

# Generation Interconnection: Transmission Credit Repayment



# Purpose of Discussion

- *Explore potential alternatives to reduce long-term network rate impacts associated with generator interconnection.*

# Context

- BPA is holding a large transmission credit balance that is forecast to increase as more generator connections are constructed.
- Transmission credits and other payments are the result of customers advance funding network upgrades necessary to interconnect to the system under Large Generator Interconnection Agreements (LGIA).
- BPA applies credits against customers transmission service charges or makes cash payments based on capacity until the liability balance is exhausted.
- BPA makes a lump sum “balloon payment” for the remaining balance if it is not exhausted in 20 years.
- These credits are effectively a cost, which increases rate pressure.

# Issue

- How should BPA repay credits for advance funding for Network Upgrades in the future?

# Objectives

- Minimize upward rate pressure.
- Create a method of funding Large Generation Interconnection Projects that encourages effective integration of resources through sustainable, long-term, collaborative integration solutions while ensuring reliability, equitable cost and risk allocation, and meeting legal obligations.
- Ensure interconnection costs are appropriately allocated between individual customers and the rate base.

# Projected Transmission Balances

- As of July 2012 BPA had a outstanding transmission credit balance of \$280 million. These are funds that have been advanced for network upgrades required to interconnect generators.
- \$252 million is associated with interconnection projects that are currently receiving transmission credits. The remaining \$28 million is associated with projects that have not begun receiving transmission credits.
- Approximately \$106 million in additional advances for Network Upgrades is forecast to be deposited before the end of FY 2015.

# Projected Transmission Credit Repayment

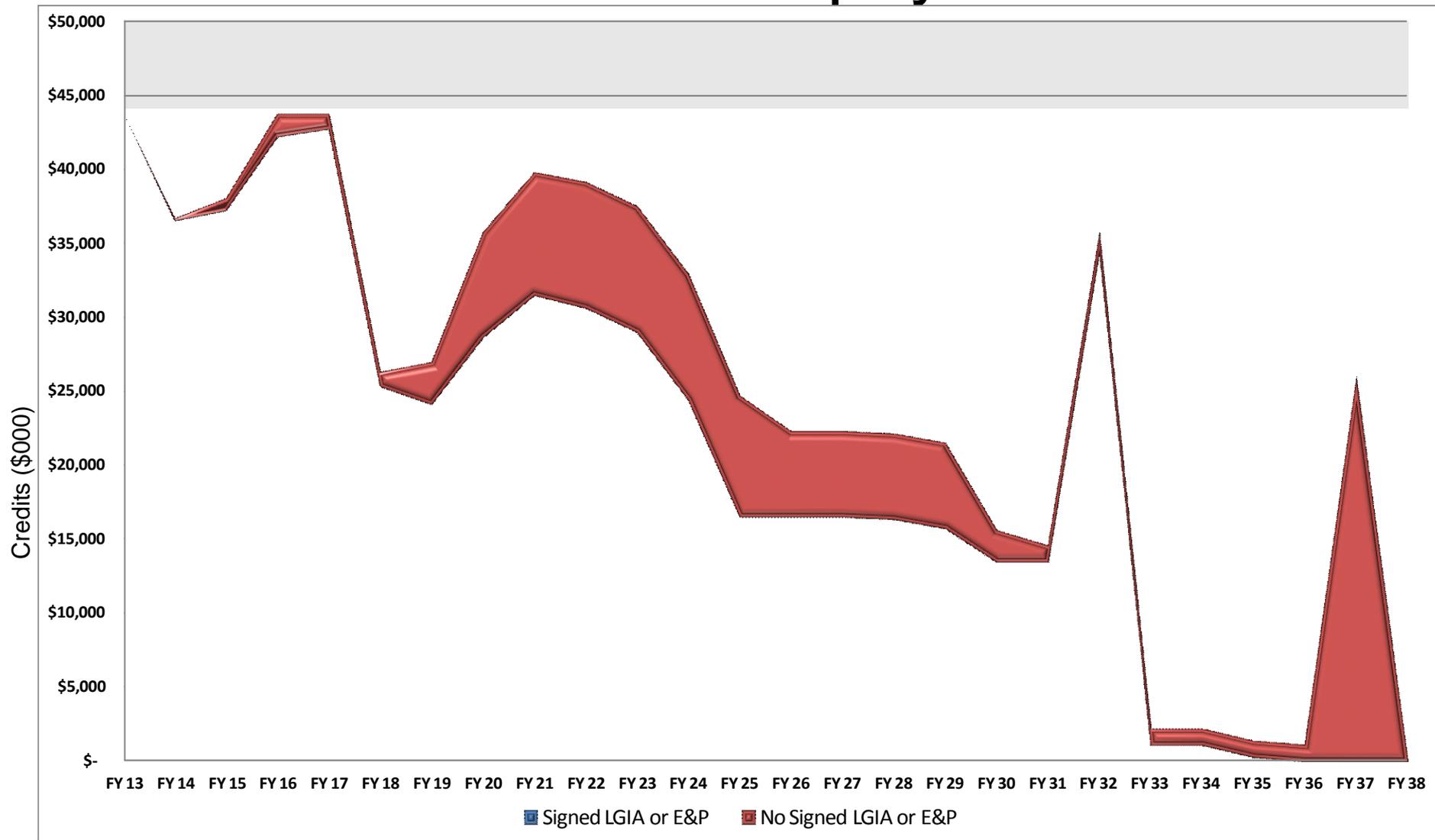
- BPA forecasts that repayments through FY 2037 will total \$654 million (this includes forecasted and existing advance funding and interest).
- Of the \$654 million, BPA is forecasting future advance funding of \$113 million. This forecast amount is not associated with existing signed LGIAs or Engineering and Procurement Agreements (E&P).
  - Any changes to the credit repayment would apply to future LGIAs and E&Ps would apply to the \$113 million in future advance funding.
  - Alternative #3 could potentially apply to all credit balances.
- The remaining \$541 million represents advanced funds to BPA that are associated with signed LGIAs or E&Ps.
  - Any changes to the credit repayment would not apply to the \$541 million.

