

2012 BPA Rate Case Customer Workshop

Transmission Rate Development

August 18, 2010



Transmission Rates Workshop Agenda

9:00 A.M. – 5:00 P.M.

- **Opening and Introduction**
- **Transmission Rate Development**
 - Transmission Parking Lot Issues
 - Risk: Use of Transmission Reserves
 - Utility Delivery Charge
 - CSL Replacement/Short Distance Discount
 - NT Unauthorized Increase Charge
 - Montana Intertie Rate
 - Power Factor Penalty Charge – Transfer Service
 - Reservation Fee/Deferrals
- **Next Steps**



Acronym List

- BAA – Balancing Authority Area
- CF – Conditional Firm
- COB – California-Oregon Border
- CSL – Customer Served Load
- DNR – Designated Network Resource
- FCRTS – Federal Columbia River Transmission System
- HLH – Heavy Load Hour
- IR – Integration of Resources
- NEPA – National Environmental Policy Act
- NOS – Network Open Season
- NT – Network Transmission
- OATT – Open Access Transmission Tariff
- PCB – Polychlorinated Biphenyl
- POD – Point of Delivery
- POR – Point of Receipt
- PTP – Point to Point
- PV – Present Value
- SDD – Short Distance Discount
- SI – Southern Intertie
- TSA – Transmission Service Agreement
- TSR – Transmission Service Request
- UD – Utility Delivery
- UFT – Use of Facilities



Objective

- Our objective today is the continued discussion of transmission parking lot issues surrounding the FY12-13 BPA Rate Case for Transmission Services.
- The alternatives discussed for each parking lot topic do not reflect BPA commitment to adopt any particular proposal or position in the Initial Proposal.
- Today's discussion is preliminary and pre-decisional.
- We look forward to working together toward development of the Initial Proposal.



Rate Making Principles

- Full and timely cost recovery
- Lowest possible rates consistent with sound business principles
- Cost causation—fairly allocate costs to customers based on proportionate use
- Statutory requirement of equitable allocation
- Simplicity, understandability, public acceptance, and feasibility of application
- Avoidance of rate shock and rate stability from rate period to rate period (e.g., magnitude of rates and rate design)
- Meet Treasury Payment Probability (TPP) standard where financial reserves achieve 95% TPP of making US Treasury Payments in full and on time each year of the two year rate period



TR-12 Transmission Parking Lot Topics

- The transmission parking lot issues are primarily rate case topics submitted by customers. The alternatives for each parking lot topic do not reflect BPA commitment to adopt any particular proposal or position. All discussions are **preliminary** and **pre-decisional**.

	Parking Lot Topic	Status of Workshop Meetings
1	Incremental Cost Rates	See Meeting Handouts on: 4/14, 7/14
2	Delivery Charge	See Meeting Handouts on: 4/14, 6/17, 8/18
3	Short Distance Discount Added to Southern Intertie	See Meeting Handouts on: 4/14, 7/14
4	Reservation Fee	See Meeting Handouts on: 4/14, 7/14, 8/18
5	CSL Replacement (Short Distance Discount)	See Meeting Handouts on: 4/14, 7/14, 8/18
6	Transmission Segmentation	See Meeting Handouts on: 4/14, 6/17, 7/14, 9/15
7	Revenue Requirement	See Meeting Handouts on: 9/8 (tentative)
8	Revenue/Load Forecasting/LGIA Credits	See Meeting Handouts on: 9/15
9	Risk Analysis	See Meeting Handouts on: 9/15
10	Use of Cash Reserves	See Meeting Handouts on: 5/26, 7/14
11	Montana/Eastern Intertie	See Meeting Handouts on: 6/17, 7/14, 8/18
12	Overall Transmission Rates (No Surprises)	To Be Scheduled
13	Power Factor Penalty: Transfer Service, Ratchet Demand	See Meeting Handouts on: 7/14, 8/18
14	Customer Reasons for Unsold UD Facilities	See Meeting Handouts on: 6/17
15	Does rolling-in the Montana Intertie into the Network mean that Generators Interconnecting at Townsend would be in the Bonneville BAA and take Control Area services from BPA?	See Meeting Handouts on: 8/18
16	Unauthorized Increase Charge	See Meeting Handouts on: 7/14, 8/18
17	Failure to Comply Penalty Charge	To Be Scheduled



Risk: Use of Transmission Reserves



Tracking Financial Reserves – the natural process

- More background regarding alternatives for treatment of uses of reserves between business units is available in the Appendix (see title titled “Use of Reserves” - Alternative #3).
- BPA tracks actual reserves for the agency as a whole and the business unit attributions that result from their separate cash flows.
- If one business unit has a negative balance, total agency reserves will decline while the other business unit will be kept whole (and earning the interest offset credit due on its total balance).
- The table below is a simplified illustration. It assumes that Power reserves start at \$150M but decline by \$25M per month so that it has a negative balance by the end of the year. Transmission has a breakeven year with no change to reserve balances other than the interest offset credit.

