

2012 BPA Rate Case Customer Workshop

March 3, 2010



Agenda

9:00 A.M. – 2:00 P.M.

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2012 Rate Case



Rate Case Structure

- The 2012 Rate Case is a joint rate case conducted by BPA's Power Services and Transmission Services.
- Power Services is not a party to Transmission Services' rate case.



Proposed BPA 2012 Rate Case Schedule

Event	Date (2010 – 2011)
Prehearing/BPA Direct Case	Nov 12
Clarification	Nov 29-Dec 3
Data Request Deadline	Dec 6
Data Response Deadline	Dec 13
Parties file Direct Case	Jan 7
Clarification	Jan 18-21
Data Request Deadline	Jan 25
Data Response Deadline	Feb 1
Litigants file Rebuttal	Feb 15
Clarification	Feb 22-23
Data Request Deadline	Feb 23
Data Response Deadline	Mar 2
Cross Examination	Mar 14-18
Initial Briefs Filed	Apr 18
Oral Argument	Apr 28-29
Draft ROD issued	May 31
Briefs on Exceptions	Jun 13
Final ROD – Final Studies	Jul 18
File at FERC	Jul 29
Rates Effective	Oct 1



2012 Rate Case Workshop

- We will work with workshop participants to develop the workshop schedule of topics.
- The “parking lot” refers to customer-advanced rate case issues for workshop discussion.
 - We hope to get customer input at today’s workshop with regard to topics for future workshops covering Power, Transmission, and Wind/Other Generation Inputs.
 - Together, BPA and customers will prioritize issues to be addressed in workshops.
 - The topics on the calendar will be revised based on customer input (parking lot issues) and workload priorities, and will continue to be reviewed and revised as necessary.
- Workshop participants seeking to suggest topics to be added to the parking lot for consideration may do so by submitting a written request to techforum@bpa.gov. Please state “2012 Rate Case” in the subject line. Customers are encouraged to also participate in workshop discussions where such topic(s) are being discussed.
 - If the request is out of the scope of the rate case, it will not be added to the parking lot.
- Customers that desire to post other rate-related materials to our rates website must submit a written request to techforum@bpa.gov.
- All discussions and workshop materials are considered to be preliminary and *predecisional*.
- We look forward to working together on these issues.
- See 2012 Rate Case website for additional information, workshop postings and handouts, and the BPA Calendar: <http://www.bpa.gov/corporate/ratecase/2012>. The BPA Calendar is also located at http://www.bpa.gov/corporate/public_affairs/calendar/.



