

## **Grant PUD's Response to the USBR's April 27, 2020 Comments**

As part of its customer engagement process for developing an updated transmission (wheeling) cost of service study (COSS or Study), Public Utility District No. 2 of Grant County (Grant) requested comments and feedback regarding its draft transmission (wheeling) COSS models.

The initial draft COSS was published on June 19, 2019. Following a review process with stakeholders, written feedback regarding the draft COSS was due to Grant by July 10, 2019. The Irrigation Districts and USBR submitted comments and questions on this date. Grant updated the COSS study and responded to the parties' comments on July 25, 2019. Grant responded to the remaining July 10<sup>th</sup> questions on August 5, 2019.

The Bonneville Power Authority (BPA) submitted comments and questions on August 5, 2019. Grant responded to these comments and questions on August 12, 2019. USBR submitted additional comments on August 27, 2019 and Grant responded to these comments on September 26, 2019. USBR further submitted additional questions on December 4, 2019 and Grant responded to these questions on January 8, 2020. Now, USBR has submitted additional comments (questions) on April 27, 2020 based on the COSS model released on January 27, 2020. The following are Grant's responses to those comments (questions).

### **Staff response to Comments 1, 2, 9, and 10, below**

#### **Comment 1**

Reference: "O&M Expenses – IV", Line 43, FERC # 596, Maintenance of Street lighting  
The version released on August 12, 2019 was adjusted to remove this cost with a note that states " Not Included in Wholesale Delivery Rates". Please adjust accordingly or if not, explain why this should be recovered through the transmission rate.

#### **Comment 2**

Reference: "O&M Expenses – IV", Line 44, FERC # 597, Maintenance of Meters  
The version released on August 12, 2019 was adjusted to remove this cost with a note that states " Not Included in Wholesale Delivery Rates". Please adjust accordingly or if not, explain why this should be recovered through the transmission rate.

#### **Comment 9**

Reference: "Gross Plant In Service – V", Line 32, FERC # 366 Underground conduit  
Pursuant to the October 11, 2019 response from a public request for information, it appears that all of these costs are unrelated to the wheeling of USBR power. Please explain why this should be recovered through the USBR transmission rate.

### **Comment 10**

Reference: “Gross Plant In Service – V”, Line 33, FERC # 367 Underground conductors and devices. Pursuant to the October 11, 2019 response from a public request for information, it appears that all of these costs are unrelated to the wheeling of USBR power. Please explain why this should be recovered through the USBR transmission rate.

In the original June 19, 2019 COSS, staff’s COSS approach attempted to develop a 13.2kV cost of service by deleting certain distribution plant accounts and distribution O&M expense accounts. The June 19<sup>th</sup> study excluded distribution FERC O&M Expense Account #s 596 (Maintenance of Street lighting) and 597 (Maintenance of Meters), and FERC plant account #s 366 (Underground conduit) and 367 (Underground conductors and devices) along with a few other accounts in determining its 13.2 kV transmission wheeling cost of service.

In its August 12, 2019 COSS update, staff changed its 13.2 transmission wheeling cost of service calculation methodology. Rather than reviewing individual accounts one by one, staff developed an estimated allocation factor to apply to the distribution cost of service to estimate 13.2 transmission wheeling costs. This is a common approach in cost of service studies where an extensive effort would be required to aggregate and review a substantive amount of data. This resulted in the Distribution Plant Inclusion Ratio of 68.02% applied to the total distribution cost of service (includes all distribution accounts) to determine the 13.2kV distribution cost of service, which was then used as a basis for determining the 13.2kV transmission wheeling delivery rates. This allocation methodology is consistent with calculations by FERC regulated electricity providers.

The August 12<sup>th</sup> and all subsequent COSS models have used the Distribution Plant Inclusion Ratio to allocate the distribution cost of service for its 13.2kV transmission wheeling customers. Staff believes that this calculation fairly and reasonably assigned costs to all Grant’s retail and transmission customers. In fact, staff believes its current distribution cost of service methodology results in lower delivery costs for the 13.2kV transmission “wholesale” customers than the June 19<sup>th</sup> methodology would produce. Staff believes this methodology provides a benefit to the 13.2kV transmission wheeling customers. See staff’s response to Comment 13 for further discussion on the Distribution Plant Inclusion Ratio.

### **Comment 3**

Reference: “O&M Expenses – IV”, Line 38, FERC # 588 Miscellaneous Distribution Pursuant to the September 13, 2019 response from a public request for information, it appears that some of these items pertain to vehicle operations and maintenance. Please explain why these should be 100% recovered through the transmission rate and/or why they should be included. Examples of line items included in the cost, but not limited to: Custom Interior and Boat Upholstery, Landmark Ford – Lincoln, Goodyear Tire and Rubber, among others.