FOR ILLUSTRATION ONLY

(\$ in millions)	1	2	3	4	5	6	7	8	9	10	11	12	Annual Total
BPA Reserves (actual)	600.00	576.73	553.38	529.97	506.48	482.92	459.30	435.60	411.83	387.99	364.08	340.10	
Change in balance	(25.00)	(25.00)	(25.00)	(25.00)	(25.00)	(25.00)	(25.00)	(25.00)	(25.00)	(25.00)	(25.00)	(25.00)	(300.00)
Interest earned	1.73	1.66	1.59	1.51	1.44	1.37	1.30	1.23	1.16	1.09	1.02	0.95	16.05
Ending reserves	576.73	553.38	529.97	506.48	482.92	459.30	435.60	411.83	387.99	364.08	340.10	316.05	
T Reserves (attributed)	450.00	451.35	452.70	454.06	455.42	456.79	458.16	459.54	460.91	462.30	463.68	465.07	
Change in balance	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest earned	1.35	1.35	1.36	1.36	1.37	1.37	1.37	1.38	1.38	1.39	1.39	1.40	16.47
Ending reserves	451.35	452.70	454.06	455.42	456.79	458.16	459.54	460.91	462.30	463.68	465.07	466.47	
P Reserves (attributed)	150.00	125.38	100.68	75.90	51.06	26.13	1.14	(23.93)	(49.08)	(74.30)	(99.60)	(124.97)	
Change in balance	(25.00)	(25.00)	(25.00)	(25.00)	(25.00)	(25.00)	(25.00)	(25.00)	(25.00)	(25.00)	(25.00)	(25.00)	(300.00)
Interest earned	0.38	0.30	0.23	0.15	0.08	0.00	(0.07)	(0.15)	(0.22)	(0.30)	(0.37)	(0.45)	(0.42)
Ending reserves	125.38	100.68	75.90	51.06	26.13	1.14	(23.93)	(49.08)	(74.30)	(99.60)	(124.97)	(150.42)	



Correcting for the Imbalance

- In the illustration on the prior page, Power ends the year with a reserve balance of negative \$150M.
- Short of a CRAC-like mechanism, Power will need to correct the imbalance in the following rate period. A rate case will be the natural process for the correction.
- The effect on rates will likely be significant. Financial reserves are one of the primary tools for mitigating risk. A negative reserve balance will require a large rate increase so that Power can achieve an acceptable Treasury payment probability.



What are reserves available for risk?

- When BPA uses the term "reserves" in a financial context, it is short-hand for "financial reserves", which comprise two kinds of assets in the Bonneville Fund at Treasury (cash and investment instruments we call "Treasury specials" that earn interest for BPA) plus deferred borrowing. Deferred borrowing refers to amounts of capital spending that qualify for borrowing from the Treasury when we have not yet completed the borrowing: we can complete the borrowing quite simply when necessary, and that will generate cash.
- Risk modeling uses a subset of financial reserves called "reserves available for risk." Unless otherwise specified, all references to reserves in this presentation refer to reserves available for risk.
- Reserves available for risk is the result of subtracting "funds held for others" from total reserves.
- Funds Held For Others (FHFO) are cash balances that, when received, come with a legal (contractual) commitment to be used for a specified purpose. The balances are derived from accounting records and take into consideration cash outlays associated with the contracts or activities.
 - For example: Per an LGIA contract, LGIA funds are deposited by prospective Transmission customers and designated to be used to build an interconnection facility.
 - FHFO can be withdrawn in whole or in part on very short notice, and are therefore a less than optimum source of operational liquidity.
 - FHFO balances, with the exception of the undistributed REP funds, are not generated by sales of power or transmission services.

	A	B	C
(\$ in millions)	Power	Transmission	BPA
1 Special deposits	\$75	\$15	\$90
2 Funds held on behalf of others	\$38	\$126	\$164
3 Other customer advances	\$12	\$34	\$46
4 Total	\$125	\$175	\$300

- Notes:
1. Special deposits include undistributed REP funds from the 7S rate case, and net Master Lease funds
 2. Funds held on behalf of others include EE Project funds for Power and LGIA and PFIA funds for Transmission
 3. Other Customer Advances include all other deposits (e.g. security deposits) made by customers into the BPA fund per contractual obligations



Montana Intertie



Montana Intertie Objective

- Discuss the simplified map that illustrates existing interconnections.
- Discuss rate alternatives, with and without the exchange agreement, for current facilities comprised of the Eastern Intertie segment.
- Solicit customer input.

