

Network Cost Allocation

Pre-Rate Case Transmission Workshop

August 13, 2014

Tacoma Proposal - BPA allocate cost to PTP/IR based upon long-term contract demand and to NT based upon forecast 1NCP. This cost allocation strikes a better balance that recognizes long-term system planning, rights to capacity, and the allocation of diversity benefits.

(Exclude ST/NF MWs in the allocation factor, instead credit the ST/NF sales revenue)

FERC Recognized “one size doesn’t fit all”

FERC Order 888 Section 6:

- *“In the NOPR, the commission discussed the procedures to be used in establishing Stage One Rates. These Stage One rates were proposed as an administrative convenience.” (p92)*
- *“We wish to emphasize further that in taking this approach we are not endorsing the traditional contract path approach as the only available approach. We continue to approve contract path pricing because it is the long established pricing methodology that comes to us in rate filings by the electric industry, is administratively convenient and feasible, and thus is a practical way to move forward now.” (p97)*
- *“Other versions (of flow-based pricing) could more accurately assign capacity rights in accordance with a party’s contribution to capacity costs.” (p96)*

The Proposed Allocation and Rate Design Steps – 12NCP

Segmented Network Costs	\$632,033				
FPT Revenues	<u>19,898</u>				
Net to Allocate	\$612,135				
	LT PTP/IR	NT			
CD/12NCP Allocator	25,681	7,209	(LT PTP/IR @ RP Avg CD, NT @ 12NCP)		
	78.1%	22%			
Alloc of Rev Req	\$477,967	\$134,168	<u>Rate</u>	<u>MW-mo</u>	<u>ST/NF Rev</u>
Credit for ST/NF sales (@ \$1.479)	22,026	6,183	1.479	1,589	28,209
Net Revenue Requirement	\$455,941	\$127,985			
NT redispatch direct assignment		430			
Total Net Revenue Req	\$455,941	\$128,415			
Billing Factor (CD/12CP)	25,681	6,148			
BP-14 Base PTP & NT rates	\$1.479	\$1.741			

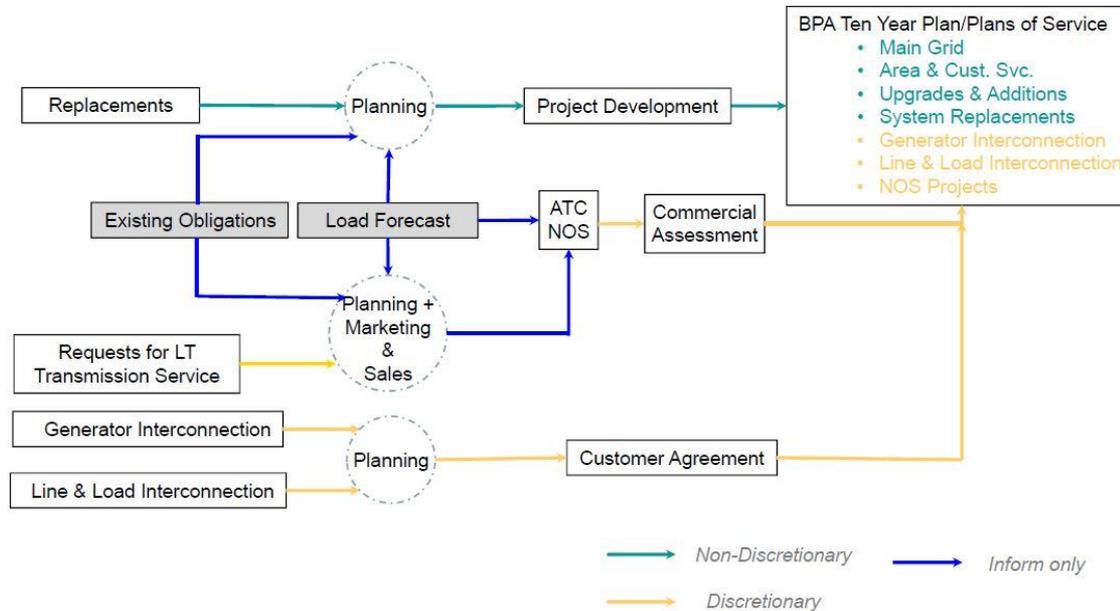
The Proposed Allocation and Rate Design Steps - 1NCP