For accounting purposes, Grant utilizes the Federal Energy Regulatory Commission’s (FERC) Uniform System of Accounts when recording its incurred O&M expenses. FERC Account # 588

Miscellaneous Distribution Expenses is part of Grant's total distribution O&M expense, which in turn is included in the total distribution cost to serve of \$57,808,127 (see the attached Appendix A, Cost of Service-Exh. II tab, Col. E, Ln 20). USBR is incorrect in stating that these O&M expenses are 100% recovered through the 13.2kV transmission wheeling rate. Instead, the total distribution cost to serve is allocated to 13.2kV transmission wheeling customers based on the Distribution Plant Inclusion Ratio of 68.02% (see the attached Appendix A, Allocation Factors-Exh. III tab, Lns 9 – 14) for an allocated distribution cost to serve of \$39,318,801 (Appendix A, Cost of Service Factors-Exh. 1 tab, Col. D, Lns 10-12.) As further discussion in Grant's response to Comment 13, the 13.2kV transmission wholesale customers using this service will contribute approximately \$615,796 towards the allocated distribution cost of service of \$39,318,801, or approximately 1.57% ( $\$615,796/\$39,318,801$ ) or approximately 1.07% of the total distribution cost of service of \$57,808,127 ( $\$615,796/\$57,808,127$ ).

USBR's comment highlights O&M expenses that it believes should not be recovered through Grant's 13.2kV transmission wheeling rate. Staff believes these O&M expenses are recoverable from Grant's 13.2kV transmission wheeling customers because these O&M expenses were prudently incurred during the normal business operations. Tire expense is a normal operating cost for vehicles that service Grant's electric system and should be recovered as such. Staff believes these O&M expenses have been recorded in accordance with FERC accounting guidelines. This statement is supported in Grant's 2018 annual report, Notes to the Financial Statements, Note 1, on Page 33.

*"The District maintains its accounts in accordance with accounting principles generally accepted in the United States of America for proprietary funds as prescribed by the Governmental Accounting Standards Board ("GASB"). The District's accounting records generally follow the Uniform System of Accounts for public utilities and licenses prescribed by FERC. The accompanying financial statements are those of the District, which generates, transmits, and distributes electric energy and wholesale fiber optic network services within Grant County, Washington".*

To simply pick and choose which distribution O&M expenses are applicable to 13.2kV transmission wheeling customers would be inappropriate ratemaking and against Grant operation policies for its "networked" system. As frequently mentioned throughout the transmission wheeling rate process, which began on May 1, 2019, Grant's position is that it operates its networked electric system as reflected in Brent Bischoff's (Sr. Manager Power Delivery Engineering) white paper. The paper states in part:

The Grant County PUD **electric distribution system is designed as a networked system**. This design practice is common in the electric utilities industry in order to provide the most reliable possible electric service to customers . . . This ensures that outage frequency and duration to utility customers are kept to a minimum . . . The **distribution system is a networked system** designed to provide the highest level of reliability and service to each customer regardless of their location in the service territory.

. . . Since electric distributions systems are networked and provide equal quality of service to all customers, it is *common utility practice to spread the cost to build, operate and maintain the system equally among customers* . . . [Emphasis added]

Staff believes that its FERC Account # 588 amounts are properly recorded and allows for fair and reasonable cost recovery from all of Grant's retail and transmission customers.

### **Staff response to Comments 4, 5, 6, 14, and 15, below**

#### **Comment 4**

Reference: "Gross Plant In Service – V", Line 40, FERC # 390 Structures and Improvements Pursuant to the September 13, 2019 response from a public request for information, it appears that some of these items are projects located within Priest Rapids (PR) Dam and/or Wanapum Dam (power supply costs). Since they appear to be located within the boundaries of a generating facility, please explain why they should be recovered through the transmission rate. Examples of lines items included in the cost, but not limited to: New Heritage Center, New HED building, Wanapum Main, among others.

#### **Comment 5**

Reference: "Gross Plant In Service – V", Line 41, FERC # 391 Office Furniture and Equipment Pursuant to the September 13, 2019 response from a public request for information, it appears that some of these items are equipment located within PR Dam and/or Wanapum Dam (power supply costs). Since they appear to be located within the boundaries of a generating facility, please explain why these should be recovered through the transmission rate. Examples of lines items included in the cost, but not limited to: Wanapum Office Furniture pool, PR office pool, among others.

#### **Comment 6**

Reference: "Gross Plant In Service – V", Line 48, FERC # 398 Miscellaneous Equipment Pursuant to the September 13, 2019 response from a public request for information, it appears that some of these items are equipment located within PR Dam and/or Wanapum Dam (power supply costs). Since they appear to be located within the boundaries of a generating facility, please explain why these should be recovered through the transmission rate. Examples of lines items included in the cost, but not limited to: PR Miscellaneous Equipment Pool, Wanapum Miscellaneous Equipment Pool, among others.

#### **Comment 14**

Reference: "Gross Plant In Service – V", Line 2, FERC # 302 Franchises and Consents Pursuant to the September 13, 2019 response from a public request for information, it appears that one item is strictly for power supply costs (Line item with "PRP"). Please explain why this should be recovered through the transmission wheeling rate.

