Segmentation Proposal Delivery Segment Roll-in

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Delivery Charge Basics

- Delivery Charge instituted in 1996, in part to encourage sale of Delivery Facilities
- Rate increased by 25% last rate period
  - Expected to increase another 25% in future rate periods to encourage sales of facilities
- FY12-13 - $1.119/kW FY14-15 - $1.399/kW
- FY 16-17 – $1.748/kW FY18-19 - $2.186/kW
- PROBLEM: Facilities are not purchasable

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Proposal

- Roll remaining facilities in Utility Delivery Segment into the Integrated Network Segment effective 10/1/15
  - Current Delivery Charge generates ~$3.5 million/year
  - This proposal would add this ~$3.5 million/year to Integrated Network revenue requirement
  - Impact on Network Rates is in the rounding and does not change PTP rate

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Delivery Facility by the Numbers

- Total Delivery Facilities in 1996:
  - **203**
- Number Sold:
  - **158**
- Number Remaining:
  - **45**
- Number of Years spent trying to strike deal:
  - **17**

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Rate Numbers

- Total Revenue Requirement for FY14-15:
  - ~$6 million Delivery Segment revenue requirement
    - ~$3.5 million collected in Delivery Charge
    - ~$2.5 million already in Network rates
- Impact on PTP Rate from Roll-in of Delivery:
  - No change to PTP rate, impact is in the rounding
- Net Plant in Delivery Segment:
  - ~$21 million
- Billing determinants annual:
  - ~245 MW

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Transformer Age

- Average age of transformer is:
  - **58.2 years** (range is 40-94 years old)

- ❑ **37** transformers are over **50** years old
- ❑ **21** transformers are over **60** years old
- ❑ **17** transformers are over **70** years old

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Delivery Facility Numbers

- Number of Delivery Facilities that are not in stations that are 100% Delivery
  - **16**

- Delivery Facilities shared by more than one utility:
  - **14**

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Of 45 remaining Delivery facilities

32

- Transformers over 60 years old
- are not 100% Delivery

and

- are shared with other utilities

39

- Transformers over 50 years old
- are not 100% Delivery

and

- are shared with other utilities

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Delivery Facilities Remaining

- Are not purchasable
- Customers will face dramatically escalating rate, violating rate shock principle
- Delivery rate will exceed PTP and NT rate, violating widespread use at lowest possible costs to consumers
- Were originally installed to deliver wholesale power

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Why Roll-in?

- **There is not a good business case to *buy* the vast majority of the remaining facilities at any price (maybe negative pricing)**
- Most are not even “give away-able”
- Remaining Delivery Charge will escalate to higher than Network rate violating principle of widespread use and lowest possible costs to consumers

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Final Segmentation Principles

1. Consistent with Statutory Requirements

- Roll in would ensure widest possible use at lowest possible rates to consumers consistent with sound business principles
- Would ensure full and timely cost recovery
- Rates would be based on system costs
- Would provide equitable allocation between fed and non-fed uses - customers can bring both fed and non-fed power to load

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2. Consistent with Rate Making Principles

- Cost causation – these facilities put in as wholesale points of delivery, part of system needed to transmit wholesale power
- It’s simple, understandable, easy to apply and has a large measure of acceptance
- Avoids rate shock to all parties
- Does provide stability, especially vis-à-vis alternatives (25% rate increases)

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3. Considers a Regional Perspective

- Region benefits by allowing these utilities to diversify to non-federal sources of power without additional charges
- Provides level playing field to all sellers of power
- Retains uniform rates
- Respects past BPA policies which provided these substations

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Direct Assignment Guidelines

- We are willing to work on further clarification of the Direct Assignment guidelines so parties are confident that BPA will not build any more lower voltage Delivery-type facilities.