

Introduction to the Transmission Cost Analysis

The draft transmission cost analysis (used to determine transmission rates) is a fairly standard analysis similar to developing and proposing formula rates in front of the Federal Energy Regulatory Commission (FERC).

Grant PUD goal is to ensure the rates, terms and conditions of service for wholesale sales and transmission of electric energy are just, reasonable, and not unduly discriminatory or preferential.

Borrowing from FERC language:

[T]he integrity and transparency of formula rates and their implementation are critically important in ensuring just and reasonable rates. Therefore, the Commission's policy is that utilities include safeguards in their transmission formula rate protocols to provide transparency in the utilities' implementation of their transmission formula rates, to ensure that the input data is the correct data and that calculations are performed consistent with the formula. Among these safeguards is a requirement for utilities to share the annual updates to their transmission rates determined pursuant to their formulas, with appropriate support, with all interested parties and to file such annual updates with the Commission on an informational basis.

The draft transmission cost analysis and subsequent formula rate design do not include any policy decisions (Grant PUD Commissioner driven), customer specific, historic, or situational adjustments. It is the result of an empirical analysis.

Transmission Cost/Rate Issues Raised by Stakeholders

This document includes a list of issues gathered from recent stakeholder comments. The purpose is to determine what issues we can answer at this point and identify where we may need additional information. Those issues that are policy specific should be addressed as such. Issues that have been addressed in the past should include any previous comments or decisions.

Quincy-Columbia District and East Columbia District

1. Rates must be developed pursuant to established cost-causation principles.

This issue was addressed in the June 5 response posted on Grant PUD's website.

2. The 12 month non-coincident peak method should be used.

12 month NCP is consistent with past practice. Currently Grant PUD's system does not allow for coincident billing without substantial manual work. The new energy accounting system should allow Grant PUD to automate coincident billing. We anticipate implementation will be complete in two years and the PUD will address this issues in greater detail at a future time.

FERC methodology typically applies the coincident peak method with the number of peaks based on the load profile peaks.

3. There should be four separate rates.

Grant PUD currently has 5 rates:

- a. 230 kV
- b. 13.2 kV (The districts have requested 3 separate rates)
- c. Residential
- d. Commercial
- e. Irrigation

Keeping these five rates seems appropriate at this time.

4. The wheeling rate should only incorporate transmission-related costs associated with the facilities formerly owned by the Federal Government.

- a. *From a theoretical level, the question is what should be reflected. Is it value based, original cost based, replacement based, or some other value. This is a policy issue that should be clearly identified.*

b. Utilizing this methodology would not incorporate all the costs to meet demand and would set a precedent to calculate a separate rate for each transmission customer rather than a single rate for the system. This is not consistent with industry standard practices.

5. Rate shock should be avoided.

The concept of rate shock, as a percent increase, cannot apply when the rate did not previously exist. The irrigation districts have been previously charged for some services, but not for transmission.

The concept of rate shock as written in Policy 8768 is intended to apply to customers within an existing rate schedule. When moving between rate schedules or into a new rate schedule, this concept does not apply. For example, a retail customer moving from Rate Schedule 14 to Rate Schedule 15 will see a significant increase in rates. This methodology was consistently applied in 2019 when customers that resided in Rate Schedule 7, were deemed to meet the qualification criteria for Rate Schedule 17 (Evolving Industry) and were moved from RS 7 to RS 17.

The rate should be consistent with transmission components that are in other rates.

6. The transmission system and distribution system capital investment costs should be allocated on a separate basis.

Grant PUD agrees that this is a reasonable approach.

7. Rates should not include costs associated with BPA transmission purchase agreements.

The wheeling contracts from all providers will be addressed on a case by case basis.

8. Rates should not include costs associated with wheeling power from Grant PUD's own power supply resources.

This suggestion is not consistent with normal rate setting principles. Wheeling charges serve a multitude of purposes including cost recovery (compensating owners of transmission assets), encouraging investment, determining the location of generation and transmission, and facilitating efficiencies (congestion pricing).

The Grant PUD transmission system is used to wheel power to the loads from a variety of resources.

The transmission system is used for multiple purposes and provides enhanced reliability and deliverability to both retail and transmission customers, therefore these costs are allocated to all users, including the largest user of transmission – Grant PUD's retail load.

9. Rates should only incorporate the tax-related costs actually levied on this wholesale transmission service.

This would be logical assuming the appropriate costs for the retail level voltage deliveries can be captured.

10. Grant PUD should host a meeting within two business days of when it posts its draft transmission rate proposal.

This issue was addressed in the June 5 response posted on Grant PUD's website.

11. The transmission rate schedule should allow 21 calendar days between the date of the posting of the draft Grant PUD transmission rate proposal and the due date for stakeholder comments.

This issue has been addressed by the proposed schedule in the June 5 response posted on Grant PUD's website.