Power Rate Development

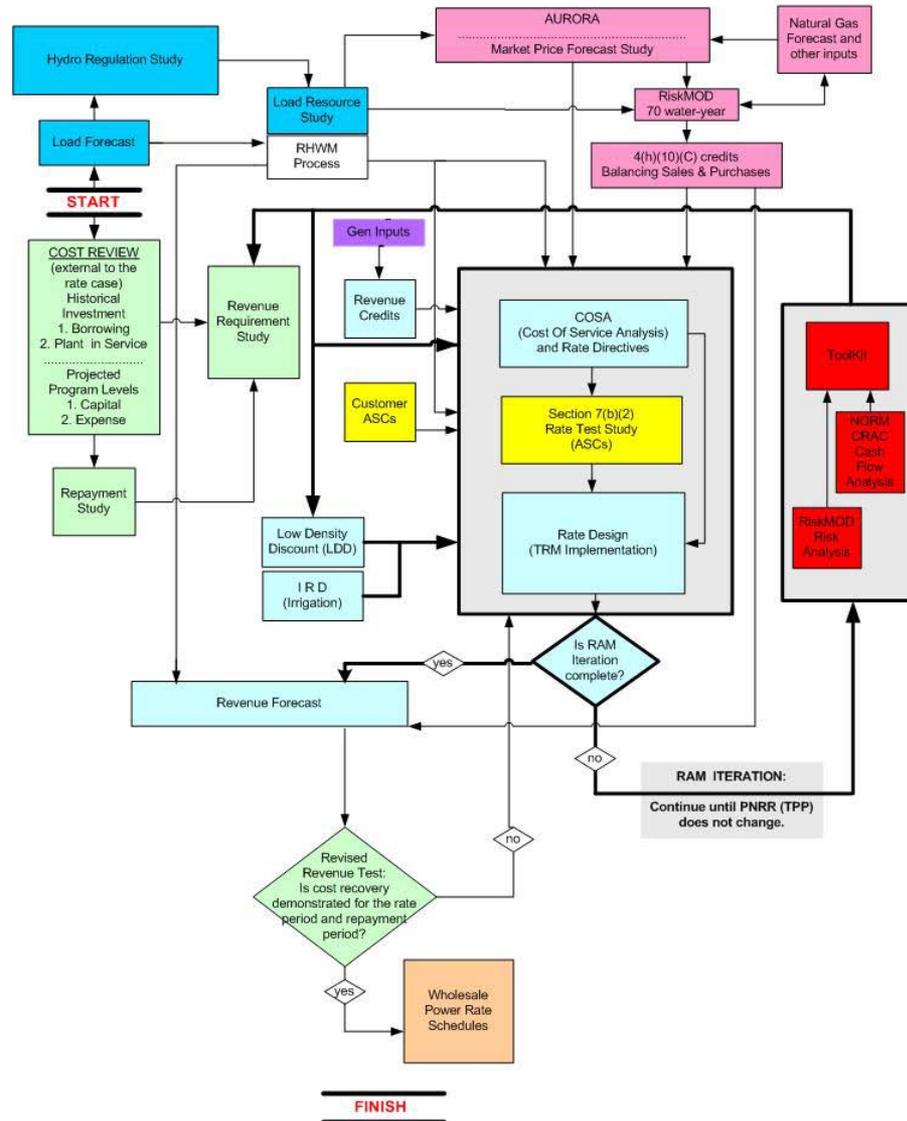


Power Rate Development Process Flowchart

- The flowchart on the following slide provides a high-level overview of the power rate process.
- Although we will be setting rates for the first time in the 2012 rate case for sales under new Regional Dialogue contracts and Tiered Rate Methodology, the overall process is substantially the same.
 - An RHWM Process is added for the first time.
- Models used in the rate-setting process are being revised to accommodate the data requirements to calculate the tiered priority firm (PF) rate.



RATE DEVELOPMENT PROCESS FLOWCHART



Implementing The Tiered Rate Methodology



Regional Dialogue Contracts Where we've been

- Signed 20-year contracts in December 2008 with 135 public utility customers
- Service under contracts is FY 2012 – FY 2028
- New contracts signed:
 - Load Following – 118 customers
 - Block – none
 - Slice/Block – 17 customers
 - Residential Purchase and Sale Agreement – 3 customers
- Tiered Rate Methodology to be used for priority firm (PF) tiered rate design



Tiered Rate Methodology

- Establishes a two-tiered PF rate design applicable to firm requirements power service for Publics pursuant to CHWM Contracts.
 - Differentiates between the cost of service associated with Tier 1 System Capability (Tier 1 Rates) and the incremental costs associated with amounts of BPA power needed to serve any portion of a Public's Annual Net Requirement not served at a Tier 1 Rate (Tier 2 Rates).
 - Generally, provides detailed description for calculating Tier 1 rates; provides rate framework for Tier 2 and Resource Support Services with specific rate design to be established in 7(i) processes.
- In coordination with BPA's CHWM Contracts, determines the amount of power each public is eligible to purchase at Tier 1 Rates by establishing a High Water Mark (HWM) for each public customer.
- Provides for rates to be set every two years.



TRM (continued)

Certain aspects of TRM are determined outside the rate case

- CHWM Process (FY 2011)
 - Contractually tied to TRM-specified procedures
- Contract Demand Quantity (CDQ)
 - Part of Tier 1 Demand billing determinant
 - Contractually tied to TRM-specified procedures
- RHWM Process
 - Prior to each rate case beginning with WP-14



CHWM/RHWM Summary

- CHWMs and RHWMs are determined in TRM-specified processes (TRM Chapter 4) outside of rate cases, the results of which are subject to dispute resolution (TRM Chapter 13).
- CHWM/RHWMs are rate constructs that determine billing determinants. A CHWM is a benchmark eligibility to purchase federal power at Tier 1 rates.
- A customer cannot buy more power than its Net Requirement, regardless of its CHWM/RHWM.
- For the WP-12 rate period, each customer's CHWM will be used as its RHWM.
- Beginning with the WP-14 rate period, a RHWM Process will be conducted in which CHWMs are adjusted before each 7(i) process for changes in the Tier 1 System Firm Critical Output (T1SFCO) - the results are RHWMs.