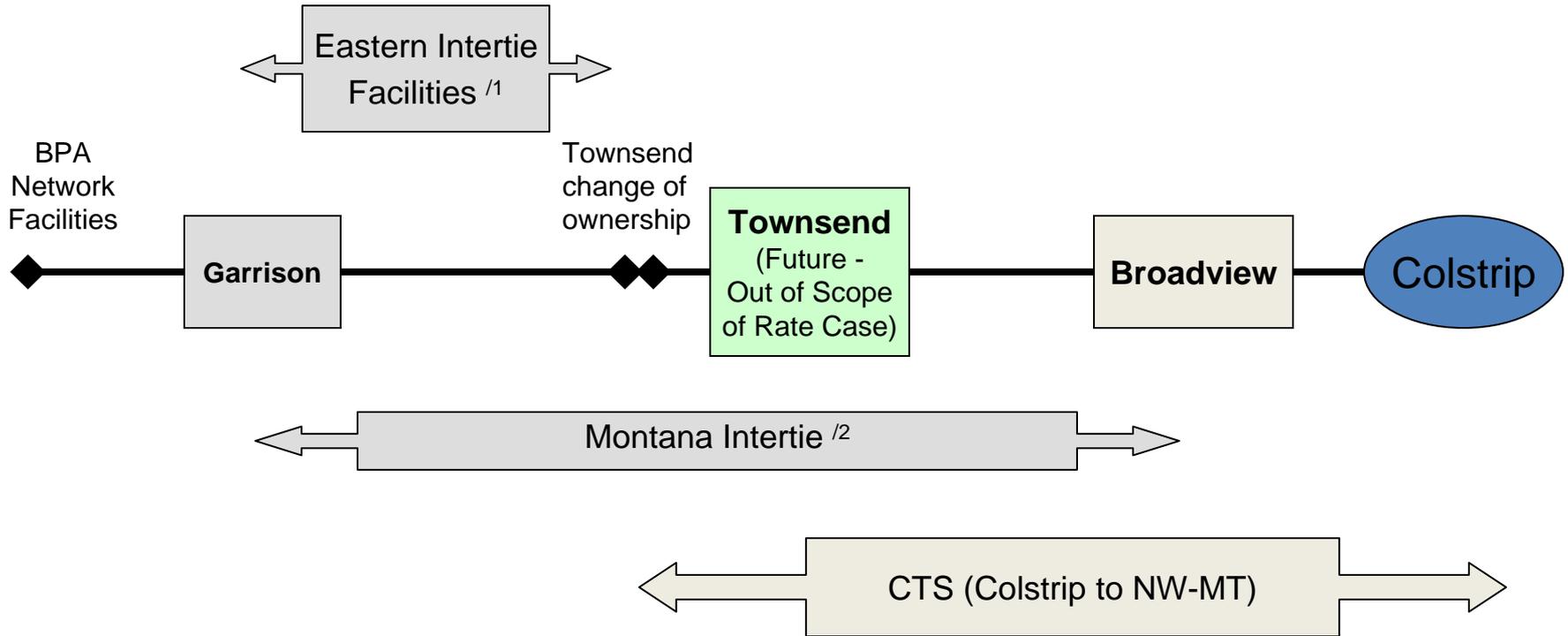


Montana Intertie Background

- At the April 14, 2010 rate case workshop, an alternative was discussed to begin the Network at Townsend instead of Garrison, which effectively eliminates the Montana Intertie (IM) rate (e.g. pancake rates).
- Bonneville built and maintains the Townsend to Garrison Transmission (TGT) or Eastern Intertie line and receives monthly payments based on the total costs of the line, which includes the investment and O&M.
- The Montana Intertie Agreement, which expires in 2027, includes an exchange whereby BPA is granted rights to 185 MW from Broadview to Townsend in exchange for a credit to the TGT participant's bills comparable to 233 MW on the TGT line.
- The total approximate annual cost of the Eastern Intertie is \$12.5 million, which is allocated to all the participants in the Montana Intertie Agreement. BPA's share is approximately \$2.7 million, including the costs of the exchange credit.
- The Montana Intertie rate is calculated by dividing \$2.7 million by 185 MW. To the extent that sales are less than 185 MW, the revenue under-recovery is allocated to the other segments.
- Other things to consider may include (1) termination of the Exchange and associated Exchange Credits (2) renegotiation of the Intertie Agreement and (3) other policy issues not yet identified or addressed.



Existing Montana Interconnections



/1 Eastern Intertie Facilities have a capacity of 1915 MW per the Montana Intertie Agreement. 1730 MW is sold to the Colstrip Parties at the TGT rate. The Eastern Intertie consists of facilities owned by BPA which are segmented separate from BPA's Network facilities.

2/ The Montana Intertie Agreement identifies an exchange granting BPA capacity rights to 185MW from Broadview to Garrison, which is sold at the IM rate. Only 16MW is sold.



Parking Lot Issue #15: Balancing Area Authority

The question was asked as to whether rolling-in the Montana Intertie into the Network means Generators Interconnecting at Townsend will be in the BPA Balancing Area Authority (BAA) and take Control Area Services from BPA Transmission Services.

- Currently, the BPA BAA ends at Garrison. The Montana Intertie, including Townsend and Broadview, are in Northwestern Energy's BAA.
- BPA staff does not believe that rolling-in the Montana Intertie or Eastern Intertie into the Network for ratemaking purposes would require moving the BPA BAA boundary to Townsend or Broadview, or require generators interconnecting at Townsend to buy Control Area Services from BPA Transmission Services.
- BPA will continue to keep its stakeholders informed about any potential expansion of BPA's BAA in the Townsend area.



