

**Customer Redline
Comments
On the
TR-12 Settlement
Agreement**

NWG

NOT REVIEWED OR APPROVED BY ANY PARTY

DRAFT 11-17-10

PARTIAL TRANSMISSION SETTLEMENT AGREEMENT
Bonneville Power Administration 2012 Rate Case
(NWG Edits)

The undersigned signatories to this Partial Settlement Agreement hereby agree to the following:

1. In the Bonneville Power Administration (BPA) 2012 rate case, BPA will submit a proposal (Settlement Proposal) to establish rates for transmission services for fiscal years 2012-2013 (Rate Period) ~~(including alternatives for the Montana Intertie rate depending on whether BPA terminates the exchange in the Montana Intertie agreement)~~ as shown in Attachment 1. The Settlement Proposal will also include the following changes to existing rate schedules, all shown on Attachment 2, and no other changes:

- a. A change in the rate for the Failure to Comply Penalty Charge from 1000 mills per kilowatthour to the greater of 500 mills per kilowatthour, 150% of an hourly energy index, or the WECC energy price cap on spot-market sales.
- b. Deletion of Customer-Served Load provisions from the Network Integration rate schedule and addition of a short-distance discount to such rate schedule.
- c. Modification of section E of the Integration of Resources rate schedule, Ratchet Demand Relief, to provide that Ratchet Demand relief is not available in the month in which the Ratchet Demand was established and that for such month the customer will be assessed charges based upon its highest hourly Scheduled Demand for the month.
- d. Modification of the definitions of Dynamic Schedule and Dynamic Transfer so that they are identical to the definitions in the Dynamic Transfer Operating and Scheduling Business Practice.
- e. Removal of the words “Short-Term Firm and Non-Firm PTP Transmission” from the definitions of Daily Service and Weekly Service; and replacement of the definitions for Monthly Firm Service and Monthly Non-Firm Service with a definition of Monthly Service that reads as follows: “*Monthly Service* is service that starts at 00:00 of any date and stops at 00:00 at least 28 days later, but less than or equal to 364 days later.”
- f. Addition of a reference to conditional firm service in the availability clause of the Southern Intertie rate and the Montana Intertie rate. However, BPA will not offer conditional firm service based on system conditions before it adds this service to its open access transmission tariff.

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~~2. (Placeholder for Montana Intertie)~~

2. The Montana Intertie rate for the Rate Period (the IM-12 rate) will be zero dollars (\$0.00). BPA will use Transmission Reserves to the extent necessary to set the IM-12 rate at zero dollars, so that the IM-12 rate has no net impact on BPA's NT customers. In addition, BPA will work in good faith with interested transmission customers and other stakeholders in an open and collaborative forum during the Rate Period to develop a proposal for consideration in connection with BPA's FY 2014-15 rate case regarding the future of the Montana Intertie rate.

3. The ancillary services Regulation and Frequency Response Service, Energy Imbalance Service, Operating Reserve – Spinning Reserve Service, Operating Reserve – Supplemental Reserve Service, and Generation Imbalance Service, and all control area services, are not included in this settlement, except as expressly provided below. All issues concerning these services will be litigated in the 2012 rate case. Except as expressly provided herein, BPA reserves the right to propose changes to the rates, rate schedules, and associated general rate schedule provisions for these services, and the signatories to this settlement preserve the right to litigate all issues concerning these services.

4. The signatories acknowledge that in future rate periods, BPA expects the costs of transmission service ~~are expected~~ to increase because of, among other things, additional cyber and physical security requirements, repairs to aging equipment, and construction of new lines. The signatories agree to collaborate with BPA in exploring ways to reduce rate pressures in future rate periods.

5. a) The Transmission Risk Analysis Model will not be part of the record in the rate case and will not be subject to discovery. Currently BPA has determined that if more than \$250 million of reserves attributed to Transmission Services (Transmission Reserves) were made unavailable to Transmission Services during the Rate Period, transmission rates would fail to meet BPA's treasury payment probability standard of 95 percent. The signatories may not present evidence or argument in the 2012 rate case to challenge this determination.

b) In its initial proposal, Power Services plans to rely on \$150 million in Transmission Reserves to mitigate risk. The signatories may present evidence and argument in the 2012 rate case concerning the amount of Transmission Reserves that Power Services may rely on to mitigate risk or for other purposes, but may not present evidence or argument that this amount should be more than \$250 million.

c) In establishing final rates for the Rate Period, the Administrator has the right to determine that the amount of Transmission Reserves that can be made unavailable to Transmission Services during the Rate Period, and still allow Transmission Services to meet BPA's treasury payment probability standard, is less than \$250 million. If the Administrator does so, the signatories may not argue to FERC or in any judicial forum that an amount of Transmission Reserves greater than the amount so determined by the Administrator may be made unavailable to Transmission Services during the Rate Period.