### **Comment 15**

Reference: “Gross Plant In Service – V”, Line 3, FERC # 303 Miscellaneous Intangible Plant Pursuant to the September 13, 2019 response from a public request for information, it appears that most of these items are power supply costs (Line items with “PRP”, “QC” or “PEC”). Please explain why these should be recovered through the transmission wheeling rate.

Grant reviewed FERC Account #s 302, 303, 390, 391, and 398 and determined that certain intangible and general plant balances in the previous Transmission COSS needed to be revised, these accounts have been adjusted. The plant account deep dive resulted in adjusting certain plant balances; removing plant amounts previously recorded in FERC #s 302, 303, 390, 391, and 398 and reclassifying the plant accounts to the generation function as oppose to allocating the plant balances to generation, transmission, and distribution. These accounts have been adjusted and the cost of service impacts have been calculated (a COSS reduction of \$10,241,624) as reflected in Tables 1-5:

**Table 1: Gross Plant Amounts Reclassified to Generation Plant**

FERC Account # (Amounts in \$)	Generation Allocated Plant	Transmission Allocated Plant	Distribution Allocated Plant	Generation Function
302		(8,306,171)	(12,716,392)	21,022,563
303		(10,033,278)	(27,608,076)	37,641,354
390	(103,374,166)	(24,472,547)	(37,466,285)	165,312,998
391	(11,978,541)	(2,835,770)	(4,341,427)	19,155,738
398	(2,348,278)	(555,926)	(851,095)	3,755,299
<b>Total</b>	<b>(117,700,985)</b>	<b>(46,203,692)</b>	<b>(82,983,275)</b>	<b>246,887,952</b>

**Table 2 Accumulated Depreciation Reclassified to Generation Accumulated Depreciation**

FERC Account # (Amounts in \$)	Generation Allocated	Transmission Allocated	Distribution Allocated	Generation Function
302		(3,641,606)	(5,575,122)	9,216,738
303		(7,047,715)	(10,789,710)	17,837,425
390	(7,430,017)	(1,758,964)	(2,692,889)	11,881,870
391	(11,866,547)	(2,809,257)	(4,300,837)	18,976,641
398	(1,716,868)	(406,447)	(622,251)	2,745,566
<b>Total</b>	<b>(21,013,432)</b>	<b>(15,663,989)</b>	<b>(23,980,809)</b>	<b>60,658,240</b>

**Table 3: Net Plant Reclassified to Generation Plant and Return on Investment Calculation**

FERC Account # (Amounts in \$)	Generation Allocated	Transmission Allocated	Distribution Allocated	Generation Function
302		(4,664,565)	(7,141,270)	11,805,825
303		(2,985,563)	(16,818,366)	19,803,929
390	(95,944,149)	(22,713,583)	(34,773,396)	153,431,128
391	(111,994)	(26,513)	(40,590)	179,098
398	(631,410)	(149,478)	(228,844)	1,009,733
<b>Total</b>	<b>(96,687,553)</b>	<b>(30,539,702)</b>	<b>(59,002,466)</b>	<b>186,229,713</b>
Return on Investment		6.02%	6.02%	
Return Impact*		<b>(1,838,490)</b>	<b>(3,551,948)</b>	

\*Return Impact from the May 12<sup>th</sup> Transmission COSS model

**Table 4: Depreciation Expense Impact**

(Amounts in \$)	Transmission	Distribution
May 12 <sup>th</sup> Depreciation Level	6,826,640	24,448,905
Revised Depreciation	5,301,714	21,355,125
Depreciation Impact	<b>(1,524,926)</b>	<b>(3,093,780)</b>

**Table 5: Total Cost of Service Impacts from Plant Reclassification to Generation**

(Amounts in \$)	Transmission	Distribution	Total
Return Impact	(1,838,490)	(3,551,948)	(5,390,438)
Depreciation Impact	(1,524,926)	(3,093,780)	(4,618,706)
O&M Expense Impact	(89,051)	(143,429)	(232,480)
Total Impact on COSS	<b>(3,452,467)</b>	<b>(6,789,157)</b>	<b>(10,241,624)</b>

The COSS reductions resulted in lower transmission wheeling rates. (see Appendix A, Cost of Service Factors-Exh. 1 tab Lns. 6 and 15).

In its updated January 27, 2020 COSS model, Grant made two adjustments to reclassify Priest Rapids and Wanapum dam transformers and radial line facilities from transmission to generation. A total of \$64,162,060 in plant balances (see May 12, 2020, Appendix A, Gross Plant in Service-Exh. V tab, Lns 24-25) was reclassified to generation, resulting in a cost of service reduction of \$4,268,716 (see Appendix A, Adjustment tab, Lns 13-30). This resulted in a lower 115kV transmission wholesale rate. The above total plant account adjustments result in total cost of service reduction of \$14,510,340 (\$10,241,624+\$4,268,716).