CHWM/RHWM Summary (continued)

- Consistent with Supplemental TRM, Provisional CHWMs will be provided for certain specific or general FY 2010 load loss and will be adjusted in FY 2014 to the amount of associated lost load that returned through FY 2013. A customer's retained Provisional CHWM amount will become permanent CHWM.
- The sum of customers' CHWMs and initial Provisional CHWMs will be used to determine the Augmentation Limit for entire contract term. It will not change after Provisional CHWMs are adjusted in FY 2014.
- The TRM provides for additional CHWMs over the term of the contracts for new public utilities, including new tribal utilities. Augmentation is added for additional CHWMs.



Tier 1 Rate Design

- The TRM Cost Allocation Table will guide the allocation of costs among the tiered cost pools: Tier 1 Composite, Tier 1 Slice, Tier 1 Non-Slice and various Tier 2 pools. The allocation of costs among the pools will form the basis for setting rates for firm requirements sales to PF customers.
- Tier 1 rate design is detailed in the TRM (Chapter 5).
- **Customer Charges: Based on a percentage of revenue requirement (similar to today's Slice product)**
 - Composite Customer Charge: Collects the majority of the Tier 1 revenue requirement and is applicable to Slice, Block and Load Following products. Will be billed based on a customer's Tier 1 Cost Allocation (TOCA) (i.e., each customer's percentage of the Tier 1 system costs for the rate period).
 - Slice Customer Charge: Collects costs (e.g., slice implementation) or returns credits specific to the Slice product (likely a small or zero rate). Will be billed based on a customer's Slice %.
 - Non-Slice Customer Charge: Collects costs or returns credits specific to non-Slice products (e.g., risk adder, surplus sale revenue credit, etc.) Likely will be negative. Will be billed based on a customer's non-Slice TOCA.



Tier 1 Rate Design (continued)

- **Load Shaping Charge:**

Compares a customer's load to the monthly diurnal critical output of the Tier 1 System and charges or credits at a posted forecast market price (determined in the rate case).

- **Demand Charge:**

Charges for peak use above an adjusted monthly average HLH energy take. Rate is based on the fixed capital cost of the most economic capacity resource

- Billed on Customer System Peak minus: Tier 2 or non-Federal resource amounts; aHLH Tier 1 Energy; and the customer-specific Contract Demand Quantity (CDQ).
- CDQ is a grandfathered demand that will be calculated based on a combination of historical information (FY 2005-2007) and actual FY 2010 loads.
- Customers are grandfathered approximately 91% of their historical demand to provide incentive to lower their peak by providing a marginal price signal on an incremental component of demand.
- The CDQs are calculated outside of the rate process and will be contractually specified and fixed (each customer will have 12 monthly values for the duration of the contract).



Above-RHWM Options

- Customers have three options for serving Above-RHWM load:
 - 1) Non-Federal Resource (Specified or Unspecified)
 - 2) BPA *Flat Block* Purchase at a Tier 2 rate
 - 3) Combination of the two
- On Nov 1, 2009, customers made their elections for how they will serve their Above-RHWM Load during the FY 2012-2014 purchase period; the FY 2012-2013 Above-RHWM Load amounts were established before these elections.
- Tier 2 rate alternatives (and customer elections) for the FY 2012-2013 rate period are:
 - Load Growth Rate (FY12 = 0, FY13 = 2.7 aMW)
 - Short-Term Rate (FY12 = 21 aMW, FY13 = 53.9 aMW)
 - As customer needs and interest warrant, a Vintage rate or set of Vintage rates can be established



Tier 2 Rate Alternatives

- Tier 2 rates will be established in 7(i) processes.
- Tier 2 rate alternatives will be based on the cost of providing a flat annual block of power.
- Pricing of power provided at a Tier 2 rate is based on the cost of BPA purchases and resource acquisitions to serve this load.
- Other cost components that may be included in Tier 2 rates:
 - BPA Overhead Costs – associated with power provided at Tier 2 Rates
 - Resource Support Services (RSS) – for the cost of RSS products needed to convert a resource/purchase into a flat block of energy
 - Additional costs, as appropriate, including risk-related costs, transmission costs, Balancing Authority costs for within-hour balancing, fuel adjustment adders, etc.



