

# BP-16 Transmission Rate Case Workshop

August 27, 2014



# Agenda

- Intertie Issues
- Direct Assignment Guidelines
- BP-16 Transmission Rates Model
- Segmentation O&M
- Next Steps

# Southern Intertie Issues



# Southern Intertie Issues – Customer Questions from August 13 Workshop

- How many MW are in the queue for Intertie service?
  - AC: 5 Customers for 2,070 MW
  - DC: 8 Customers for 3,108 MW
- How many confirmed Intertie reservations are ending during the BP-16 time period?
  - 3,287 MW of reservations end in FY 16 and FY 17
  - 1,053 MW of reservations ending during the rate period are not eligible for rollover
  - 2,234 MW of reservations are eligible to rollover during the rate period (493 MW have already rolled over)
- How many reservations have not rolled over when eligible?
  - None. The Reservation Desk could not find evidence of non-renewal.

# Summary of Customer Comments

- All customers recognize that there is an issue concerning the value of long term rights on the Southern Intertie and division of benefits between the regions for sales in the day-ahead market.
- All customers would like to explore more information to better understand the issue and collaborate with possible solutions in the future.
- Powerex proposed potential rate alternatives which they will share at today's workshop
- Nine customers requested additional background and meetings
  - Requested non-rate and rate alternative solutions
  - Requested impacts by customer class

# Powerex Presentation

## Intertie Long Term Value

# Transalta Presentation

## Intertie: PDCI Discussion



# Intertie Next Steps

- Workshop that is not part of the rate case to discuss the Intertie issues and possible non-rate options.
- Power to meet with Power customers to discuss impacts.
- BPA requests customer comments on Powerex's proposals by September 5.
- BPA will present analysis of customer transmission rate proposals at the September 10 rate case workshop.

# Direct Assignment Guidelines



# BPA's Direct Assignment Guidelines

- The Guidelines were developed in 1999, based on customer comments received at that time, and have not been revised since then.
- The Guidelines are not so much to define policy, but rather to serve as a working document to clarify BPA's interpretation of:
  - BPA's OATT
  - FERC policy
  - Treatment of replacements

# Direct Assignment Comments from Customers

- Removal of the 34.5 kV bright line.
- Look at the impact to the BES.
- Look at Radial Line.
- Change the guidelines to state direct assignment facilities, particularly new terminal equipment, should not be rolled into the Network.

# Direct Assignment Next Steps

- BPA will provide a modified redline guidelines for discussion at the September 10, workshop.
- The comment period will be open on these redlines until September 19.

# Rates Model



# Background

- The rates model is largely unchanged from BP-14. Additional changes may be made before initial proposal depending on resolution of outstanding issues including:
  - Hourly Non-firm rate design
  - Cost allocation

# Current Assumptions

- Data:
  - Sales forecast shared in July 23<sup>rd</sup> workshop
  - Revenue Requirement shared in July 23<sup>rd</sup> workshop (will be updated prior to initial proposal)
- Assumptions:
  - 12 NCP cost allocation
  - Short term rate calculations consistent with BP-14
  - Segmentation maintains BP-14 segments
  - Segmentation uses 3 –year O&M historical averages

# Preliminary Results

	BP-14 Rates	BP -16 Draft Rate	Change from BP-14
FPT (avg)	\$ 1.585	\$ 1.682	6.1%
IR	\$ 1.736	\$ 1.842	6.1%
NT	\$ 1.741	\$ 1.823	4.7%
PTP	\$ 1.479	\$ 1.543	4.3%
IS	\$ 1.128	\$ 1.158	2.7%
IM	\$ 0.598	\$ 0.598	0.0%
UD	\$ 1.399	\$ 1.749	25.0%
NT SCD	\$ 0.300	\$ 0.351	17.0%
PTP SCD	\$ 0.257	\$ 0.299	16.3%
NT + SCD	\$ 2.041	\$ 2.174	6.5%
PTP + SCD	\$ 1.736	\$ 1.842	6.1%
IS + SCD	\$ 1.385	\$ 1.457	5.2%
IM + SCD	\$ 0.855	\$ 0.897	4.9%

These results will be updated based on updated revenue requirements and other changes as appropriate.