Preliminary Rate Impact Alternatives for the Eastern/Montana Intertie Rates

A B C D E F

		With Exchange			Without Exchange /1		
Alternatives for Montana Intertie		Network Cost /2 Impact	IM Rate Impact	TGT Cost /2 Impact	Network Cost /2 Impact	IM Rate Impact	TGT Cost /2 Impact
1	Status Quo - Keep separate Montana Intertie transmission path	No Change	No Change	No Change	-0.46%	-54%	27%
2	Roll Costs of BPA's Montana Intertie Rights into Network costs	0.08%	Eliminated	No Change	-0.42%	Eliminated	27%
3	Roll full costs of Eastern Intertie into Network costs (no TGT payments)	N/A (exchange Eliminated)	N/A (exchange Eliminated)	N/A (exchange Eliminated)	1.82%	Eliminated	Eliminated

Notes:

- 1) Eliminating the Exchange Provision in the Montana Intertie Agreement is assumed to change BPA's share to only 16 MW. BPA will continue to market the remaining capacity and any sales forecast would be reflected in the rates.
- 2) Analysis only looks at the costs relative to the 2010 Revenue requirement (network) or the Total Annual Costs (TGT). The rate impact would be different depending on sales, and for the TGT, on each party's exchange ratio.
- 3) Because Alternative 3 would eliminate the allocation of TGT costs to Colstrip parties, the exchange, which is an adjustment to that allocation, would also be terminated.



Possible Alternatives for the Current Facilities Comprising the Eastern Intertie Segment

1. Status Quo with the exchange provision in place
 - A. Network Costs of \$551 Million
 - Network base rate (PTP-10 and NT-10) of 1.298 \$/kW-mo
 - B. BPA's Montana Intertie (185 MW Share from Broadview to Garrison)
 - \$2.7 million BPA Share (including Exchange credit)
 - IM Rate is 1.312 \$/kW-mo
 - 16 MW IM Sale to PacifiCorp; \$252,000 annual revenue
 - C. Eastern Intertie (1,915 MW) defined per Montana Intertie Agreement
 - \$12.5 million total annual cost
 - \$9.8 million annual TGT Participant Share (including Exchange credit)



Possible Alternatives for the Current Facilities Comprising the Eastern Intertie Segment

1. Status Quo with exchange provision terminated

D. Network Costs

- The existing costs of the Eastern Intertie are not fully recovered through the TGT and IM rates. Currently the remaining costs are allocated to the other revenue segments for recovery, 85% of which are allocated to the network segment. If the exchange provision is terminated, it is assumed that the TGT and IM rates will recover the full Eastern Intertie costs.
- The reduction in Network costs will be \$2.5 million since this existing amount of Eastern Intertie costs will no longer be allocated to the network; **a 0.46% reduction in costs.**



Possible Alternatives for the Current Facilities Comprising the Eastern Intertie Segment

1. Status Quo with exchange provision terminated, continued

E. Montana Intertie costs

- It is assumed BPA will renegotiate the 16 MW PAC sale with a POR of Townsend instead of Broadview; the POD will still be at Garrison
- Total Eastern Intertie use will be 1,746 MW (out of possible 1,930 MW)
- BPA Share is assumed to be 16 MW / 1,746 MW or 0.9%
- BPA Costs will be \$115,000
- IM Rate will be \$115,000 / 16 MW / 12 months or 0.597 \$/kW-mo;
a 54% reduction

F. Eastern Intertie Townsend to Garrison Transmission

- TGT Participant share will be 1,730 MW / 1,746 MW or 99%
- TGT Participants costs will be \$12.4 million; **a 27% increase**



Possible Alternatives for the Current Facilities Comprising the Eastern Intertie Segment

2. Roll cost of BPA's share of Montana Intertie into Network costs with exchange provision in place
 - A. Network Costs
 - Costs not recovered through TGT and IM rates already allocated primarily to the network
 - Increase network costs of \$252,000 due to loss of 16 MW IM sale; **an increase of 0.08%**
 - The Network will be extended to Broadview
 - B. Montana Intertie (185 MW BPA Share from Broadview to Garrison) not marketed separately; **IM rate eliminated**
 - C. Eastern Intertie (1,915 MW) defined per Montana Intertie Agreement
 - \$12.5 million total annual cost
 - \$2.7 million BPA Share (including Exchange credit)
 - \$9.8 million TGT Participant Share (including Exchange credit)
 - Assumes current 16 MW Sale would be eliminated
 - **No Change in TGT charges**



Possible Alternatives for the Current Facilities Comprising the Eastern Intertie Segment

