

Segmentation Workshop

April 16, 2014



Proposal Recap

- BPA received four proposals to analyze at the last workshop
 - **PNGC Proposal:** Roll Utility Delivery into the Network
 - **NRU Proposal:** Roll Utility Delivery into the Network, but maintain a charge for use of Utility Delivery facilities, with revenue to be credited to the Network segment
 - **Snohomish Proposal:** Develop a new subtransmission segment to recover the costs associated with radial facilities from the user of those facilities
 - **IOUs/Large Public Proposals:**
 - Develop a rate to recover the costs of transformation facilities below a specified voltage from customers taking delivery at those voltages
 - Develop a subtransmission segment based on a functional analysis using FERC's Seven Factor Test*

*Analysis of a proposal of development of a new segment based on the Seven Factor Test is on hold because Snohomish proposal may be a close proxy

Initial Results of BPA Analysis

- BPA has completed initial analysis to support discussion of two of the segmentation alternatives proposed at the March 20 workshop
 - **PNGC Proposal:** Roll Utility Delivery into the Network and eliminate the UD rate
 - **NRU Proposal:** Roll Utility Delivery into the Network, but maintain a charge for use of Utility Delivery facilities to be credited to the Network segment
 - Analysis assumes the UD rate for usage is at the BP-14 UD rate level, then escalated with the Network rate increase
- Additional analysis examines DSI Delivery segment
- Analyses use BP-14 Final Proposal Data