**Comment 7**

Reference: “Gross Plant In Service – V”, Line 29, FERC # 362 Station Equipment  
Pursuant to the October 11, 2019 response from a public request for information, it appears that some of these items are costs resulting from potential server farm substation upgrades and localized costs that are unrelated to the wheeling of USBR power. Please explain why this should be recovered through the USBR transmission rate.

For accounting purposes, Grant utilizes FERC Uniform System of Accounts when recording its capital plant expenditures. FERC Account # 362 Station equipment is a directly assigned distribution plant account to the distribution function and FERC states:

This account shall include the cost installed of station equipment, including transformer banks, etc., which are used for the purpose of changing the characteristics of electricity in connection with its distribution.

**Items**

1. Bus compartments, concrete, brick and sectional steel, including items permanently attached thereto.
2. Conduit, including concrete and iron duct runs not part of building.

3. Control equipment, including batteries, battery charging equipment, transformers, remote relay boards, and connections.
4. Conversion equipment, indoor and outdoor, frequency changers, motor generator sets, rectifiers, synchronous converters, motors, cooling equipment, and associated connections.
5. Fences.
6. Fixed and synchronous condensers, including transformers, switching equipment, blowers, motors, and connections.
7. Foundations and settings, specially constructed for and not expected to outlast the apparatus for which provided.
8. General station equipment, including air compressors, motors, hoists, cranes, test equipment, ventilating equipment, etc.
9. Platforms, railings, steps, gratings, etc., appurtenant to apparatus listed herein.
10. Primary and secondary voltage connections, including bus runs and supports, insulators, potheads, lightning arresters, cable and wire runs from and to outdoor connections or to manholes and the associated regulators, reactors, resistors, surge arresters, and accessory equipment.
11. Switchboards, including meters, relays, control wiring, etc.
12. Switching equipment, indoor and outdoor, including oil circuit breakers and operating mechanisms, truck switches, disconnect switches.

NOTE: The cost of rectifiers, series transformers, and other special station equipment devoted exclusively to street lighting service shall not be included in this account, but in account 373, Street Lighting and Signal Systems.

USBR's comment highlights capital plant investment resulting from potential server farm substation upgrades and localized costs. USBR did not provide any further detail. Staff believes Grant's plant expenditures are recorded in accordance with FERC accounting guidelines. This statement is supported in Grant's 2018 annual report, Notes to the Financial Statements, Note 1, on Page 33.

*"The District maintains its accounts in accordance with accounting principles generally accepted in the United States of America for proprietary funds as prescribed by the Governmental Accounting Standards Board ("GASB"). The District's accounting records generally follow the Uniform System of Accounts for public utilities and licenses prescribed by FERC. The accompanying financial statements are those of the District, which generates, transmits, and distributes electric energy and wholesale fiber optic network services within Grant County, Washington".*

FERC Account # 362 is part of Grant's distribution cost to serve. USBR argues that some of Account # 362 plant balance amounts are not applicable to transmission customers.

Staff believes that USBR is attempting to segment Grant's electric system by picking and choosing certain plant assets that appear to provide no benefit to them. To simply pick and choose which plant account balances that are applicable to 13.2kV transmission wheeling customers is against Grant operation policies for its "networked" system (for further details, see staff's response to Comment 3) and would be inappropriate ratemaking. As further discussed in Grant's response to Comment 13, the 13.2kV transmission wholesale customers using this service will contribute approximately \$615,796 towards the allocated distribution cost of service of \$39,318,801, or approximately 1.57% ( $\$615,796/\$39,318,801$ ) or approximately 1.07% of the total distribution cost of service of \$60,505,551 ( $\$615,796/\$57,318,801$ ).

Staff believes that its FERC Account # 362 is properly recorded and allows for fair and reasonable cost recovery from all of Grant's retail and transmission customers.

### **Comment 8**

Reference: "Gross Plant In Service – V", Line 30, FERC # 364 Poles, towers and fixtures Pursuant to the October 11, 2019 response from a public request for information, it appears that all of these costs are unrelated to the wheeling of USBR power. Please explain why this should be recovered through the USBR transmission rate.

For accounting purposes, Grant utilizes FERC Uniform System of Accounts when recording its capital plant expenditures. FERC Account # 364 Poles, towers, and fixtures is a directly assigned distribution plant account to the distribution function and FERC states:

This account shall include the cost installed of poles, towers, and appurtenant fixtures used for supporting overhead distribution conductors and service wires.

#### **Items**

Anchors, head arm, and other guys, including guy guards, guy clamps, strain insulators, pole plates, etc.

1. Brackets.
2. Crossarms and braces.
3. Excavation and backfill, including disposal of excess excavated material.
4. Extension arms.
5. Foundations.
6. Guards.
7. Insulator pins and suspension bolts.
8. Paving.
9. Permits for construction.
10. Pole steps and ladders.
11. Poles, wood, steel, concrete, or other material.
12. Racks complete with insulators.
13. Railings.