Bureau of Reclamation (USBR) Comments/Clarifications for Grant PUD's Transmission Rates

12. The previous Cost of Service model (COSA) in 2014 initiated by Grant PUD was primarily geared towards retail customers. The methodology and cost allocation need to consider and include the logistics behind a wholesale transmission rate. To the extent that the costs do not add to the reliability and stability of the transmission or distribution system expenditures should not be allocated towards the wholesale transmission and distribution rates.

Some costs do not directly add to reliability and stability but are still transmission costs, such as those expenses associated with billing, accounting, and other administrative costs of doing business. It is appropriate to include these costs. To the extent possible, Grant attempts to align cost allocations with accepted FERC methodology.

13. All costs (and benefits) associated with generation should be separate from the wholesale transmission and distribution rates.

This is one of the primary goals of the study for delivery. Some of the ancillary services are generation related costs.

14. Overhead street lighting does not benefit wholesale distribution or transmission, therefore should not be included in the wholesale rates.

Generally, street lighting costs are a retail issues where costs recover maintaining the streetlights. However, if a particular section of distribution line only serves a street lighting load, it should still be included in the overall distribution costs. Distribution serves all customers and their usage is reflected in the billing units.

Similarly, if just one section of distribution line serves an Irrigation District load, it will be included and those costs will be allocated across all distribution customers in that class. This is consistent with the approach used in developing retail rates where distribution infrastructure used to deliver energy to rural loads is allocated across all distribution customers rather than directly allocated to those rural customers that rely upon those distribution systems. Changing this methodology to directly assign

distribution costs at a more granular level would require extensive cost research and analysis and would result in higher retail rates for rural customers.

15. Clarify how the new Transmission Rate methodology addresses new system builds and upgrades to accommodate individual businesses and new build up for expected load.

This is a larger policy issue regarding the incorporation of the costs of new construction going forward and is beyond the current scope of this proceeding.

16. The fiber optic network should only be incorporated in the rate to the extent that it provides for system capacity or reliability.

The fiber optic costs apply to the extent that they support the transmission system. Limiting recovery of fiber optic costs to only include system capacity and recovery would imply that not all of the support that the network provides to the transmission system is applicable. Costs that are expressly for wholesale fiber should not be allocated to transmission customers.

17. The 2014 COSA methodology shows meter expenses as shared within the rate. Consider addressing situations where BPA owns the meter and addition of a line item charged for meter expenses.

There are only 15 BPA meters involved in measuring reserved power. It is believed that Grant PUD owns the CTs and VTs for each, which is most of the cost. No costs associated with the BPA meters themselves should exist in Grant PUD's system since BPA maintains them.

18. Basic and capacity charges should not be assessed on individual meter points.

Grant PUD assumes that rates for delivery will be based on a basic charge and a capacity based charge. This is consistent with normal industry standards.

19. There are Grant PUD-owned substations that serve both reserve power loads and other customers. The rate needs to address jointly owned facilities or privately-owned equipment in a switchyard or substation. Consider a “use of facilities” rate to address certain situations.

The Grant PUD substations serve multiple customers and the developed rates represent a sharing of the costs among rate classes. The 15 meters owned by BPA in Grant PUD substations are addressed in #17 above. There is one load where the material of the distribution conductor is owned by USBR and the conductor is a de minimis contribution to the overall costs of the service.

20. Some substations that feed reserve power loads transition back to a USBR-owned distribution line. The rate needs to reflect such ownership in relation to cost allocation principles.

Costs with USBR facilities are not expected to be reflected in the proposed transmission rates. Grant PUD has a separate contract that covers the O&M that Grant PUD performs on the USBR facilities. The rates consider the voltage of the delivery. The amount of USBR facilities existing past the demarcation point is not relevant.

21. We recommend using the 12-Month Non-Coincident Peak (12NCP) cost allocation methodology, like what was used for the previous 2014 COSA.

This issue was addressed in an earlier response in this document (see response number two).

22. Please indicate how the value of some of these transmission and distribution facilities which were built by others for serving the USBR pumping loads are included in the rate.

The costs of Grant PUD owned facilities should be included in the rate, while the costs of facilities owned by others should not.

23. Please describe how legacy contracts will be incorporated into the rate.

This issue was addressed in the June 5 response posted on Grant PUD's website.

24. Please clarify what factors are driving replacement of the 2014 COSA methodology.

This issue was addressed in the June 5 response posted on Grant PUD's website.

25. The timeline proposed by Grant PUD is aggressive. Part of this process is to provide USBR and the Districts an opportunity to discuss the draft rate, allow enough time to properly review the proposal, provide relevant input to the proposed rates, among others. Consider avenues to extend stakeholder input timelines, provide user's guide for proposal and hold orientation meeting within 2 business days of the posting of the draft rate. This is to ensure that interested parties have enough time for effective review and comment.

This issue was addressed in the June 5 response posted on Grant PUD's website.