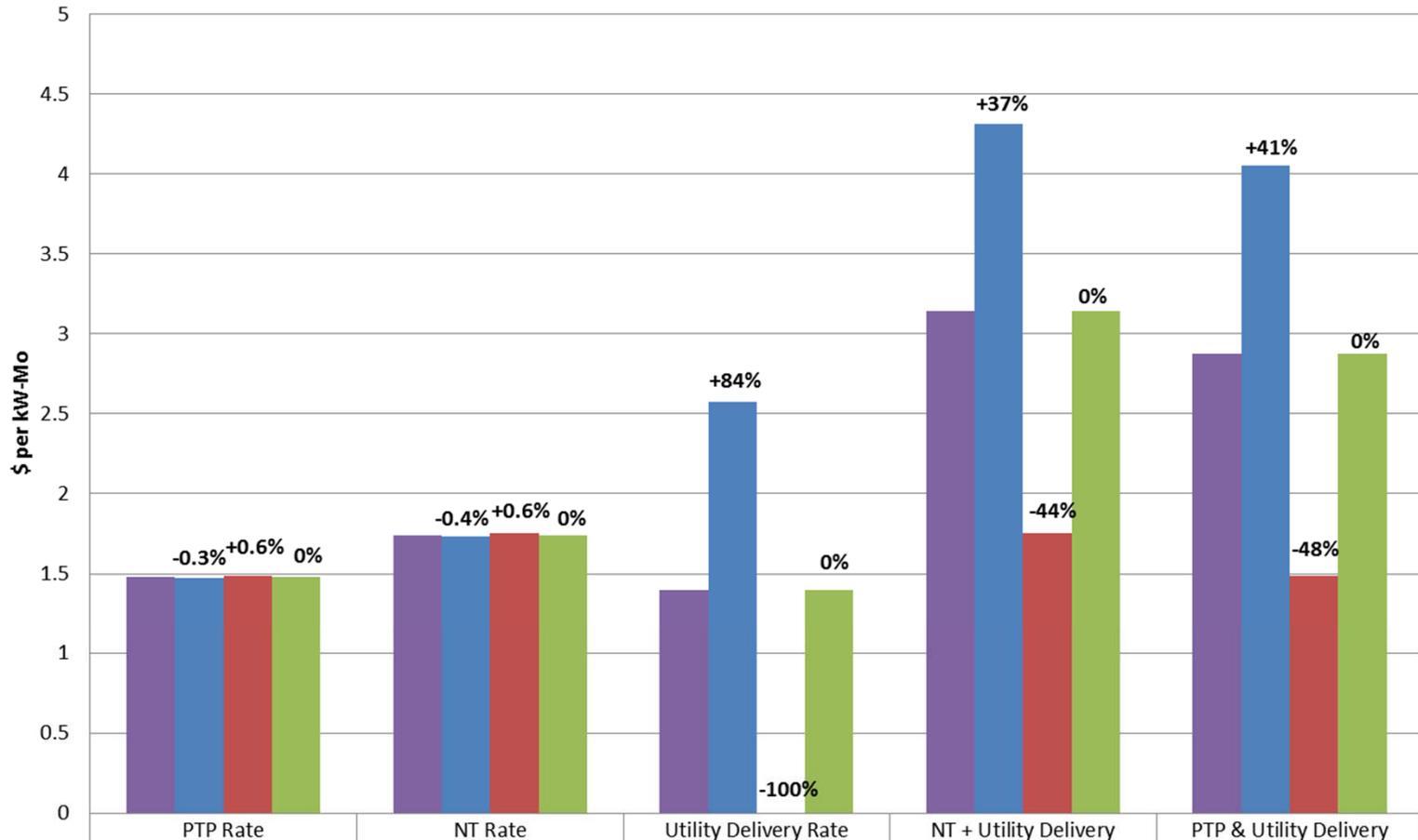
Utility Delivery Analysis

- Three scenarios were analyzed:
 1. **UD set to fully recover UD segment costs:** Illustrates potential future state of current segmentation policies
 2. **Roll In Utility Delivery (PNGC):** All costs associated with Utility Delivery are rolled into the Network and the UD rate is eliminated
 3. **Retain UD Rate (NRU):** Roll UD into Network but retain UD rate at current level (NRU effect is best measured against full recovery)

(\$ in millions)	UD Adjust	Network RRQ	UD Adjust	UD RRQ
Segmented Revenue Requirements (RRQ) w/credits		629.72		6.04
= RRQ in BP-14 Rates	2.32	632.03	-2.76	3.28
Alternatives (deltas from BP-14 and resulting RRQ)				
UD Full Recovery	-2.32	629.71	2.76	6.04
PNGC: roll in delivery	3.73	635.76	-3.28	0.00
NRU: roll in—retain delivery charge	~0	632.03	~0	3.28

Rates & Rate Impact Under Various UD Segmentation Scenarios

(Assumes BP-14 Revenue Requirements and Sales)



	PTP Rate	NT Rate	Utility Delivery Rate	NT + Utility Delivery	PTP & Utility Delivery
BP-14 Rates	1.479	1.741	1.399	3.14	2.878
UD Full Recovery	1.474	1.734	2.577	4.311	4.051
PNCG Case	1.488	1.751	0	1.751	1.488
NRU Case	1.479	1.741	1.399	3.14	2.878

% shown is increase compared to BP-14 rates (purple bar)

UD & DSI Delivery Analysis

- Same three scenarios were analyzed:
 1. **UD set to fully recover UD segment costs:** Illustrates potential future state of current segmentation policies; DSI Delivery unchanged
 2. **Roll In Utility Delivery:** All costs associated with Utility & DSI Delivery are rolled into the Network and both rates are eliminated
 3. **Retain UD Rate:** Roll both UD & DSI into Network but retain UD rate at current level; DSI remains at UFT rate

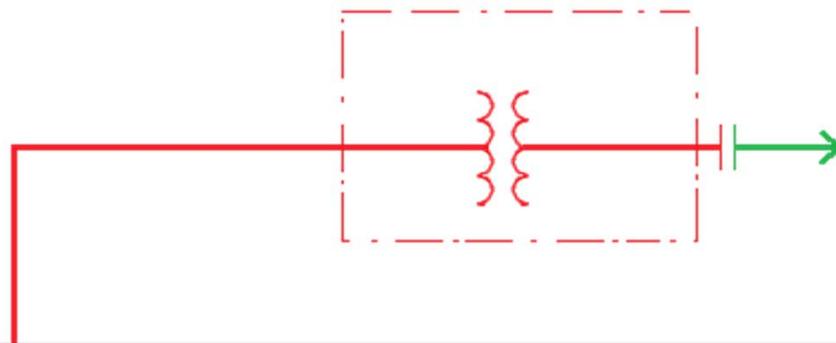
(\$ in millions)	Deliv Adjust	Network RRQ	UD Adjust	UD RRQ	DSI Adjust	DSI RRQ
Segmented RRQ w/credits		629.23		6.04		3.21
= RRQ in BP-14 Rates	2.80	632.03	-2.76	3.28	-0.58	2.63
Alternatives (deltas from BP-14 and resulting RRQ)						
UD Full Recovery	-2.45	629.58	2.76	6.04	0	2.63
Roll in Delivery	6.45	638.48	-3.28	0.00	-2.63	0.00
Roll in—Retain Delivery Charge	~0	632.03	~0	3.28	0	2.63