14. Reinforcing and stubbing.
15. Settings.
16. Shaving, painting, gaining, roofing, stenciling, and tagging.
17. Towers.
18. Transformer racks and platforms.

USBR suggests that all of these costs are unrelated to the wheeling of USBR power. USBR does not provide any further support for this argument.

Staff disagrees with USBR's argument that these costs are unrelated to the transmitting of electricity and should not apply to USBR. For example, for the electricity to be transmitted from one location to another will require the use of the transmission and distribution plant facilities, such as poles, that support Grant's networked electric system. USBR transmission wheeling customers taking delivery off Grant's 13.2kV system are using the distribution facilities. The facilities recorded in FERC Account # 364 are used by Grant to provide electricity to all its "networked" retail and transmission customers. For more discussion about Grant's "networked" system, see staff response to Comment 3.

Staff believes that its FERC Account # 362 is properly recorded and allows for fair and reasonable cost recovery from all of Grant's retail and transmission customers.

#### **Comment 11**

Reference: "O&M Expenses – IV", Line 66, FERC # 921 Office and Supplies  
Pursuant to the September 13, 2019 response from a public request for information, it appears that some of these items are power supply costs (Line items with "PR"). Also, please explain why items paid to "Northwest Energy Efficiency Alliance/Northwest Power Pool" should be recovered through the transmission rate.

For accounting purposes, Grant utilizes FERC Uniform System of Accounts when recording its O&M expenditures. Account # 921 is a General and Administrative (A&G) O&M Expense account. These expenses are not directly assignable to any function, such as, Generation, Transmission, and Distribution. But these expenses benefit the entire electric system and should be shared by all Grant customers.

The "PR" labelling in the expense account designation stands for Priest Rapids. Both Grant's generation and transmission functions include O&M expense items related to the operation of Priest Rapids facilities as previously discussed Grant's response to USBR's 12.4.20 Questions and Comments, Question No. 3 and in Grant's opening introduction statement to the July 10, 2019 Questions and Comments, which states:

*A recurring theme within their comments is the fact that many of Grant PUD's accounting titles include "PRP" in the title, and the misconception that the Priest Rapids Project ("PRP")-related costs are all generation costs. The April 17, 2008 Federal Energy Regulatory Commission's Order Issuing New License for continued*

*operation of the Priest Rapids Project (available at <https://www.grantpud.org/templates/galaxy/images/images/Downloads/About/Environment/ShorelineManagement/PriestRapidsProjectLicenseh1.pdf>) lists several transmission specific components to the project.*

Staff believes that the A&G O&M expenses with the “PR” designation should be allocated to the generation, transmission and distribution functions and should be recovered from all customers as providing a benefit to all customers. Further, the costs associated Northwest Power Pool are costs incurred improving Grant’s transmission grid reliability and should be recovered from all customers.

To simply pick and choose which “PR” coded O&M expenses included in A&G expenses that are applicable to 13.2kV transmission customers is against Grant’s operation policies for its “networked” system (for further details, see staff’s response to Comment 3). Staff believes these A&G “PR” costs should be fairly shared with of Grant’s retail and transmission customers. The Northwest Power Pool costs were prudently incurred costs where grid reliability is improved. Here again, it appears to staff that USBR is attempting to segment Grant’s electric system by picking and choosing certain O&M expenses that are included in A&G expenses that are allocated, that appear to provide no benefit to them. Staff believes that removing these expenses would be inappropriate ratemaking.

Grant PUD’s 2019 Transmission COSS allocates the A&G expenses amounts to the Production, Transmission, or Distribution functions for cost recovery by using the direct labor factors (FERC approval allocation methodology), as reflected in staff’s response to USBR’s 12.4.19 Questions and Comments, Table 1 and in the attached Appendix A, Allocation Factors-Exh. III tab, Lns 15-20. The transmission function is allocated 14.80% and distribution function is allocated 22.66% of Account #921. The generation function is allocated 62.53% of Account #921 (see Appendix A, O&M Expenses-Exh. IV tab, Ln 66).

Staff believes that its FERC Account # 921 O&M amounts are properly recorded and allows for fair and reasonable cost recovery from all of Grant’s retail and transmission customers.

### **Comment 12**

Reference: “O&M Expenses – IV”, Line 79, FERC # 935 Maintenance of General Plant Pursuant to the September 13, 2019 response from a public request for information, please explain why diving costs should be recovered through the transmission rate.