Segmented Network Costs	\$632,033				
FPT Revenues	<u>19,142</u>				
Net to Allocate	\$612,891				
	LT PTP/IR	NT (1NCP)			
CD/1NCP Allocator	25,681	8,609	(LT PTP/IR @ RP Avg CD, NT @ 1NCP)		
	74.9%	25.1%			
Alloc of Rev Req	\$459,012	\$153,879	<u>Rate</u>	<u>MW-mo</u>	<u>ST/NF Rev</u>
Credit for ST/NF sales (@ \$1.423)	20,327	6,814	1.423	1,589	27,141
Net Revenue Requirement	\$438,685	\$147,065			
NT redispach direct assignment		430			
Total Net Revenue Req	\$438,685	\$147,495			
BP-14 Billing Factor (CD/12CP)	25,681	6,148			
Base PTP & NT rate	\$1.423	\$1.999			
Current BP-14 PTP & NT rates	\$1.479	\$1.741			
% Change From BP-14	-3.8%	14.9%			

System Planning

B O N N E V I L L E P O W E R A D M I N I S T R A T I O N

Transmission Capital Project Planning



Pre-Decisional. For Discussion Purposes Only.

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July 23, 2014

Long-Term Planning, NOS Data vs BP-16

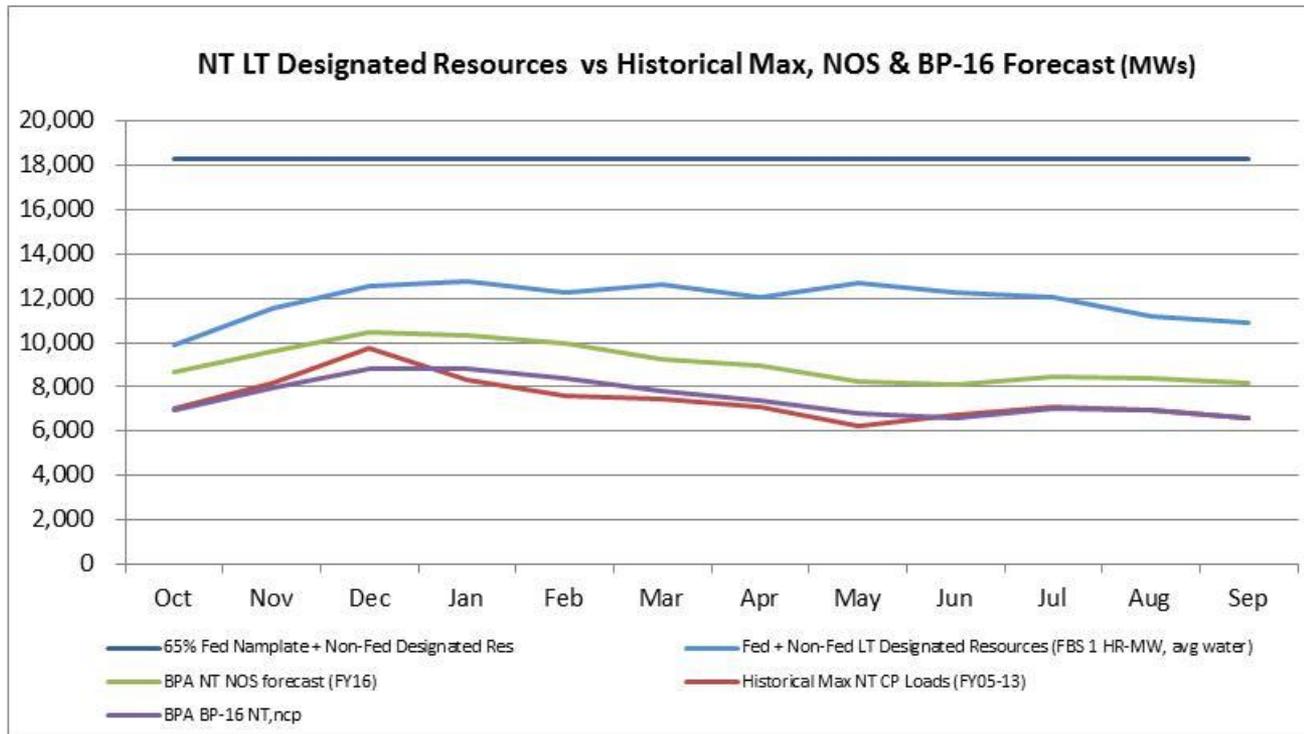
	NOS Cluster Study		BP-16 Forecast		Delta (NOS-BP16)		Percent Delta	
	PTP/IR/FPT	NT ?CP	PTP/IR/FPT	NT NCP	PTP/IR/FPT	NT	PTP/IR/FPT	NT
Oct-15	26,765	8,705	27,753	6,988	(988)	1,717	-4%	25%
Nov-15	26,765	9,624	27,413	7,954	(648)	1,670	-2%	21%
Dec-15	26,765	10,456	27,474	8,798	(709)	1,658	-3%	19%
Jan-16	26,765	10,320	28,396	8,817	(1,631)	1,503	-6%	17%
Feb-16	26,765	9,951	28,388	8,379	(1,623)	1,572	-6%	19%
Mar-16	26,765	9,262	28,382	7,796	(1,617)	1,466	-6%	19%
Apr-16	26,765	8,993	28,378	7,398	(1,613)	1,595	-6%	22%
May-16	26,765	8,268	28,377	6,806	(1,612)	1,462	-6%	21%
Jun-16	26,765	8,130	28,372	6,633	(1,607)	1,497	-6%	23%
Jul-16	26,715	8,459	28,324	7,055	(1,609)	1,404	-6%	20%
Aug-16	26,716	8,369	28,326	6,955	(1,610)	1,414	-6%	20%
Sep-16	26,716	8,148	28,325	6,628	(1,609)	1,520	-6%	23%
Oct-16	26,713	8,731	28,322	7,127	(1,609)	1,604	-6%	23%
Nov-16	26,713	9,697	28,377	8,091	(1,664)	1,606	-6%	20%
Dec-16	26,688	10,537	28,367	8,940	(1,679)	1,597	-6%	18%
Jan-17	26,688	10,396	28,447	8,963	(1,759)	1,433	-6%	16%
Feb-17	26,688	10,076	28,439	8,545	(1,751)	1,531	-6%	18%
Mar-17	26,688	9,317	28,433	7,951	(1,745)	1,366	-6%	17%
Apr-17	26,688	9,051	28,429	7,556	(1,741)	1,495	-6%	20%
May-17	26,688	8,345	28,428	6,955	(1,740)	1,390	-6%	20%
Jun-17	26,688	8,212	28,423	6,771	(1,735)	1,441	-6%	21%
Jul-17	26,688	8,538	28,424	7,186	(1,736)	1,352	-6%	19%
Aug-17	26,659	8,450	28,526	7,080	(1,867)	1,370	-7%	19%
Sep-17	26,659	8,225	28,525	6,743	(1,866)	1,482	-7%	22%
						Avg %	-6%	20%