Resource Support Services

- Rates for RSS will be established in 7(i) processes.
- RSS is a suite of voluntary services customers may take from BPA to help facilitate the development and acquisition of their non-Federal Resources.
- To ensure a level playing field between choosing Federal power at Tier 2 rates or non-Federal resources, BPA will employ approximately the same RSS pricing methodologies for its Tier 2 rate service.
- The RSS design is intended to be flexible so that customers can mix and match their services to meet their needs for durations between 3 and 5 years.
- The RSS design is also intended to be consistently and transparently applied across a wide variety of resource types.
- Customers have elected RSS to support a total of 9 resources (with four customers electing the same RSS to support their individual shares of the same 2 resources).



Overview RAM Process Map

- Shows high-level interaction of Rate Analysis Model (RAM) (4th row labeled “PFR”) with other pieces of rate development process.
 - Focuses on new processes and/or significant changes (boxes shaded in blue)
 - Shows RAM processes that are a part of the overall RAM function (entire row) and the core RAM functions (DW1 box); core RAM are those functions in the current RAM model
- **RAM will be reviewed in detail with customers at March 23 Rate Case Workshop**
 - Following today’s workshop (March 3), the remaining package that maps further each aspect (box) of the RAM process in more detail will be posted on the 2012 Rate Case website



Overview RAM Process Map (continued)

- TRM rate case parties asked for RAM documentation of new procedures as part of the release of the model that shows the calculation of tiered rates. The package being released documents both new and existing procedures in the RAM.
- A new RAM will be posted prior to the March 23 workshop; we are targeting March 19. The March 23 workshop will give participants a chance to watch a demonstration and ask questions about the RAM and the documentation.
- Future workshop time will be given to further questions and to receive and discuss feedback on RAM.
- The March 23 version of RAM will not be the model used in the Initial Proposal; further developmental work is being done. But the March 23 version contains the functionality to calculate tiered rates and will allow participants to see how tiered rates will be calculated and how tiering fits within the structure of the NWPA section 7 rate directives.



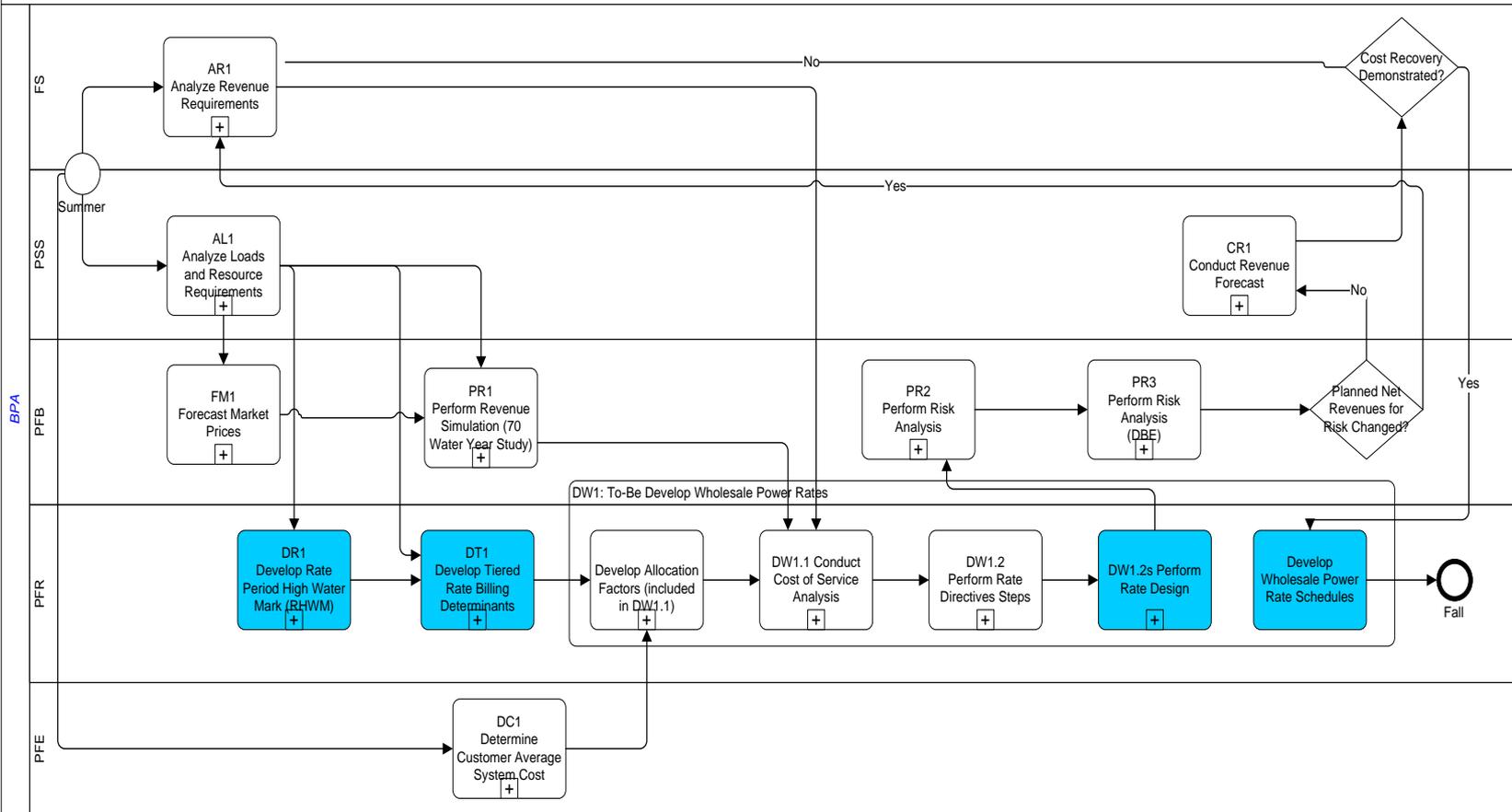
To-Be BPA High Level Rate Development Process