Staff agrees with USBR that diving costs should not be included in Account #935 Maintenance of General Plant. During 2018, Grant incurred diving expenses of \$482,278.65, which are attributable to the generation function. These expenses were recorded in Account #935. The revised Transmission COSS (see Appendix A) has been adjusted and the expenses are directly assigned to the Generation function (see Appendix A, O&M Expenses-Exh. IV tab, Lns 26 and 79). This adjustment reduced the transmission cost to serve by \$71,395 and reduced the distribution cost to serve by \$109,284. The cost of service adjustment is additive to the

adjustments discussed above, see staff response to Comments 4, 5, 6, 14, and 15. These cost to serve changes resulted in a reduction to both transmission wholesale delivery rates (see Appendix A, Cost of Service Factors-Exh. I tab, Lns. 6 and 15).

**Comment 13**

Plant Distribution Factor. USBR and the Districts believe that the 68.02% allocation factor is an over-recovery. For reference, 45% of the Distribution system is used to transmit 13.2kV and USBR loads only make up about 3% of the wheeling customer base. What rationale is being applied to justify an allocation factor at this percentage to be recovered through USBR wheeling? This allocation factor appears high.

Staff disagrees with USBR that its Distribution Plant Inclusion Ratio of 68.02% is too high. The ratio was developed consistently with FERC guidelines and was reviewed by GDS Consulting and determined to be a reasonable. The calculation began by removing FERC Distribution Plant Account #s 365 (Overhead conductors and devices), 366 (Underground conduit), and 367 (Underground conductors and devices) from its ratio equation because these accounts were not applicable to the transmission wheeling customers making deliveries off of Grant’s Sub 13.2kV system. See staff ratio calculation in Table 6:

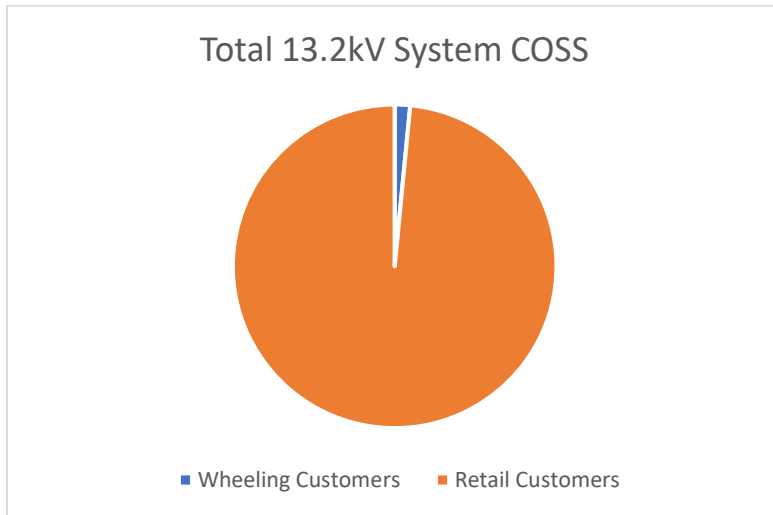
**Table 6: Calculation of Grant’s Distribution Plant Inclusion Ratio**

Account #s (Amount in \$)	Amount	Ratio Calculation
<u>Numerator</u>		
360-Land and Land Rights	853,209	
361-Structures and Improvements	1,052,384	
362-Station equipment	176,101,529	
364-Poles, towers, and fixtures	92,252,171	
<b>Total</b>	<b>270,259,293</b>	<b>270,259,293</b>
<u>Denominator</u>		
360-Land and Land Rights	853,209	
361-Structures and Improvements	1,052,384	
362-Station equipment	176,101,529	
364-Poles, towers, and fixtures	92,252,171	
368-Line Transformers	75,150,171	
369-Services	21,339,101	
370-Meters	23,489,723	
373-Street lighting and signal systems	7,108,100	
<b>Total</b>	<b>397,346,388</b>	<b>397,346,388</b>
Distribution Plant Inclusion Ratio		<b>68.02%</b>

The Distribution Plant Inclusion Ratio is applied to distribution cost of service \$57,808,127 to develop the net 13.2kV transmission wholesale cost of service of \$39,318,801 (see Appendix A, Cost of Service Factors-Exh. I tab, Lns 10-12). The cost of service difference of \$18,489,326 (\$57,808,127-\$39,318,801) will be collected solely from Grant’s retail customers. The 13.2kV

transmission wholesale cost of service of \$39,318,801 is divided by total 13.2kV system load of 731 MW to determine 13.2 kV transmission wholesale delivery rate of \$4.66/kW-mo. (see Appendix A, Cost of Service Factors-Exh. I, Lns. 10-18). It is worth noting that this rate is only charged to the 13.2 kV transmission “wholesale” customers.

Staff estimates that the 13.2kV transmission wheeling customers using this service will contribute approximately \$615,796 towards the allocated distribution cost of service of \$39,318,801, or approximately 1.57%, see Chart 1.