Snohomish Proposal Analysis

- BPA is working on an analysis of Snohomish's proposal to develop a radial transmission segment to recover the costs associated with radial facilities
- Analysis Requires:
 - Identification of radial facilities
 - Development of revenue requirement associated with facilities
 - Identification of billing determinants for users of radial facilities
- BPA met with Snohomish to discuss criteria for identification of radial facilities
 - Tentative conclusions on next six slides:

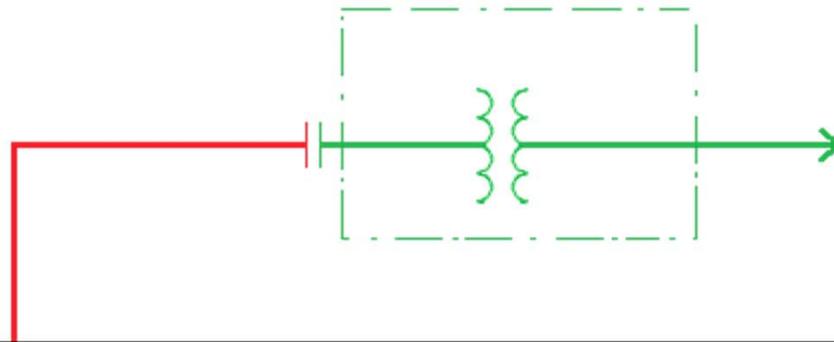
What Constitutes Radial Service (1)

- Ex: radial line – BPA owns station = YES



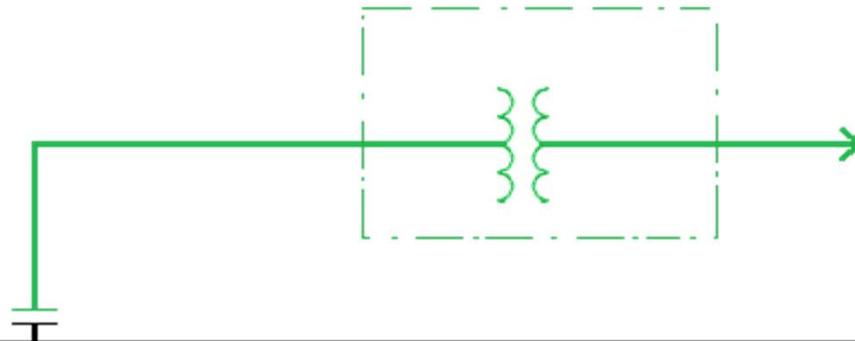
Black = BPA Network
 Red = BPA Radial
 Green = Non-BPA

