Workshop_12-05-11_revised.pdf); FERC Coincidental Peak Test Power Point, January 11, 2012, p. 2, available at [http://www.bpa.gov/corporate/ratecase/docs/FERC\\_Coincidental\\_Peak\\_Test.pdf](http://www.bpa.gov/corporate/ratecase/docs/FERC_Coincidental_Peak_Test.pdf); Transmission Cost of Service Analysis Workshop Power Point, February 8, 2012, p. 16, available at [http://www.bpa.gov/corporate/ratecase/docs/COSA\\_Workshop\\_2-8-12.pdf](http://www.bpa.gov/corporate/ratecase/docs/COSA_Workshop_2-8-12.pdf).