2. Roll cost of the Montana Intertie into Network costs and eliminate exchange provision

D. Network Costs

- BPA Share of TGT is 16 MW / 1,746 MW or 0.9% which is \$115,000
- Less costs allocated to network from eliminating exchange of \$2.5 million
- Net reduction in costs of \$2.3 million; **a 0.42% reduction in costs**

E. Montana Intertie (185 MW BPA Share from Broadview to Garrison) not marketed separately; **IM rate eliminated**

F. Eastern Intertie Townsend to Garrison Transmission

- TGT Participant share will be 1,730 MW / 1,746 MW or 99%
- TGT Participants costs will be \$12.4 million; **a 27% increase**
- TGT Rate would be \$12.4 million / 1,730 MW / 12 months or 0.597 \$/kW-mo



Possible Alternatives for the Current Facilities Comprising the Eastern Intertie Segment

3. Roll costs of Eastern Intertie Segment (full 1,930 MW) into the Network costs including eliminating the exchange provision
 - D. Network Costs
 - Network starts at Townsend
 - Increase costs by \$12.5 million for total annual TGT costs
 - Reduce cost increase \$2.5 million of Eastern Intertie costs already rolled into the network
 - The net cost increase is \$10.1 million; **a total 1.82% increase in costs**
 - E. No separate BPA share of the Montana Intertie; **IM rate eliminated**
 - Assume existing 16 MW Sale on the Montana Intertie will be eliminated
 - F. Eastern Intertie not marketed separately; **TGT rate eliminated**
 - Total Annual Cost rolled into network



Utility Delivery



Utility Delivery Objective

- Discuss BPA's environmental process for Utility Delivery substation sales to clarify the role and responsibility of the agency's commitment to responsible environmental stewardship.
- Discuss NRU's proposed new approach for the Utility Delivery and GTA Customer Delivery Charge.
- Solicit customer input on preferred rate alternative.



Delivery Charge

- The Delivery Charge is a charge for delivery over the Utility Delivery segment, defined as the segment of FCRTS that provides service to customers below voltages of 34.5 kV. This service is used to reduce transmission voltages for delivery to customers.
- The monthly billing factor for the Delivery Charge is the total load on the hour of the Monthly Transmission Peak Load at the POD specified as Utility Delivery facilities.



Delivery Charge Background

- As part of the 1996 Rate Case in which the Delivery Charge was established, BPA adopted the Sale of Facilities policy, which states that upon written request, a delivery charge customer has the right to purchase the substation(s) that serve them.
- As a result of this policy, Delivery Charge customers have bought about 80% of the Utility Delivery substations that existed in 1996.
- However, transmission rate settlements have to some degree shielded the Delivery Charge rate from price signals that may have otherwise encouraged more utility delivery substation sales.
- Utility Delivery substation sales have slowed considerably. There are 51 unsold facilities remaining to be sold.
- A complicating factor is that BPA's Transfer customers pay a charge equal to the Delivery Charge rate, but do not have the option of purchasing the substations that serve them.



Substation Environmental Process Background

- A customer comment was made in an earlier workshop regarding the role of the agency to identify and address environmental issues associated with Utility Delivery substation sales. To this end, the following slides were prepared.
- Under the terms of the November 1996 “Policy for Sale or Lease of Delivery Facilities” (Delivery Policy), prior to the sale of any Delivery substation BPA is required to:
 - Identify and fully disclose to the customer “Recognized Environmental Conditions” associated with its use as a substation;
 - Remediate any substation where the Recognized Environmental Conditions “exceed or fail” acceptable regulatory standards.



BPA's Role In Substation Environmental Issues

- BPA has a dedicated environmental staff person that supports all substation sales efforts, including but not limited to the following:
 - Collecting site specific information
 - Preparing disclosure reports
 - Participating in all negotiations
 - Providing a full disclosure of environmental issues
 - Responding to customer concerns and questions
 - Ensuring transparency in environmental matters
 - Working with customers to provide options for addressing environmental issues
 - Providing oversight on any necessary cleanup actions
 - Ensuring that all environmental issues are addressed throughout the negotiation process



Prior to Substation Sale

- Pursuant to the sale of every substation, BPA prepares a Preliminary Environmental Disclosure (PEDR) report specific to that substation:
 - All sources of information examined as part of the environmental review are disclosed
 - The report discloses general site characteristics, known site-specific reports relating to a wide variety of potential environmental issues, detailed site characteristics (e.g., the known existence **at any time** of asbestos, polychlorinated biphenyl (PCB) bearing equipment, lead paint, septic systems, solvent use, etc.)
 - A specific listing of all equipment known to have either (a) PCB concentration greater than 50 parts per million or (b) an oil capacity of 100 gallons regardless of PCB concentrations
 - The results of any previous site reconnaissance or sampling efforts
 - A specific statement as to whether the environmental review yielded evidence of recognized environmental conditions in connection with the property



Additional Environmental Assessment Measures

- The Phase II Environmental Assessment process includes a site-specific sampling investigation. A Phase II may be initiated under the following conditions:
 - Suspected or known contamination exists at a site in excess of acceptable regulatory cleanup standards.
 - To establish baseline conditions of the site at the time of the sale.
 - To determine the nature and extent of any contamination and if remedial efforts are required.
 - To establish further assurance for a customer regarding environmental conditions at the substation.