- Ex: radial line – customer owns station = YES

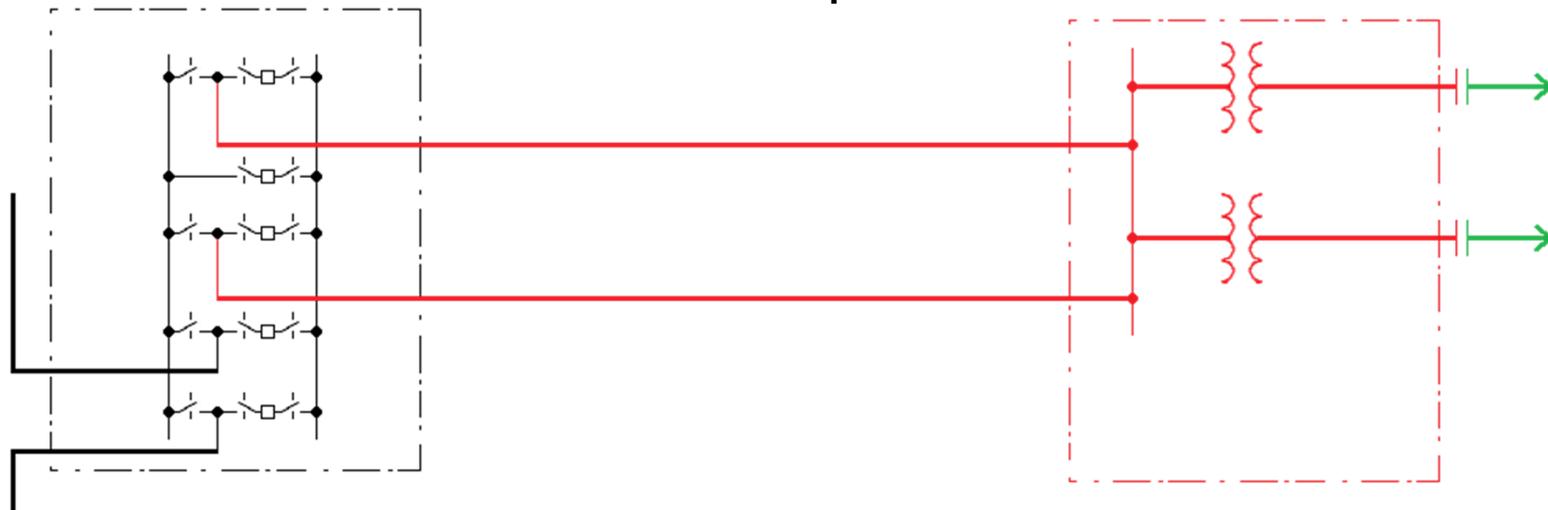


What Constitutes Radial Service (2)

