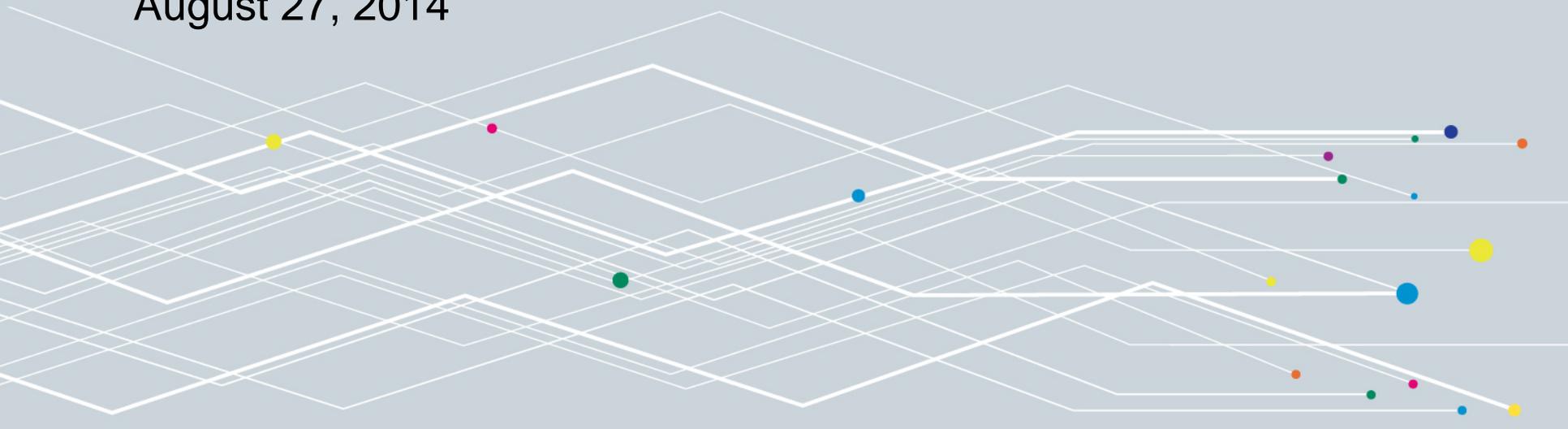


# BP-16 Southern Intertie Hourly Non-Firm Rate Proposal

August 27, 2014



# Seams Issues Between Bonneville OATT and California Market Frameworks Must be Addressed

- On Southern Interties, Bonneville Firm transmission *effectively* has no priority over Non-Firm service
  - Outcome is the result of seams issues between OATT and CAISO frameworks
  - Analysis of market data confirms that Bonneville transmission customers are receiving declining *share* of the value of transmission facilities between Northwest and California
  - This seams issue is unique to Southern Intertie; not observed on Network or Montana Intertie service (where Firm transmission continues to have effective priority)
- Addressing this issue requires continued dialogue between Bonneville and its customers
  - Goes beyond the current BP-16 rate proceeding
  - Should consider both rate and non-rate measures
- Bonneville should convene and lead a regional dialogue on this issue
  - Powerex strongly supports this dialogue, and has shared FTI Consulting's analysis of the seams issue

# Existing Rate Formula Contains Inaccurate Assumption of HNF Use on Southern Intertie

- Existing hourly rate formula was designed to achieve comparable customer contribution to embedded costs regardless of whether service is yearly or hourly
  - Appears designed to discourage “cherry picking” – *i.e.*, using the service in only selected valuable hours and thereby not bearing an appropriate share of the embedded costs of the transmission facilities
- **Current BP-14 yearly rate:**  
 $\$1.128/\text{kW per month} * 12 \text{ months} = \underline{\$13.536/\text{kW per year}}$
- **Current BP-14 hourly rate:**  
Assumes 80 hours reservations per week, 52 weeks per year of use  
 $\$3.25 \text{ mills/kW per hour} * 80 \text{ hours per week} * 52 \text{ weeks per year} = \underline{\$13.52/\text{kW per year}^*}$   
*i.e.*, total annual charge is equivalent to yearly service
- The assumption of 80 hours per week, 52 weeks per year is no longer accurate

*\*See BP-14-E-BPA-07 at 69:8-10, explaining that the hourly rate “is calculated by dividing the annual rate by 8,760 hours/year, dividing by 1,000 to convert to mills, and multiplying by the LLH/HLH factors of 24/16 and 7/5.”*

# Actual Use of HNF on Southern Interties Show Rate Formula Assumption Is No Longer Accurate

- In 2012-2013, Hourly Non-Firm was reserved on Southern Interties (to either COB or NOB) an average of only 9 hours per week per customer, *not* the 80 hours assumed in the BP-14 rate formula
  - 9 hours/week average includes all weeks, even those with no use
  - In only those weeks that a customer *did* reserve HNF, an average of 22-24 hours were reserved
- Based on this actual reservation pattern, ensuring an HNF customer's annual contribution to embedded costs is equivalent to yearly Firm service (*i.e.*, \$13.50/kW) requires raising the Southern Intertie HNF rate from the BP-14 level of \$3.25 mills to \$12.98 mills per kWh in BP-16:
  - **\$12.98** mills/kWh \* **20** hours per week \* 52 weeks per year = \$13.50/kW per year

*Note: The above \$12.98 rate is based on the current BP-14 yearly rate, and will need to be re-calculated to reflect any change in the BP-16 yearly rate, consistent with Bonneville's methodology.*

# Powerex Proposes Calculating BP-16 Southern Intertie HNF Rate to Reflect Reduced Usage

- Consistent with Bonneville’s existing cost-based rate framework
- Will discourage “cherry-picking” and assist full cost recovery by ensuring comparable contributions toward embedded cost regardless of term of service
  - Critically important on Southern Interties given effective loss of scheduling priority for Firm service
- New Southern Intertie HNF rate of \$12.98 mills/kWh is reasonable:
  - Well below Bonneville’s \$27.48 mills/kWh cost of expansion of Southern Interties
  - In line with tariff rates for use of Interties south of COB or NOB:

| Transmission Provider | Path | Hourly Tariff (\$/MWh) |
|-----------------------|------|------------------------|
| TANC                  | COI  | \$17.64                |
| SMUD                  | COI  | \$11.14                |
| LADWP                 | PDCI | \$ 9.00*               |

\* LADWP rate will increase to \$10.81/MWh for on-peak hours as of September 1, 2014

- This change is overdue and needs to be implemented by Bonneville in BP-16 rates