# Short Term Sales – Crediting v. Allocation (12 NCP example)

PTP ST included in Cost Allocation					
		IR*	NT**	PTP	Description
1	Sales Allocation %	0.75%	20.92%	79.33%	Share of Network Sales (FPT excluded)
2	Allocated Costs	4,927	138,771	518,001	Network costs - FPT revenues * Row 1
3	Allocated ST Revenues				Not used in this methodology
4	Adjusted Allocated Costs	4,927	138,771	518,001	Row 2 - Row 3
5	Sales Demand (mo-avg MW)	266	6,342	27,967	From July 23rd Presentation
6	Rates	1.543	1.823	1.543	Row 4 / Row 5

PTP ST Revenue Applied as Credits					
		IR*	NT**	PTP	Description
1	Sales Allocation %	0.78%	21.83%	77.39%	Share of Network Sales (FPT excluded)
2	Allocated Costs	5,141	144,783	511,775	Network costs - FPT revenues * Row 1
3	Allocated ST Revenues	214	6,018	21,336	ST Revenues * Row 1
4	Adjusted Allocated Costs	4,927	138,765	490,439	Row 2 - Row 3
5	Sales Demand (mo-avg MW)	266	6,342	26,480	From July 23rd Presentation
6	Rates (\$/MW-mo)	1.543	1.823	1.543	Row 4 / Row 5 / 12 months

\* IR shown is for Network portion. Full IR rate will include SCD

\*\* NT allocated costs include redispatch costs

# Short Term Sales – Crediting v. Allocation (1 NCP example)

PTP ST included in Cost Allocation					
		IR*	NT**	PTP	Description
1	Sales Allocation %	0.72%	23.71%	75.58%	Share of Network Sales (FPT excluded)
2	Allocated Costs	4,757	157,319	500,194	Network costs - FPT revenues * Row 1
3	Allocated ST Revenues				Not used in this methodology
4	Adjusted Allocated Costs	4,757	157,319	500,194	Row 2 - Row 3
5	Sales Demand (mo-avg MW)	266	6,342	27,967	From July 23rd Presentation
6	Rates	1.490	2.067	1.490	Row 4 / Row 5

PTP ST Revenue Applied as Credits					
		IR*	NT**	PTP	Description
1	Sales Allocation %	0.75%	24.70%	74.55%	Share of Network Sales (FPT excluded)
2	Allocated Costs	4,957	163,887	493,427	Network costs - FPT revenues * Row 1
3	Allocated ST Revenues	200	6,579	19,860	ST Revenues * Row 1
4	Adjusted Allocated Costs	4,757	157,308	473,567	Row 2 - Row 3
5	Sales Demand (mo-avg MW)	266	6,342	26,480	From July 23rd Presentation
6	Rates (\$/MW-mo)	1.490	2.067	1.490	Row 4 / Row 5 / 12 months

\* IR shown is for Network portion. Full IR rate will include SCD

\*\* NT allocated costs include redispatch costs

For both cost allocation methodologies, the rates are the same regardless of which of the two ST treatments is used

# O&M Cost Segmentation Follow-up



# Segmentation O&M

- The relative shares of the total O&M cost identified for each segment in the Segmentation study are used to assign O&M during the rate period to each segment.
- At the August 13 workshop BPA shared its intent to move from 3-year historical average O&M costs to 7-year historical average O&M costs in the segmentation study.
- BPA also proposed to update its O&M methodology by assigning Right of Way and Vegetation management costs to the segments based on their share of the total historical line O&M
  - In BP-14 these costs were assigned based on share of total O&M (lines + subs)
  - The following analysis reflects this change for all scenarios