- Ex: short BPA line – customer tap of network line = NO

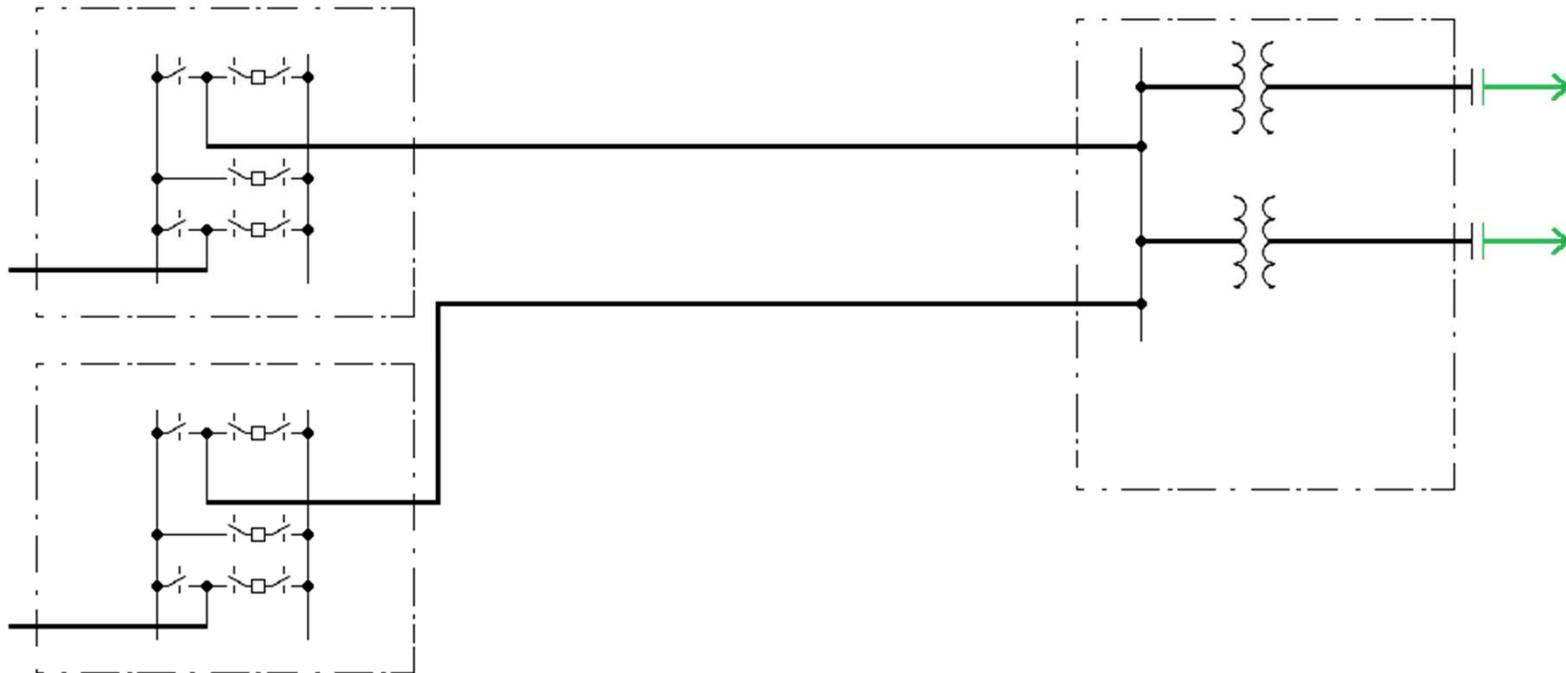


- Ex: bus-to-bus service over parallel lines = YES



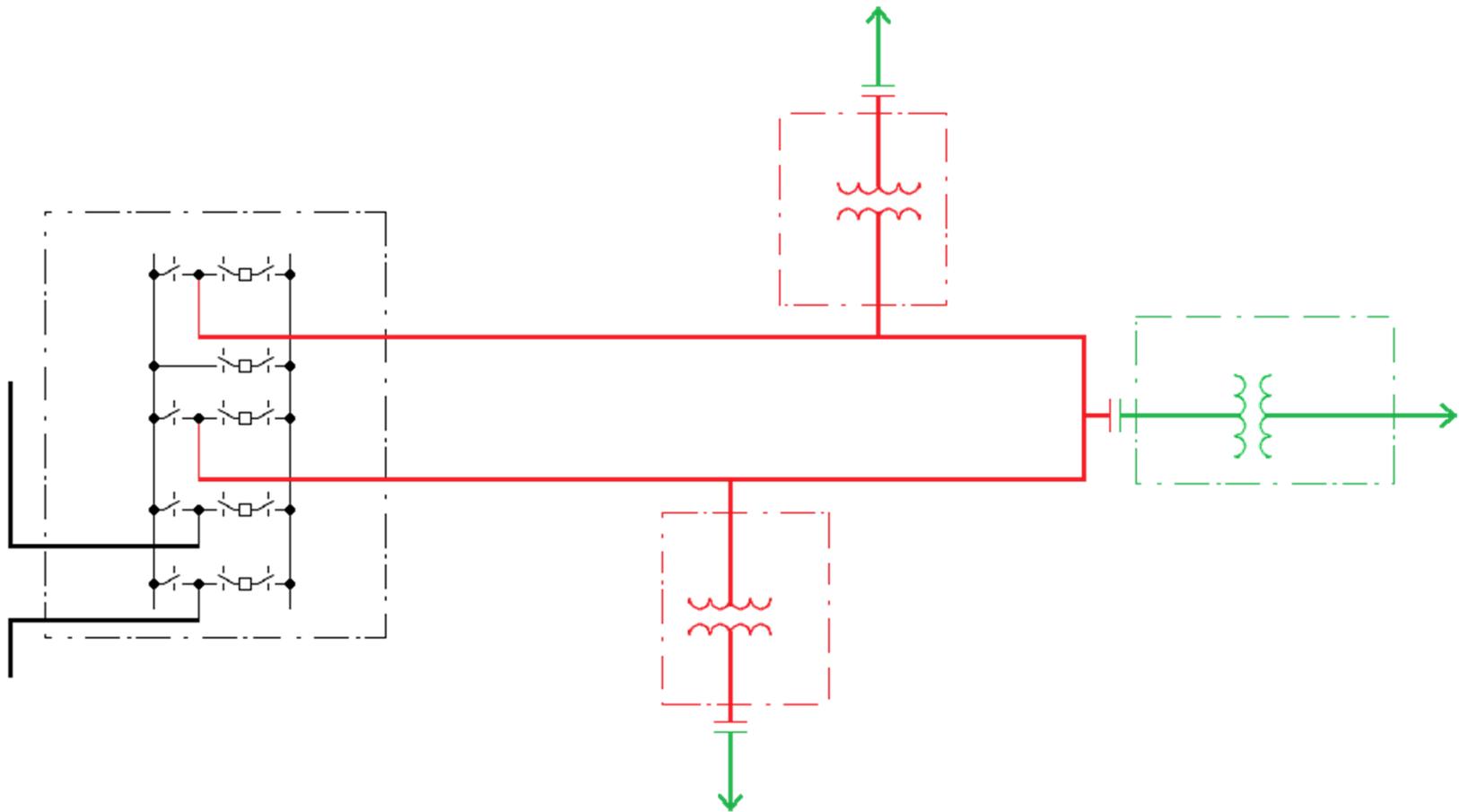
What Constitutes Radial Service (3)