- Exceptions to the previously noted conditions for initiating a Phase II Assessment may be considered, assuming the proposed actions are consistent with the 1996 Policy for Sale or Lease of Delivery Facilities.



Additional Environmental Assessment Measures (Continued)

- A Phase II Assessment is typically initiated when the following sales issues have been agreed upon:
 - Sales price
 - Equipment to be sold
 - Joint land use agreements, if any
 - Termination of ownership points
- Exceptions may be granted on a case by case basis.



Status of Remaining Substations

- **Since November 1996 BPA has sold over 200 Utility Delivery substations.**
 - While these environmental reviews are not, and do not claim to represent, definitive statements or warranties of the state of environmental conditions at the substation proposed for sale, none of the completed substation sales have resulted in subsequent claims that environmental conditions at the substation were other than what was represented by BPA prior to the sale.

- **Of the remaining 51 Utility Delivery substations:**
 - There are no Utility Delivery substation that are out of compliance with applicable standards/regulations relating to PCB issues.



Wrap Up – Environmental Process

- We hope this overview of the environmental review process for sales of Utility Delivery substations has illustrated the agency's commitment to responsible environmental stewardship.
- **Bonneville remains committed to complying with its Preliminary Environmental Disclosure responsibilities:**
 - Dedicated staff/Account Executives to identify and address environmental issues in a timely manner
 - Transparency of environmental review information
 - Policy development consistent with regulatory standards
 - A demonstrated record of success
- **If you have any additional questions, please contact your Transmission Account Executive.**
- **Now, please see the separate handout for discussion of NRU's proposal for UD/GTA.**



Customer Served Load Replacement/ Short Distance Discount



CSL Replacement / Short Distance Discount Objectives

- Discuss BPA's redline of the customer's Short Distance Discount proposal.
- Solicit customer input on preferred rate alternative.



Customer Served Load

- CSL is the monthly amount in megawatts of the Transmission Customer's Network Load that the Transmission Customer elects to serve on a firm basis from sources internal to its system, or over non-Federal transmission facilities, or pursuant to contracts other than the Network Integration (NT) Service Agreement.
 - The Customer must specify the amount of CSL in the Customer's NT Service Agreement.
- The Billing Factor for Customers with CSL is the Customer's Network Load on the hour of the Monthly Transmission Peak Load less Declared CSL (unless the Actual CSL is less than 60% of the Declared CSL during Heavy Load Hours, in which case the CSL credit does not apply).



Customer Served Load Background

- Currently, five NT Customers have declared Customer Served Load (CSL) in their NT Service Agreements totaling approximately 288 MW.
- Since 1996 CSL has been included in the BPA-TS NT Rate Schedule and Open Access Transmission Tariff (OATT).
- Pursuant to the 2006 Transmission Rate Case Settlement Agreement, CSL will expire at midnight on September 30th, 2011.
 - BPA-TS agreed to work with interested Customers to determine an appropriate replacement mechanism, if any.



Summary of Proposed Rate Alternatives

1. Do not offer a CSL Replacement.
 - The Transmission Provider has an obligation to plan for all NT Customer Network Load, including load growth.
 - If a NT Customer designates a Behind the Meter Resource, the Transmission Provider nevertheless has the obligation to plan for all Network Load.
 - A NT Customer can elect not to designate a particular load at a discrete Point of Delivery and not be subject to the NT Rate.
2. Offer a CSL Replacement in the form of a Short Distance Discount (SDD).
 - Reflects a limited use of the Transmission System and incentivizes location of generation close to Network Load.
 - Provides an economic benefit for NT Customers with qualifying resources.
 - Please refer to the redline of the customer's proposal (separate attachment).



Preliminary Analysis

- The table below shows a preliminary impact analysis based on the current CSL concept and the proposed SDD at existing FY10 transmission rates:

	Current CSL	Qualify for SDD
General Criteria	(1) Internal resources, (2) Non-Federal transmission facilities, or (3) Contracts other than NT Service Agreements	(1) Designated Network Resource for at least 12 months; (2) interconnected to the FCRTS or to the Customer's system, or is a Behind the Meter Resource; and (3) Uses FCRTS facilities for less than 75 circuit miles for delivery to the Network Load.
Number of Customers	5	11 (16 resources)
MW Impacted	288	332
Estimated Financial Impact	\$4.5 million/year	NT Base Charge: \$1.9 million/year -OR- NT Base Charge + Load Shaping Charge: \$2.5 million/year



NT Unauthorized Increase Charge (UIC)



Objectives

- Discuss background and rationale for establishing a NT UIC for FY 2012-2013 rate period.
- Review FERC Order 890 guidance and relevant Tariff provisions.
- Discuss potential rate alternatives and solicit customer suggestions.



