

Segmentation Proposal

Snohomish PUD
BPA Public Segmentation Process
3/20/14

Introduction

- ▶ Two primary questions to address in this process:
 - What segmentation methodology could be applied to existing facilities?
 - How could newly proposed Transmission projects be treated?
- ▶ What does this proposal seek to achieve?
 - A segmentation methodology that is both durable and technically justifiable for both new and existing facilities
 - A revised Direct Assignment Policy to equitably allocate costs of new Transmission projects

Overview of Proposal for Existing Facilities

Technical Analysis



Consider only radially-operated facilities

Rate Design



Rate Design #1: Allocate costs to a new Sub-Transmission Segment

or

Rate Design #2: Create a new credit within the Network Segment

Rate Mitigation



Various Rate Mitigation Options (if necessary)



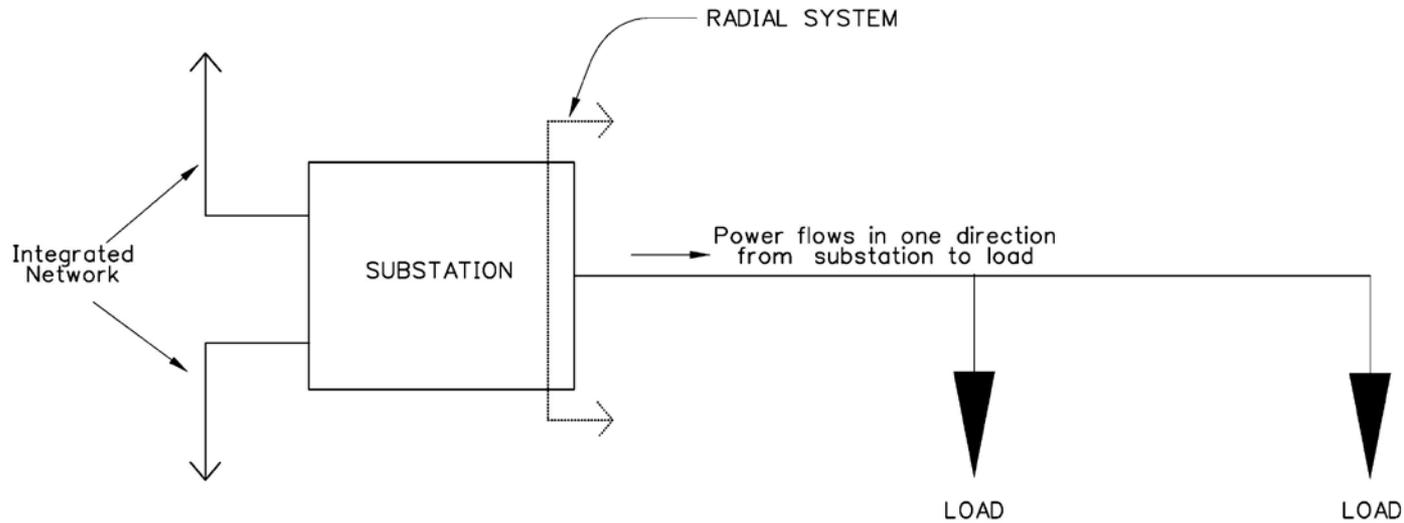
Technical Analysis

- ▶ BPA has conveyed that a system-wide analysis based on a facility's function would be complicated and open to interpretation on many facilities
- ▶ Proposed approach: Analyze the system and identify only radially-operated facilities
 - Satisfies a robust engineering and functional analysis, while keeping the scope limited
 - Easier to identify
 - Function can be determined simply