- Ex: separate bus service over parallel lines = NO



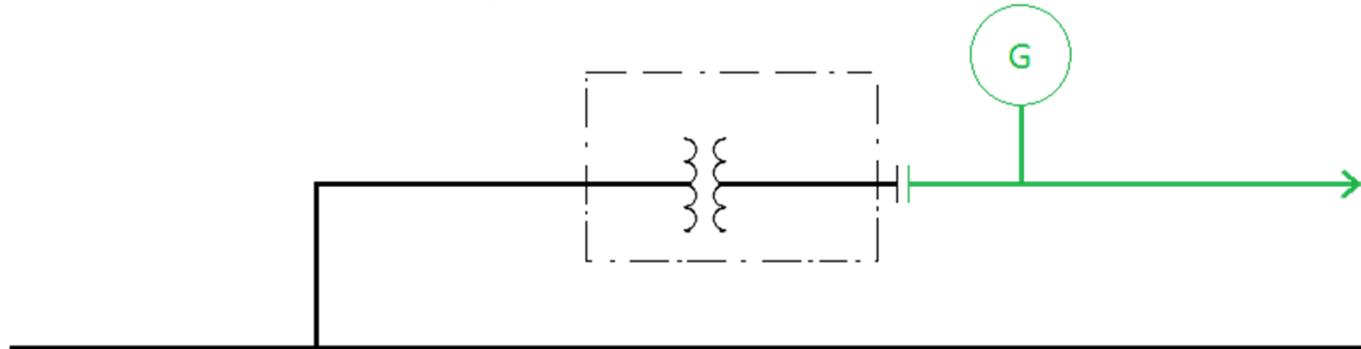
What Constitutes Radial Service (4)

- Ex: same bus service over looped lines = YES

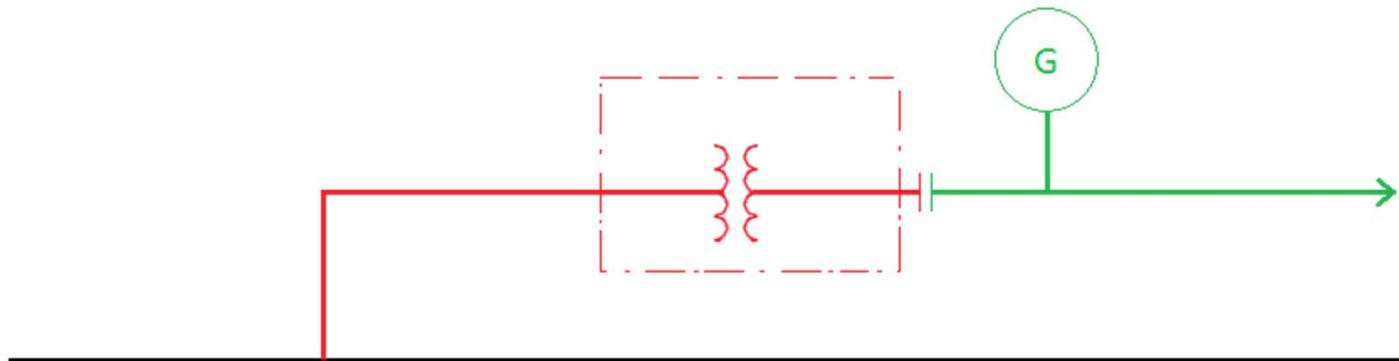


What Constitutes Radial Service (5)