This To-Be process describes the flow of activities associated with developing the rates for any given rate period. This process begins with the development of the revenue requirements and resource loads and ends with the creation of the Wholesale Power Rates Schedule.

Participants: Ray Bliven, Bill Doubleday

Created Date: 3/13/2009

Updated Date: 2/26/2010



Enterprise Process Id(s):
 <Number from Enterprise Process Number Schema one per line>
 i.e., 4.4.3.4
 4.4.7.5
 4.5.6.2

- Process Assumptions:**
- Describe
- General Process Notes:**
- Light Blue – RAM Processes

Prepared by: Tom Stephen



TRM Transition: High Water Marks

- The CHWM Process occurs in FY 2011; BPA must forecast RHWMs for the Initial Proposal.



HWM Proposal

- **Initial Rate Proposal: BPA proposes to forecast RHWMs (“proxy” RHWMs) by--**
 - Modifying Transition Period HWMs (established in 2009) for Provisional Load, and scaling to a forecast of the augmented Tier 1 System
 - Assumed augmentation will not exceed the 300aMW/7400aMW parameters
- **Final Rate Proposal: BPA expects to have CHWMs to calculate final proposal rates**



High Water Marks -- Background



High Water Marks

- **There are three variations of HWMs that evolve chronologically:**
 - 1) The Transition Period HWM was established in 2009 based on forecasts of 2010 loads and Tier 1 System Capability in FY 2012-13. The Transition Period HWM was used to set Above-RHWM loads for the first few years of the CHWM Contracts so customers would know these amounts in advance of the November 2009 deadline to decide how to serve that load – through Tier 2 service from BPA or by applying non-Federal resources.
 - 2) The Contract HWM will be used to establish a benchmark amount of Tier 1-priced power available to the customer during the contract period. The CHWM is based generally on measured FY 2010 load data less non-Federal resources, forecast FY 2012-13 Tier 1 System Firm Critical Output, and the conservation achieved from FY 2007 through FY 2010, and the Augmentation Limit. The CHWM will be calculated in FY 2011 in the CHWM Process, and reflected in customers' CHWM Contract. Except for limited, defined adjustments associated with new public utilities, including new tribal utilities, a customer's CHWM will not change for the duration of the contract.



High Water Marks (continued)

- 3) The Rate Period HWM will determine the maximum amount of Tier 1-priced power available to the customer during a given rate period. It is calculated prior to each rate case in the RHWM Process and adjusts the CHWM for certain changes in the Tier 1 System Capability. There is no conservation adjustment in calculating the RHWM.