# O & M Allocation Factor and Revenue Requirement Comparison of 3 year, 5 year and 7 year averages

		A	B	C	D	E	F	G	H
<b>O&amp;M Allocation Factor</b>		<b>Generation Integration</b>	<b>Network</b>	<b>Southern Intertie</b>	<b>Eastern Intertie</b>	<b>Utility Delivery</b>	<b>DSI Delivery</b>	<b>Ancillary Services</b>	<b>Total</b>
1	O & M Segmented Total % for Lines and Subs-3 years (current methodology)	2.1%	84.3%	11.3%	0.5%	1.1%	0.8%		100.0%
2	O & M Segmented Total % for Lines and Subs-5 years	2.0%	83.7%	11.8%	0.6%	1.1%	0.8%		100.0%
3	O & M Segmented Total % for Lines and Subs-7 years (proposed)	2.0%	83.1%	12.3%	0.6%	1.2%	0.8%		100.0%
4	<b>Variance between 3 and 7 years</b>	-0.1%	-1.2%	1.0%	0.1%	0.1%	0.0%		0.0%
<b>Total Revenue Requirement</b>									
5	Total Revenue Requirement, 2 yr avg - 3 years (current methodology)	12,867	698,815	95,456	8,846	6,067	4,616	281,186	1,107,852
6	Total Revenue Requirement, 2 yr avg - 5 years	12,446	696,561	97,479	9,158	6,320	4,702	281,186	1,107,852
7	Total Revenue Requirement, 2 yr avg - 7 years (proposed)	12,509	694,201	99,356	9,315	6,489	4,797	281,186	1,107,852
8	<b>Variance between 3 and 7 years</b>	(358)	(4,614)	3,900	470	422	180	-	-

# Rates Resulting from O&M Alternatives

	3-year O&M	5-year O&M	7-year O&M
FPT (avg)	\$ 1.687	\$ 1.684	\$ 1.680
IR	\$ 1.848	\$ 1.845	\$ 1.840
NT	\$ 1.830	\$ 1.826	\$ 1.820
PTP	\$ 1.549	\$ 1.546	\$ 1.541
IS	\$ 1.122	\$ 1.149	\$ 1.174
IM	\$ 0.598	\$ 0.598	\$ 0.598
UD	\$ 1.749	\$ 1.749	\$ 1.749
NT SCD	\$ 0.351	\$ 0.351	\$ 0.351
PTP SCD	\$ 0.299	\$ 0.299	\$ 0.299
NT + SCD	\$ 2.181	\$ 2.177	\$ 2.171
PTP + SCD	\$ 1.848	\$ 1.845	\$ 1.840
IS + SCD	\$ 1.421	\$ 1.448	\$ 1.473
IM + SCD	\$ 0.897	\$ 0.897	\$ 0.897

- Note that several rates do not change under the various alternatives for BP-16:
  - UD is capped at 25% increase
  - IM rate is set by contracts
  - SCD rates are based on the Ancillary Services segment which does not include costs allocated by O&M

# Reasons for moving to 7 year average

- Some maintenance done on three year cycles so 7 years would include two cycles
- Helps smooth out temporary increases in maintenance use
- Reduces temporary rate shocks or rate shifts due to one time maintenance projects

# BP-16 Rate Case Proposed Schedule

- November 5 – Federal Register notice published
- November 12 – Prehearing Conference/BPA Direct Case

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- Nov 19 – 21 – Clarification of BPA's Direct Case
  - Jan 30 – Parties File Direct Cases
  - Mar 12 – Litigants File Rebuttal Cases
  - Apr 1-3 and 6-7 – Cross-exam
  - May 1 – Initial Briefs
  - May 8 – Oral Argument
  - Jun 12 – Draft ROD
  - Jul 1 – Briefs on Exceptions
  - Jul 24 – Final ROD

# Next Steps

- September 10 – Rates Workshop
  - Cost Allocation
  - HNF rate design
  - Wrap up