Predecisional. For Discussion Purposes Only. 2

6. During the Rate Period, BPA will engage work in good faith with the signatories ~~in discussions regarding the following issues~~ to develop:

- a. Commercial practices under which BPA allocates dynamic transfer capability (DTC), taking account of self-supply and other regional initiatives;
- b. Methodologies to determine the availability of DTC;
- c. Ways to secure reliable and reasonable operational certainty for generators given the operational limits on the amount of DTC that BPA can make available;
- d. The use and terms of dynamic transfer operating agreements to govern access to and use of DTC;
- e. The appropriate use, if any, of the Northwest Power Pool Firm Contingent product code for wind; and
- f. Ways through operational measures to potentially mitigate the adverse impacts of cumulative imbalances and patterns of under-delivery or over-use of energy on the FCRPS. These discussions will not include discussions of the Persistent Deviation charge.

7. Notwithstanding anything to the contrary in Section 3 of this Partial Settlement Agreement, BPA will either (i) eliminate its proposal for Formula Rate Adjustments to the Imbalance Reserves component of the Variable Energy Resource Balancing Service rate for this Rate Period or (ii) rely on the use of \$20 million in Transmission Reserves to cover the risks associated with, and if needed, apply such amount of Transmission Reserves toward the costs of (a) replacing federal balancing reserve capacity that becomes unavailable during the Rate Period with non-federal balancing reserve capacity, or (b) increasing non-federal sources of balancing reserve capacity for the imbalance component of the Variable Energy Resource Balancing Service rate.

8. BPA will withdraw its proposal to make solar generating resources subject to the Variable Energy Resource Balancing Service rate to allow BPA additional time to evaluate the costs associated with the integration of solar generating resources into BPA's control area.

9. Before issuing an initial proposal in BPA's 2014 rate case, BPA will make public its transmission rate design model and its transmission risk analysis model. The models will not include then-current data used for establishing transmission rates.

~~8.~~10. The signatories agree not to contest any aspect of the Settlement Proposal, or, with respect to the rates included in the Settlement Proposal and established for the Rate Period, any of the elements thereof, the methodologies and principles used to derive such rates, or any aspect of the rate schedules or general rate schedule provisions, or any other issue that is included in the Settlement Proposal. The signatories further agree to waive their rights to cross-examination and discovery with respect thereto, except in response to issues raised by any party in such proceeding that is not a signatory to this Partial Settlement Agreement. If, however, BPA does not submit a proposal consistent with the terms of this Partial Settlement Agreement, the signatories may contest any aspect of its proposal.

~~9.11.~~ The signatories will move the Hearing Officer to specify a date, within a reasonable time of the prehearing conference in the rate case, by which any party to the rate case that has not executed this Partial Settlement Agreement must object to the settlement proposed in this Partial Settlement Agreement and identify each issue included in the Settlement Proposal that such rate case party chooses to preserve for hearing. If no rate case party objects to the Settlement Proposal and preserves issues for hearing, BPA shall propose to the Administrator that he adopt the Settlement Proposal in its entirety. If any rate case party does object to the Settlement Proposal, BPA may, but shall not be required to, revise the Settlement Proposal as it believes appropriate, either after such rate case party states its objection or after parties file their direct testimony. If BPA decides to revise the Settlement Proposal, the signatories, together with any other interested rate case parties, will meet promptly to discuss a new procedural schedule that they will propose to the Hearing Officer, allowing BPA a reasonable time in which to present a revised proposal and the parties a reasonable time to respond to such revised proposal. In that event, the signatories may contest any aspect of the revised proposal.

~~10.12.~~ Nothing in this Partial Settlement Agreement is intended in any way to alter the Administrator's authority and responsibility to periodically review and revise the Administrator's transmission rates or the signatories' rights to challenge such revisions.

~~11.13.~~ If the Administrator establishes transmission rates in accordance with the Settlement Proposal and submits such rates to FERC for confirmation and approval under the applicable standards of the Northwest Power Act, the signatories will not challenge the confirmation and approval of the rates or any element thereof, including the methodologies and principles used to establish the rates, or support or join any such challenge, and will not challenge the rates or any element thereof, including the methodologies and principles used to establish the rates, in any judicial forum.

~~12.14.~~ The signatories will not assert in any forum that anything in this Partial Settlement Agreement or any action with regard to this Partial Settlement Agreement taken or not taken by any signatory, the Hearing Officer, the Administrator, FERC, or a court, creates or implies any procedural or substantive precedent or creates or implies agreement to any underlying principle or methodology, or creates any precedent under any contract between BPA and any signatory.

~~13.15.~~ By executing this Partial Settlement Agreement, no signatory waives any right to pursue BPA tariff dispute resolution procedures consistent with BPA's tariff (including without limitation any complaint concerning implementation of BPA's tariff) or any claim that a particular charge, methodology, practice or rate schedule has been improperly applied.

~~14.16.~~ Nothing in this Partial Settlement Agreement amends any contract or modifies rights or obligations or limits the remedies available thereunder.

This Partial Settlement Agreement may be executed in counterparts.

_____ for

Party

Date

Predecisional. For Discussion Purposes Only. 5

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