The remaining distribution cost of service of \$57,192,331 will be pay by Grant’s retail customers, see Table 7:

**Table 7: Retail and 13.2kV Transmission Wheeling Customers Contributions toward Distribution Cost of Service**

Description	Distribution Cost of Service
Total Distribution COSS	\$57,808,127
13.2kV Transmission wheeling customers’ contribution	\$615,796
Remaining Distribution COSS paid by Retail Customers	\$57,192,331

USBR argues that it uses 45% of the Distribution system to transmit 13.2kV and that USBR’s load only make up about 3% of the wheeling customer base and that staff’s 68.02% is too high. USBR did not provide further support for its argument. Staff was unable to determine the origin of USBR’s 45% and 3% amounts.

Based on the results of its analysis, staff believes that its COSS model methodology treats all its retail and transmission wheeling customers fairly and reasonably.

### **Comment 16**

Reference: “Cost of Service Factors –I”, line 1, Note A is referenced. Please provide Note A or correct the reference.

Note A reference on Line 1 has been removed. The reference was missed in the last clean-up effort. (see the attached Appendix A-revised Transmission COSS model)

### **Comment 17**

Reference: “Cost of Service Factors –I”, (Excel line 45), Exhibit IX is referenced. Please provide “Exhibit IX” or correct the reference.

Exhibit IX is included in the Transmission COSS model as the tab labelled Taxes-Other-Exh. IX. For model tab purposes, Exhibit has been abbreviated to Exh. The spreadsheet tab name was revised to Taxes-Other-Exh. IX to provide clarification. (see the attached Appendix A-revised Transmission COSS model)

### **Comment 18**

Reference: “Cost of Service –II”, (Excel line 48), refers to “Wages & Salary Allocator (W&S) - Exhibit III”. Please provide “Wages & Salary Allocator (W&S) - Exhibit III” or correct the reference.

The Transmission COSS model tab Cost of Service-II has been revised to Cost of Service-Exh. II. The Cost of Service-Exh. II reference to “Wages & Salary Allocator (W&S) – Exhibit III” is reflected in the Allocation Factors-Exh. III tab, see Lines 15-20. The Cost of Service-Exh. II footnote reference language has been enhanced to indicated exactly where the Wages & Salary Allocators are developed. (see the attached Appendix A-revised Transmission COSS model)

### **Comment 19**

Reference: “Cost of Service –II”, (Excel line 56), refers to “Gross Plant in Service-Exhibit V”. Please provide “Gross Plant in Service-Exhibit V” or correct the reference.

The Transmission COSS model tab “Cost of Service-Exh. II”, Col. C, D, and E, Excel Lns. 56-61 calculate the Gross Plant in Service (GPIS) allocation factors. The total, production, transmission, and distribution gross plant information is sourced from the Gross Plant In Service-Exh. V tab, Cols. E, F, G, and H, Ln 51. The Cost of Service-Exh. II footnote reference language has been enhanced to indicated exactly where the Gross Plant In Service information is sourced. (see the attached Appendix A-revised Transmission COSS model)

### **Comment 20**

Reference: “Cost of Service –II”, (Excel line 62), refers to “Net Plant in Service-Exhibit VII”. Please provide “Net Plant in Service-Exhibit VII” or correct the reference.

The Transmission COSS model tab “Cost of Service-Exh. II”, Col. C, D, and E, Excel Lns. 62-67 calculate the Net Plant in Service (NPIS) allocation factors. The total, production, transmission, and distribution gross plant information is sourced from the Net Plant In Service-Exh. VII tab, Cols. E, F, G, and H, Ln 52. The Cost of Service-Exh. II footnote reference language has been enhanced to indicated exactly where the Net Plant In Service information is sourced. (see the attached Appendix A-revised Transmission COSS model)

### **Comment 21**

Reference: “Allocation Factors-III”, lines 1 and 9), refer to “Exhibit V”. Please provide “Exhibit V” or correct the reference.

The Transmission COSS model’s tab “Allocation Factors-Exh. III”, lines 1 and 9) reference to “Exhibit V” has been changed. The spreadsheet tab “Allocation Factors-III” was changed to “Allocation Factors-Exh. III.” The “Exhibit V” language has been enhanced to specify the exact location of the Gross Transmission (Ln 1) and Gross Distribution (Ln 9) plant in service information is sourced. (see the attached Appendix A-revised Transmission COSS model)

### **Comment 22**

Reference: “Allocation Factors-III”, lines 6 and 7, refer to “Exh II – Plant Data”. Please provide “Exh II – Plant Data” or correct the reference.

The Transmission COSS model’s “Allocation Factors-Exh. III” tab line references used on Ln 6 and Ln 7 have been corrected and enhanced to “See Gross Plant in Service-Exh. V tab, Col. G, Lns 27-30” and “See Gross Plant in Service-Exh. V tab, Col. G, Lns 27-30 + Lns 34-37.” This enhanced language specifies the exact location of the sourced data. (see the attached Appendix A-revised Transmission COSS model)

### **Comment 23**

Reference: “O&M Expenses-VI”, (Excel line 120), refers to “Wages & Salary Allocator (W&S) - Exhibit III”. Please provide “Wages & Salary Allocator (W&S) - Exhibit III” or correct the reference.