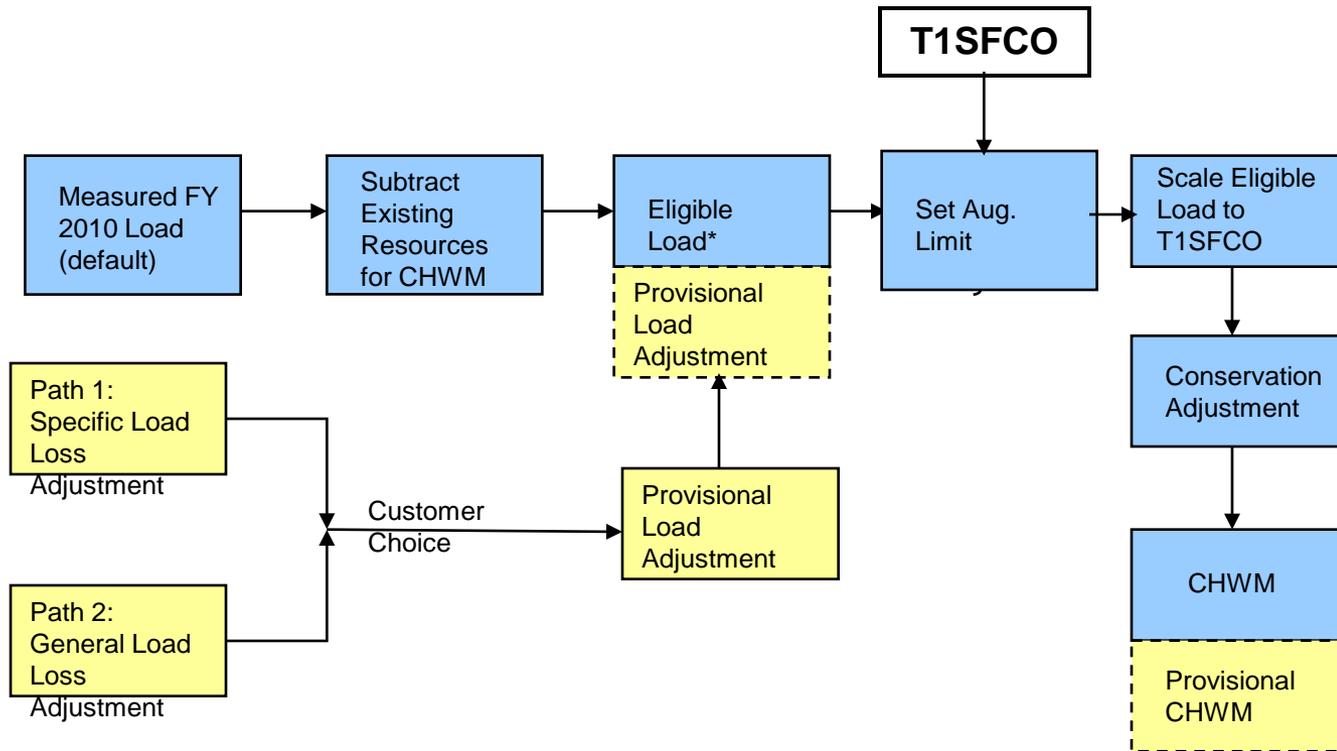


CHWM: Provisional Load Amounts

- Due to load loss from the economic downturn, some customers believed that their FY 2010 TRL would not be representative of their normal load service due to the unequal impacts on customers. They were concerned that, relative to other customers, they would receive a lower CHWM for the entire contract term and have a higher exposure to Tier 2 rates (or additional non-federal resources if they self supply) than they would have had otherwise when load returns after FY 2010.
- Customers have three options to choose from for the load basis to be used in determining their CHWM calculation:
 - Path 1: Measured FY 2010 Load, with an adjustment for specific load loss that meets the materiality criteria;
 - Path 2: average Adjusted FY 2007-2008 TRL (adjusted for conservation and abnormal weather and net of NLSLs); or
 - Default: Measured FY 2010 Load (adjusted for conservation). (By definition, it is already adjusted for weather and net of NLSLs.)