Rights to Network Capacity

	PTP	NT
Rights to Capacity	Contract Reservation Quantity (25,681 MW BP-14 Avg)	Actual load: <ul style="list-style-type: none"> • 9,767 MW, Dec 2009 CP Load? • 10,456 MW, Dec FY 16 NOS Cluster Study Value? • 18,281 MW, 65% FCRPS Nameplate 22,458 MW + 65% CGS 1,100 MW + 2,968 MW Non-Federal Designated Resources Network Resources)?
Current Cost Allocation	Contract Reservation Quantity (25,681 MW BP-14 Avg)	Annual Average NCP Load Forecast (7,209 MW BP-14 12-mo avg, 1:2 weather)
Proposed Cost Allocation	Contract Reservation Quantity (25,681 MW BP-14 Avg)	Annual NCP Load Forecast (8,609 MW BP-14 Dec, 1:2 weather)

NT Rights To Capacity

- NT rights to capacity are limited to firm transmission by network designation attestation (Include Section 30.7 of BPA's OATT)



Diversity Benefits

- Results from lower capital costs associate with designing/building a system recognizing that not all loads peak at the same time (load diversity).
- Benefits derived from sale of short-term capacity when not needed to serve long-term commitments and extreme weather load.
- Allocating costs to NT based upon average annual peak loads under 1:2 (50% probability) and to PTP on full Contract Demand under-allocates cost responsibility to NT on BPA's Network Segment.

June 25th Recommendation/Proposal

- BPA adopt a Network allocation methodology based upon Cost Causation:
 - ~~Peak usage equivalent allocator for both PTP and NT (e.g. PTP@2CP & NT@2CP)~~
 - Or, Contract Demand equivalent for NT service (e.g. PTP@CD & NT@1NCP)
- To do otherwise simply results in PTP subsidizing NT Service on BPA's Network Segment