NT Unauthorized Increase Charge (UIC)- Background

- Customer Served Load (CSL) will expire at midnight on September 30, 2011.
- Transmission Customers taking Network Integration (NT) Transmission Service under the NT Rate Schedule are assessed the UIC if the Actual CSL is less than the Declared CSL.
- As CSL expires, BPA Transmission Services is considering alternatives to replace the NT UIC.



Federal Energy Regulatory Commission Guidance

- **FERC Order 890 guidance-**
 - “Unreserved use penalties are intended, in part, to give transmission customers an incentive to reserve and pay for the appropriate level of transmission service so that transmission service is allocated in an orderly fashion.” (Paragraph 838).
 - “A transmission customer that uses unreserved transmission service requires the transmission provider to take some action to accommodate the additional use of the system.” (Paragraph 838).
 - “Absent a penalty in all instances, transmission customers would have an increased incentive to under-reserve transmission service, which would lead to an increase in the likelihood that system reliability would be impaired.” (Paragraph 838).

- **FERC Order 890-A guidance-**
 - “A Customer that uses more transmission service than it has reserved is subject to charges for ancillary services based on the period of unreserved use.” (Paragraph 437).



Unauthorized Increase Charge (UIC)

- BPA-TS OATT §30.4, Operation of Network Resources, excerpt-
 - The Network Customer shall not operate its designated Network Resources located in the Network Customer's or Transmission Provider's Control Area such that the output of those facilities exceeds its designated Network Load, plus sales of less than one year delivered pursuant to Part II of the Tariff, plus losses, plus power sales under a reserve sharing program, plus sales that permit curtailment without penalty to serve its designated Network Load.
 - For all Network Resources not physically connected with the Transmission Provider's Transmission System, the Network Customer may not schedule delivery of energy in excess of the Network Resource's capacity...unless the Network Customer supports such delivery within the Transmission Provider's Transmission System by either obtaining Point-to-Point Transmission Service or utilizing secondary service pursuant to Section 28.4.
 - The Transmission Provider shall specify the rate treatment and all related terms and conditions applicable in the event that a Network Customer's schedule at the delivery point for a Network Resource not physically interconnected with the Transmission Provider's Transmission System exceeds the Network Resource's designated capacity, excluding energy delivery using secondary service or Point-to-Point Transmission Service.



NT UIC Discussion

Our intent is to discuss and obtain customer feedback for developing an NT Unauthorized Increase Charge.

1. **Behind the Meter Generation exceeding a customer's Network Load for any given hour.**
 - Behind the Meter Resources, by definition, do not use BPA transmission facilities.
 - Behind the Meter generation exceeding Network Load flows onto the BPA Transmission System.
 - Output from Behind the Meter Resources is not scheduled.

2. **All Designated Network Resources generation exceeding the amount specified in section 30.4 of the OATT for any given hour.**
 - Excess generation leads to unreserved use of the BPA Transmission System.



NT UIC Discussion - Continued

3. Scheduling NT Firm transmission, from designated Network Resources, above contractually designated capacity.
 - Customer can submit additional schedules for secondary non-firm service to Network Load.

- Currently, PTP Customers are subject to an UIC.



Power Factor Penalty Charge: - Transfer Service



Power Factor Penalty Charge Background

BPA Transmission Services

- Pursuant to the 2010 Transmission Rate Schedule, “[a]ny party that is interconnected with the Federal Columbia River Transmission System (FCRTS) shall be charged for its reactive power requirements...”
 - Each point of interconnection or point of delivery shall be monitored and billed independently for determining the party’s total reactive power requirements and all associated billing factors, including the Reactive Deadband.
- The Power Factor Penalty charge is designed to encourage and incentivize utilities to take mitigating actions to promote and maintain reliable interconnection to BPA’s Transmission System.
- Service by Transfer- (GRSP, Section II(C)(2)(d))
 - Points of delivery that are served by transfer over another utility’s transmission system will not be subject to the Power Factor Penalty Charge unless there are significant BPA-TS Network facilities between the party’s points of delivery and the transferor’s system.
- Please refer to the separate attachment regarding the customer’s proposal.



BPA Power Service's Proposal

For service at transfer points of delivery that are not subject to the BPA-TS Power Factor Penalty charge, BPA-PS will propose an identical charge in the power rate case. BPA-PS is basing this proposed charge on the following:

- BPA holds to a single technical standard concerning reactive power usage by PF customers .
- Establishing a power factor penalty charge ensures adequate and timely policy direction to customers.
- It removes the disparate treatment between in-and-out-BA PF requirements customers.
- Billing algorithms and processes currently exist and can be applied to transfer customers' power bills.
- It will reduce the prospect that IOUs might implement a load-based reactive charge and will help maintain a "good neighbor" operational environment.
- It is consistent with the Agreement Regarding Transfer Services (ARTS).
- Little, if any, incremental revenue is expected from the charge.