The Transmission COSS model tab 2018 O&M Expenses-IV has been revised to O&M Expenses-Exh. IV. The calculation of the Wages and Salary Allocator is reflected in the Allocation Factors-Exh. III tab, see Lines 15-20. The O&M Expenses-Exh. IV footnote reference language has been enhanced to indicated exactly where the Wages & Salary Allocators are developed. (see the attached Appendix A-revised Transmission COSS model)

#### **Comment 24**

Reference: "2018 Gross Plant in Service-V", (Excel line 76), refers to "Wages & Salary Allocator (W&S) - Exhibit III". Please provide "Wages & Salary Allocator (W&S) - Exhibit III" or correct the reference.

The Transmission COSS model tab 2018 Gross Plant in Service-V has been revised to Gross Plant in Service-Exh. V. The calculation of the Wages and Salary Allocator is reflected in the Allocation Factors-Exh. III tab, see Lines 15-20. The Gross Plant in Service-Exh. V footnote reference language has been enhanced to indicated exactly where the Wages & Salary Allocators are developed. (see the attached Appendix A-revised Transmission COSS model)

#### **Comment 25**

Reference: "2018 Accumulated Reserves-VI", (Excel line 76), refers to "Wages & Salary Allocator (W&S) - Exhibit III". Please provide "Wages & Salary Allocator (W&S) - Exhibit III" or correct the reference.

The Transmission COSS model tab 2018 Accumulated Reserves-VI has been revised to Accumulated Reserves-Exh. VI. The calculation of the Wages and Salary Allocator is reflected in the Allocation Factors-Exh. III tab, see Lines 15-20. The Accumulated Reserves-Exh.VI footnote reference language has been enhanced to indicated exactly where the Wages & Salary Allocators are developed. (see the attached Appendix A-revised Transmission COSS model)

#### **Comment 26**

Reference: "2018 NPIS & Rate Base-VII", line 53, refers to "Materials & Supplies – Exhibit VII". Please provide "Materials & Supplies – Exhibit VII" or correct the reference.

The Transmission COSS model tab 2018 NPIS & Rate Base-VII has been revised to NPIS & Rate Base-Exh. VII. The calculation of the Materials and Supplies is reflected in the M&S & Prepayment-Exh. VIII tab, see Lines 1 - 3. The Materials & Supplies reference language has been enhanced to indicated exactly where the Materials and Supplies are sourced. (see the attached Appendix A-revised Transmission COSS model)

#### **Comment 27**

Reference: "2018 NPIS & Rate Base-VII", line 54, refers to "Prepayments – Exhibit VII". Please provide "Prepayments - Exhibit VII" or correct the reference.

The Transmission COSS model tab 2018 NPIS & Rate Base-VII has been revised to NPIS & Rate Base-Exh. VII. The calculation of the Prepayments is reflected in the M&S & Prepayment-Exh. VIII tab, see Lines 4 - 5. The Prepayments reference language has been enhanced to indicated exactly where the Prepayments are sourced. (see the attached Appendix A-revised Transmission COSS model)

**Comment 28**

Reference: "2018 NPIS & Rate Base-VII ", (Excel line 83), refers to "Wages & Salary Allocator (W&S) - Exhibit III". Please provide "Wages & Salary Allocator (W&S) - Exhibit III" or correct the reference.

The Transmission COSS model tab 2018 NPIS & Rate Base-VII has been revised to NPIS & Rate Base-Exh. VII. The calculation of the Wages and Salary Allocator is reflected in the Allocation Factors-Exh. III tab, see Lines 15-20. The NPIS & Rate Base-Exh. VII footnote reference language has been enhanced to indicated exactly where the Wages & Salary Allocators are developed. (see the attached Appendix A-revised Transmission COSS model)

**Comment 29**

Reference: "2018 M&S & Prepayments-VIII ", (Excel line 7), refers to "Allocators - Exhibit III". Please provide "Allocators - Exhibit III" or correct the reference.

The Transmission COSS model tab 2018 M&S & Prepayments-VIII has been revised to M&S & Prepayment-Exh. VIII. The calculation of the Wages and Salary Allocator is reflected in the Allocation Factors-Exh. III tab, see Lines 15-20. The M&S & Prepayment-Exh. VIII heading language has been enhanced to indicated exactly where the Wages & Salary Allocators are developed. (see the attached Appendix A-revised Transmission COSS model)

**Comment 30**

Reference: "2018 Taxes-Other-IX ", (Excel lines 25 and 47), refer to "Exhibit I". Please provide "Exhibit I" or correct the reference.

The Transmission COSS model tab 2018 Taxes-Other-IX has been revised to Taxes-Other-Exh. IX. Excel lines 25 and 47 language has been enhanced to indicate the location of the Cost of Services Factors in the Cost of Service Factors-Exh. I tab. (see the attached Appendix A-revised Transmission COSS model)