CHWM Development Process Diagram



*Note: The defined terms Eligible Load and CHWM include provisional amounts.



Provisional Load Amounts: Calculating and Verifying

- **CHWM Process:** The Provisional Load adjustment will be added to and included in the customer's Eligible Load. This Eligible Load will then be scaled to the Tier 1 System Capability and adjusted for conservation to get the customer's CHWM.
- **Provisional CHWM:** The Provisional CHWM portion of the calculated CHWM will be in the same proportion that the Provisional Load adjustment contributes to the Eligible Load.
- **Turning Provisional CHWM to Permanent:** In FY 2014, BPA will test to see whether the projected load amounts that the provisional load was based on actually returned through FY 2013. At that time Provisional CHWM amounts will convert to permanent CHWMs, but only based on the amount of load that actually returned. Such adjustments cannot exceed the full amount of the Provisional CHWM.

Corrected 03/02/10



Workshop Planning: Power Topics

- See Appendix A, Workshop Calendar
- Topics scheduled:
 - Rate Analysis Model
 - Resource Support Services pricing
 - Tier 2 Rates pricing
 - Capacity pricing
 - Load Forecast
 - Tier 1 System Firm Critical Output Study
 - RHWM Forecast
 - Market Price Forecast (various topics)
 - Revenue Requirement (topics not specified at this time)
 - Risk (topics not specified at this time)



Transmission Rate Development

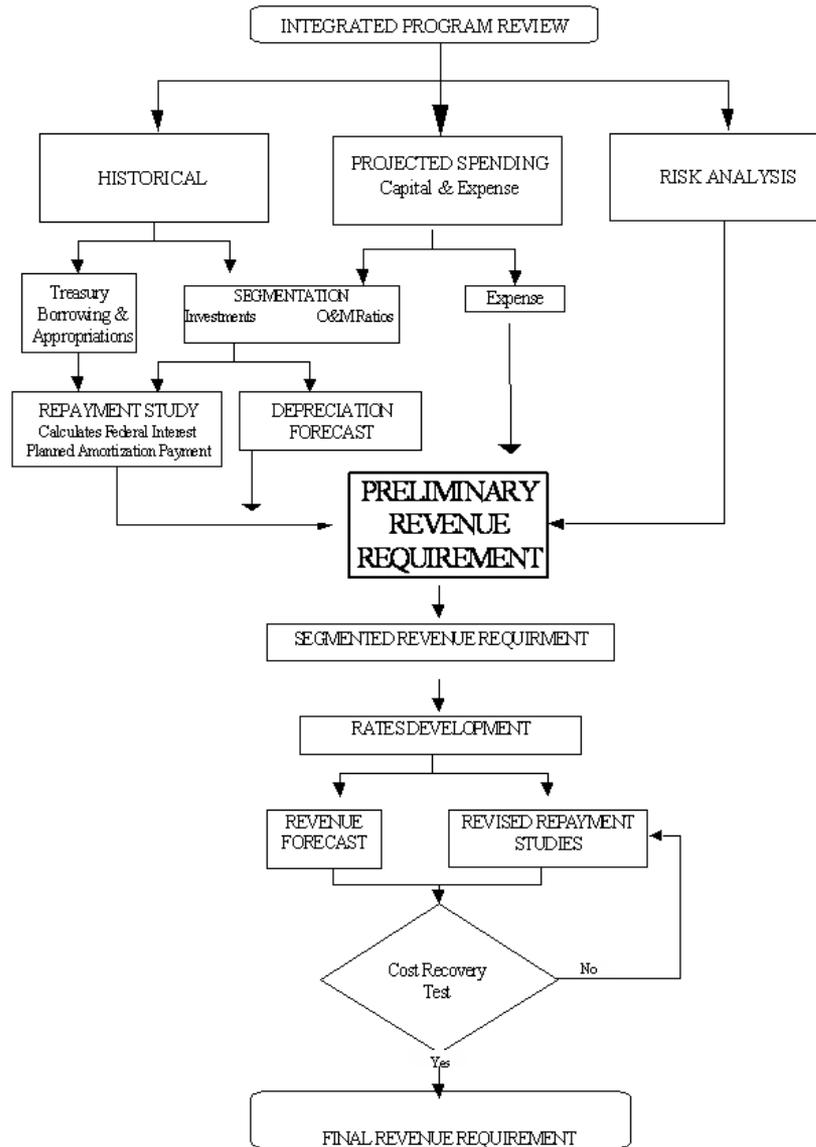


Transmission Rate Development Process

- The flowchart on the following slide provides a high-level overview of the Revenue Requirement process.
- The Study identifies costs to be recovered over the rate period on both an accrual and cash basis.
- The Study demonstrates cost recovery over the rate period on both an accrual and cash basis.
- The Study demonstrates that revenues are sufficient to recover the Federal investment over a reasonable number of years per the Power Act and DOE Order RA 6120.2.



