

# Transmission Cost of Service Analysis Workshop

April 26, 2012



# Agenda

- Cost Of Service Analysis (COSA)
  - Review of analysis for non-coincidental peak
  - Staff recommendation
  
- Next Steps

# Non-Coincidental Peak Analysis

- For 1 NCP, allocate costs based on PTP, IR and FPT annual average forecasted contract demand plus the sum of each NT customer's annual peak.
- For 12 NCP, allocate costs based on PTP, IR and FPT annual average forecasted contract demand plus the sum of each NT customer's average monthly noncoincidental peak.
- 1 NCP and 12 NCP were modeled in the Transmission Rates Analysis Model (TRAM).

# Network Cost Allocation Alternatives Summary

	1CP	12CP		3CP		1NCP		12NCP	
	Rate	Rate	Increase Over 1CP	Rate	Increase Over 1CP	Rate	Increase Over 1CP	Rate	Increase Over 1CP
PTP Base	1.368	1.427	4.3%	1.378	0.7%	1.337	-2.3%	1.392	1.8%
SCD	0.254	0.254	0.0%	0.254	0.0%	0.254	0.0%	0.254	0.0%
<b>Total</b>	<b>1.622</b>	<b>1.681</b>	<b>3.6%</b>	<b>1.632</b>	<b>0.6%</b>	<b>1.591</b>	<b>-1.9%</b>	<b>1.646</b>	<b>1.5%</b>
NT Base	1.368	1.427	4.3%	1.378	0.7%	1.337	-2.3%	1.392	1.8%
LS	0.300	0.00	-100.0%	0.244	-18.7%	0.460	53.3%	0.163	-45.7%
SCD	0.254	0.254	0.0%	0.254	0.0%	0.254	0.0%	0.254	0.0%
<b>Total</b>	<b>1.922</b>	<b>1.681</b>	<b>-12.5%</b>	<b>1.876</b>	<b>-2.4%</b>	<b>2.051</b>	<b>6.7%</b>	<b>1.809</b>	<b>-5.9%</b>
IR	1.622	1.681	3.6%	1.632	0.6%	1.591	-1.9%	1.646	1.5%
FPT	1.470	1.524	3.6%	1.479	0.6%	1.442	-1.9%	1.492	1.5%

Assumption: the NT billing factor for all allocation alternatives was held constant using the load on the hour of the monthly transmission system peak. If we were to align the billing factor with the allocation factor, we would see the Load Shaping rate be eliminated.

# Staff Recommendation

- BPA staff recommends the use of the 12 NCP method for allocating network costs.
  
- The rationale for the 12 NCP allocation methodology has two components:
  - The use of monthly rather than annual or seasonal peak loads.
  - The use of customer peak rather than transmission peak loads.

# Staff Recommendation, Con't

- Why use monthly peak NT loads for allocation of network costs?
  - Use of the BPA transmission system is relatively flat throughout the year, as evidenced by the results of applying the FERC 12 CP tests to BPA transmission.
  - The planning process considers winter-peak, summer-peak, and off-peak loading conditions.
  - Need for transmission facilities is driven by a variety of factors other than annual-peak loads, including surplus marketing and integration of new resources.

## Staff Recommendation, Con't

- Why use NT customer peak load rather than load coincidental with the transmission peak for network cost allocation?
  - The BPA planning process uses noncoincidental peaks in planning studies. Use of noncoincidental peaks assures that the system is adequate to meet the needs in local areas, as well as in the bulk transmission system.

## Next Steps

- May 4, 2012 -- Customer comments on staff recommendation on network allocation.
  
- May 26, 2012 -- Proposed close-out of cost allocation as discussed in the Transmission Settlement Agreement and beginning of Pre-Rate Case workshop meetings.
  - See schedule at:  
[http://www.bpa.gov/corporate/ratecase/docs/BP-14\\_Transmission\\_Rates\\_Workshop\\_Schedule.pdf](http://www.bpa.gov/corporate/ratecase/docs/BP-14_Transmission_Rates_Workshop_Schedule.pdf)