- Ex: Non-federal generation–wheeled+scheduled = NO

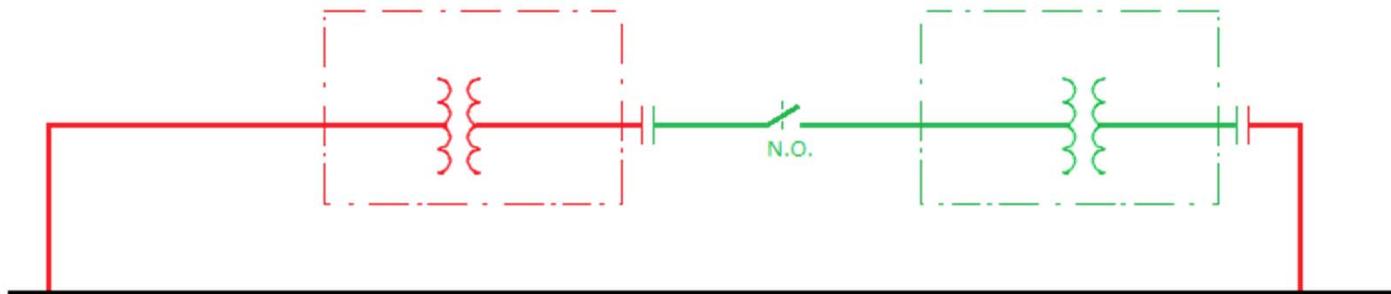


- Ex: Non-federal generation–consumed locally = YES

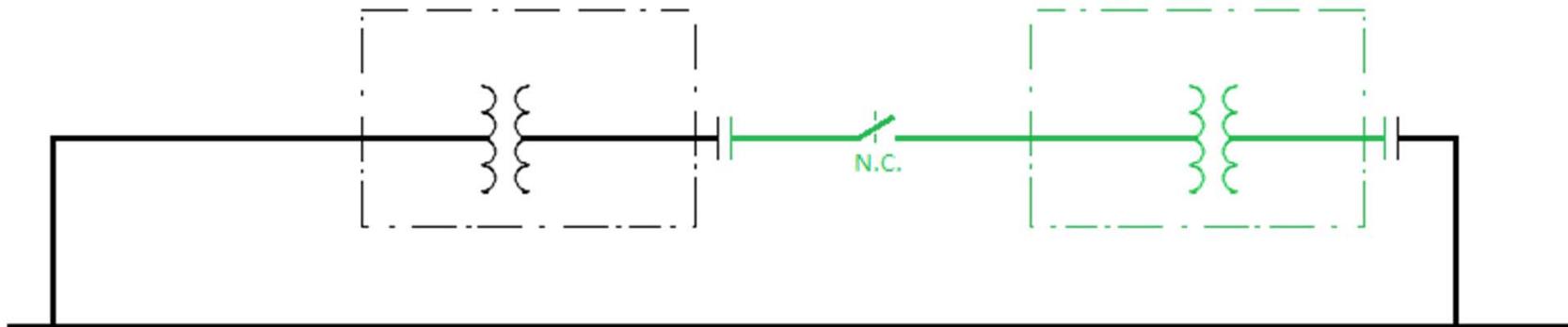


What Constitutes Radial Service (6)

- Ex: Looped service—normally open circuit = YES



- Ex: Looped service—normally closed circuit = NO



Discussion of IOU/Large Public Proposal

- The IOUs/Large Publics submitted two proposals, but requested that BPA first focus on their proposal to develop a rate to recover the costs of transformation facilities below a certain voltage
- Customers taking service at different voltages pay different rates, such as:
 - above 150kV delivery = Network rate
 - 30kV-150kV delivery = Network rate + Xfmr rate
 - **OR**
 - Above 150 kV delivery = Network rate
 - 80kV-150kV delivery = Network rate + Xfmr1 rate
 - 30kV-80kV delivery = Network rate + Xfmr1 rate + Xfmr2 rate
 - Certain situations may call for “at-site” discounts
 - BPA will note potential discount sites for further discussion

IOU/Large Public Proposal Analysis

- Transformer costs are being assembled
- Customers' billing determinants at various voltages are being developed
- Different options will be analyzed:
 - One step rate (150kV breakpoints)
 - One step rate (80kV breakpoints)
 - Two step rates (150kV and 80kV breakpoints)
 - Replace Delivery rate with 30kV breakpoint

Next Steps

- Continue to meet one on one with customers to interpret and refine their proposals
- Following the May 7 workshop, BPA will share updates on the analysis of customer proposals
- Starting in early May, BPA will request customer involvement in developing a white paper on the regional Segmentation discussion
 - This paper will inform the BPA executives for making the decision on a Segmentation methodology for the Initial Proposal
- June 11 workshop will conclude Segmentation discussion (just-in-case—June 25 on calendar)

BP-16 Segmentation Timeline

JAN	FEB	MAR	APR	MAY	JUN
<p>Jan 28 Workshop: Kick-Off</p>	<p>Feb 19 Workshop: Principles development and benchmarking</p>	<p>Mar 20 Workshop: Customer Proposals</p>	<p>Apr 16 Workshop—Share work-in-progress</p>	<p>May 7 Workshop—Share work-in-progress</p> <p>Mid-May Transmit draft white paper to customers</p> <p>Mid-May Provide customers expectations on what feedback is needed for the white paper</p> <p>End of May Customer’s white paper comments due</p> <p>May 29 Workshop—Share final analytical results</p>	<p>June 11 Workshop—review white paper</p> <p>June 25 Workshop, if needed</p>