Revenue Requirement Flowchart



FY 2012-13 Transmission Rate Parking Lot

* See Appendix, the Workshop Calendar

1. Should Transmission propose the establishment of an **Incremental Cost Rate(s)** for Network Open Season plan-of-service that does not meet the criteria to move forward at Embedded Cost Rates?
2. Should Transmission propose the establishment of a **Short Distance Discount** for the Southern Intertie?
3. Should Transmission propose to offer the **Replacement of Customer Served Load** to preserve some of the benefit previously received through Customer-Served Load credits (e.g. Short Distance Discount)?
4. Should Transmission propose the establishment of a **Deferral Rate** adjustment provision under the Reservation Fee for deferred transmission service resulting from Network Open Season?
5. Should Transmission propose to clarify the **Ratchet Demand Relief** language?
6. Should Transmission propose to minimize the potential high rate impact of the **Utility Delivery Segment**?

Disclaimer: Parking Lot issues are subject to change without notice and are not indicative of whether any issue will be included in transmission's initial rate proposal or not.



Wind/Generation Inputs

- Reserve Forecast
- Costing Methodology
- Rate Design
- Other Generation Inputs



Appendix

BPA Workshop Calendar



March 2010

2012 Rate Case Workshops
 REP Mediation
 QBR & IPR Workshops
 Average System Cost Workshop

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3 2012 Rate Case Kick-Off (9am-2pm)	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23 Power • RAM Release/Review	24 Power • Resource Support Services • Tier 2 Rates	25 Transmission • Low Voltage Delivery Charge • Short Distance Discount Wind/Gen Inputs • Reserve Quantity	26	27
28	29	30	31			



April 2010

2012 Rate Case Workshops
 REP Mediation
 QBR & IPR Workshops
 Average System Cost Workshop

Sun	Mon	Tue	Wed	Thu	Fri	Sat
				1	2	3
4	5	6	7	8	9	10
11	12	13 Power • RAM Follow-up • Resource Support Services Follow-up • Tier 2 Follow-up • Capacity Pricing - Demand Charge - Marginal Cost	14 Transmission • Incremental Rates • Low Voltage Delivery Charge • Short Distance Discount • Deferral Rate Wind/Gen Inputs • Cost Allocation	15 REP Mediation	16 REP Mediation	17
18	19	20	21 Average System Cost Workshop	22 REP Mediation	23 REP Mediation	24
25	26	27	28	29 REP Mediation	30 REP Mediation	



May 2010

2012 Rate Case Workshops
 REP Mediation
 QBR & IPR Workshops
 Average System Cost Workshop

Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
2	3	4 QBR (12-5 pm)	5	6	7	8
9	10	11 Power • Load Forecast • Resource Forecast - Tier 1 System Firm Critical Output Study • Rate Period High Water Mark Forecast	12 Transmission • Incremental Rates Wind/Gen Inputs • Rate Design	13 REP Mediation	14 REP Mediation	15
16	17	18	19	20 REP Mediation	21 REP Mediation	22
23	24	25	26 Power/Transmission • Revenue Requirements • Risk Power • Tier 1 Output Study/RHWM Forecast Follow-up	27 Wind/Gen Inputs • To be determined	28	29
30	31 HOLIDAY					



June 2010

2012 Rate Case Workshops
 REP Mediation
 QBR & IPR Workshops
 Average System Cost Workshop

Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16 Power • 7c2 Margin Study • Market Price Forecast - Treatment of CO2 - Treatment of Renewable Portfolio Standards - Load Shaping Rate	17 Transmission • Ratchet Demand Relief • Short Distance Discount Wind/Gen Inputs • To be determined	18	19
20	21	22	23	24	25	26
27	28	29	30			