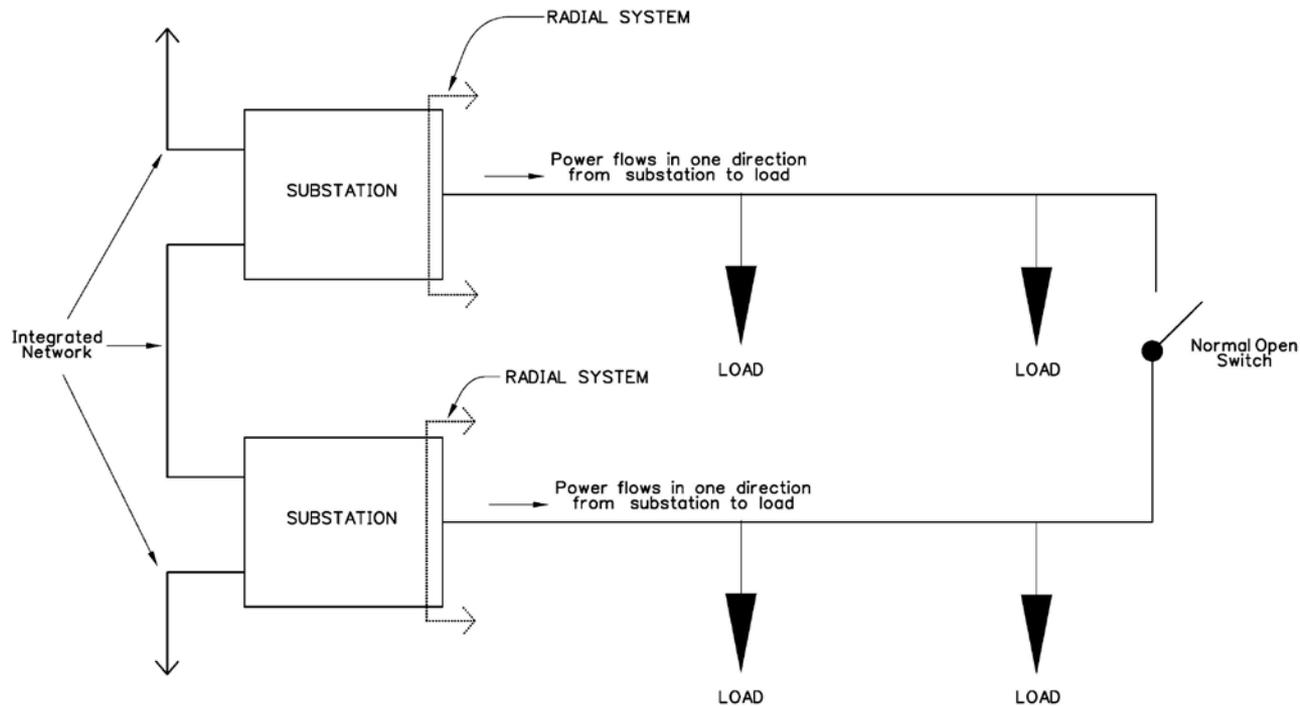
Radially-Operated Facilities

- ▶ Radial systems and Radial Open Loops collectively are considered “Radially-Operated Facilities”
 - Radial Systems are a group of contiguous transmission elements that emanate from a single point of connection; power flows in one direction from the substation to the load
 - Radial Open Loops are two or more Radial Systems that are connected by a Normally Open Switch (in effect, creating a gap between the Radial Systems)
 - Radial Open Loops are, operationally, almost identical to Radial Systems
- ▶ Based on feedback from BPA, analysis of only Radially-Operated Facilities is more technically manageable

Radially-Operated Facilities Example 1: Radial System



Radially-Operated Facilities Example 2: Radial Open Loop



Rate Design: Option #1

- ▶ Create a “Sub-Transmission” Segment, allocating the costs of all radially-operated facilities to the new segment
 - Costs assigned to the Sub-Transmission Segment would be allocated to those customers taking service across the radially-operated facilities
 - The allocation would be similar to how costs are allocated in the Network Segment today
- ▶ BPA to determine the billing determinants for this approach and quantify the potential rate impacts

Rate Design: Option #2

- ▶ Maintain existing Network Segment
- ▶ The Network Segment receives a credit for the costs allocated from the radially-operated facilities
 - This credit would be spread to all Network customers based on their individual billing determinants
 - Cost of the credit would be recovered through rates from customers receiving service through Radially-Operated Facilities
- ▶ Again, BPA to determine the billing determinants for this approach and quantify the potential rate impacts

Rate Mitigation

- ▶ Intent of proposal is to not unduly burden any customer or group of customers; rather, aimed at equitable cost allocation and development of a durable methodology
- ▶ Potential level of mitigation yet unknown; concrete rate information necessary to determine whether mitigation is required
- ▶ To the extent customers experience rate shock, mitigation can be implemented to ease rate pressure
- ▶ Possible mitigation tools could include:
 - Phased-in rate increases
 - Rate increase “cap”

BPA's Direct Assignment Policy

- ▶ In light of BPA's Segmentation Principles, it is important to examine BPA's Direct Assignment Policy and ensure that it is clear, durable and consistent with these Principles
- ▶ Other policy considerations include:
 - A functional review of all newly proposed Transmission facilities
 - Removal of the 34.5 kV brightline threshold
 - Review standards and transparency controls
 - Uniform applicability to any and all new projects

Questions?

If there are any questions, please feel free to ask now or contact us at a later time.

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