2009 Power Factor Samples

Customer #	Total # of POD's	POD's/W Reactive Load Outside Deadband	POD's/W Reactive Load Inside Deadband
1	1	1	
2	7	5	2
3	1	1	
4	5	3	2
5	1	1	
6	4	2	2
7	1		1
8	4	2	2
9	1	1	
10	1		1
11	6	2	4
12	5	4	1
13	1	1	
14	1	1	
15	5	4	1
16	5	4	1
17	1	1	
18	4	3	1
19	1	1	
20	10	6	4
21	6	3	3
22	1	1	
23	1	1	
24	9	8	1
25	6	6	
Totals	88	62	26



Reservation Fee



Reservation Fee

- BPA is concerned about the amount of current and projected deferrals (extensions of commencement of service) in the future and the impact on transmission revenues and rates.
- After discussing this issue with customers in the April 14 Workshop and performing additional analyses, BPA is proposing to keep its current rate and tariff provisions concerning deferrals, which include:
 - 1 month PTP charge for each deferral;
 - Ability to sell deferred capacity in the short term market; and
 - Competitions of deferred capacity.
- BPA will continue to monitor the impacts of deferrals on transmission revenues and rates in the future.
- If BPA determines in the future that the current rate and tariff provisions do not adequately mitigate revenue losses from deferrals, it may consider revisiting this issue in a future rate case.



Wrap Up

- To suggest rate case topics to be added to the parking lot for discussion, please submit a written request to techforum@bpa.gov and state “**2012 Rate Case**” in the subject line.
 - Customers are encouraged to also participate in workshop discussions where such topic(s) are discussed.
- Customers that desire to post other rate-related materials to our rates website must submit a written request to techforum@bpa.gov
- 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/.
- The next scheduled rates workshop for Transmission topics is September 15th. A Tech Forum notice announcing the workshop topics will be sent out prior to the meeting.



Appendix



Use of Financial Reserves

- At the May 26th workshop, we discussed the appropriateness of temporarily using some of the financial reserves attributed to Transmission to support the Treasury Payment Probability for Power in the upcoming rate case. This will reduce the amount of Planned Net Revenue for Risk in Power rates (see Appendix for more background information).
- Three options for the risk analysis modeling were discussed:
 1. Keep business unit reserves separate with no reliance by one business unit on the other's reserves (status quo).
 2. Treat all reserves as one pool, with no business unit distinctions, that can be drawn on by either business unit, as needed. This will probably require an Agency TPP calculation.
 3. Keep Power and Transmission reserves separate but model the capability of either a) explicit or b) implicit inter-business unit loans.
- Power customers have shown some support for Option 3.
- We would like to hear the views of Transmission stakeholders.



Summary of Utility Delivery Rate Alternatives

1. Set the Delivery Charge to a rate that will recover all the costs of the Utility Delivery segment.
2. Cap the Delivery Charge increase to an amount not to exceed X%.
3. Roll the Utility Delivery segment into the Network and eliminate the Delivery Charge.
4. Substitute a Use Of Facilities (UFT) charge for the Delivery Charge.
5. NRU's Proposal to commit to continuing the Utility Delivery segment for the long term. Limit any future UD rate increase to the rate of increase in the NT rate. The following slides were submitted by NRU for discussion at today's workshop.



Delivery Charge Preliminary Alternatives

1. Set the Delivery Charge to recover all of the costs of the Utility Delivery segment.

Pros: Complies better with the principle of cost causation (costs fairly allocated to customers based on use) than does current practice

Cons: Could be viewed as conflicting with the principle of avoiding rate shock (although this effect is more a result of cumulative rate settlements and not a conscious policy decision)

2. Cap the Delivery Charge increase to an amount not to exceed X%.

Pros: Complies better with the principle of avoiding rate shock

Cons: Conflicts with the principle of cost causation, since any Utility Delivery segment costs not recovered by the Delivery Charge will have to be recovered via rates borne by other segments



Delivery Charge Preliminary Alternatives Continued

3. Roll the utility delivery segment into the Network and eliminate the Delivery Charge.

Pros: Relatively easy to implement, and could be seen by many as more in keeping with the principle of simplicity and understandability

Cons: Conflicts with the principle of cost causation

4. Substitute a Use Of Facilities (UFT) charge for the Delivery Charge.

Pros: Complies even more closely with the principle of cost causation than current policy. However, some customers may view it as inequitable since different Delivery Charge customers would pay different Delivery Charge rates.

Cons: Conflicts with the principles of simplicity/understandability and avoidance of rate shock.



Delivery Charge Preliminary Alternatives Continued

5. Commit to continuing the Utility Delivery segment for the long term. Limit any future UD rate increase to the rate of increase in the NT rate.

Pros: Removes risk that customers may buy their substation, only to find that soon after the UD segment was rolled into the Network, thus defeating their purpose of buying the substation;

Cons: Commits BPA to a long-term policy, even if it becomes clear this policy has been ineffective. Conflicts with the principle of cost causation, since any Utility Delivery segment costs not recovered by the Delivery Charge will have to be recovered via rates borne by other segments.