# Alternatives & Analysis

# Transmission Credits Analysis Assumptions

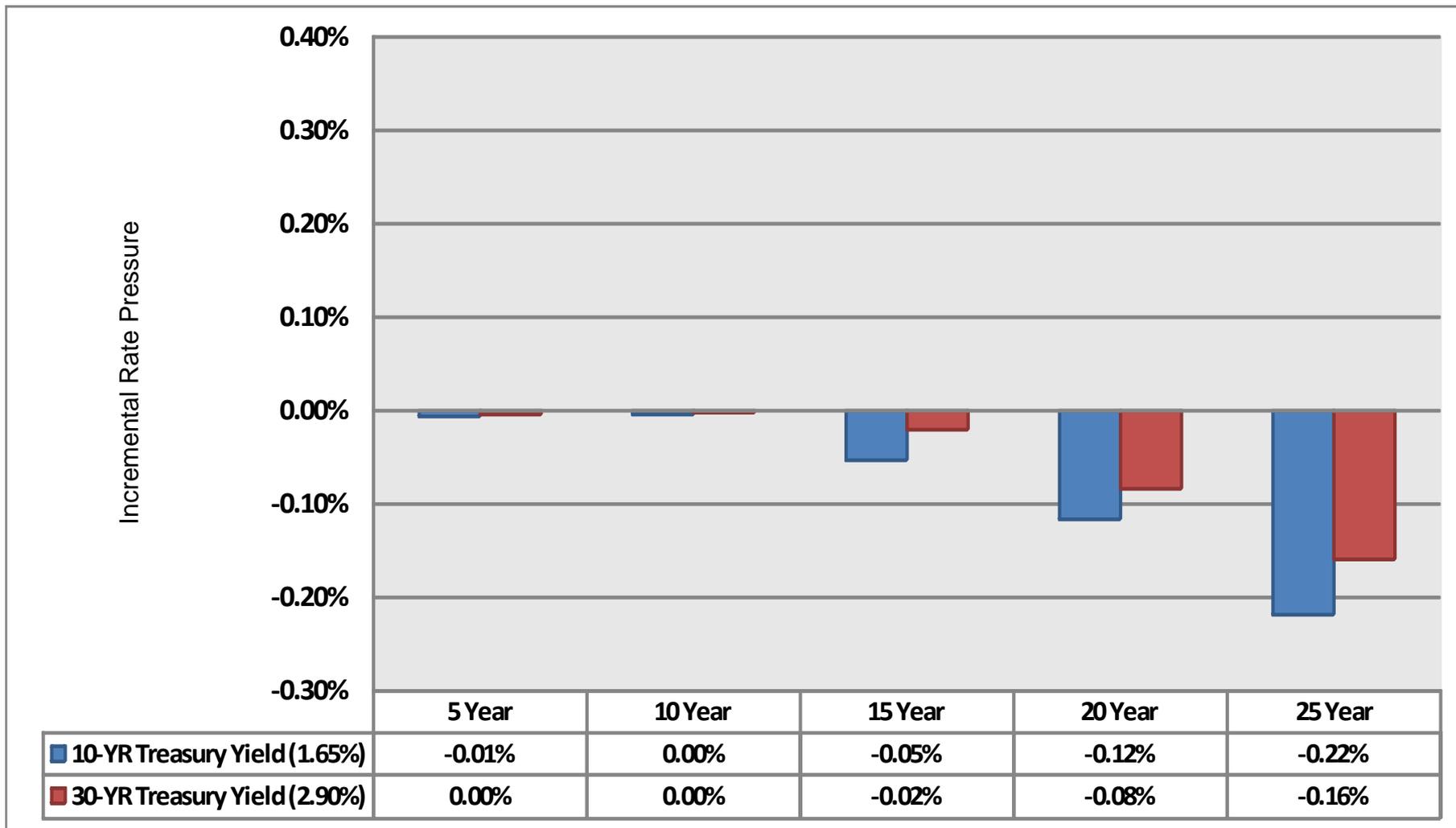
- To the extent possible, each GI project was tied to requests in the Transmission Queue to forecast sales eligible to receive Transmission Credits.
  - When a request in the GI Queue could not be tied to requests in the Transmission Queue, a percentage of the nameplate was used to forecast the sales eligible to receive credits.
    - 30% - Year 1
    - 50% - Year 2
    - 70% - Year 3
- The dollar value of the Transmission Credits was determined by multiplying the current PTP LT Transmission rate by the forecasted sales eligible for credits.
- The rule of thumb \$6.8 million = 1% rate pressure was used.

# Transmission Credit Repayment Forecast



- Alternative # 1 – Change the interest rate applicable to LGIA credits.

- Base interest on a lower rate.



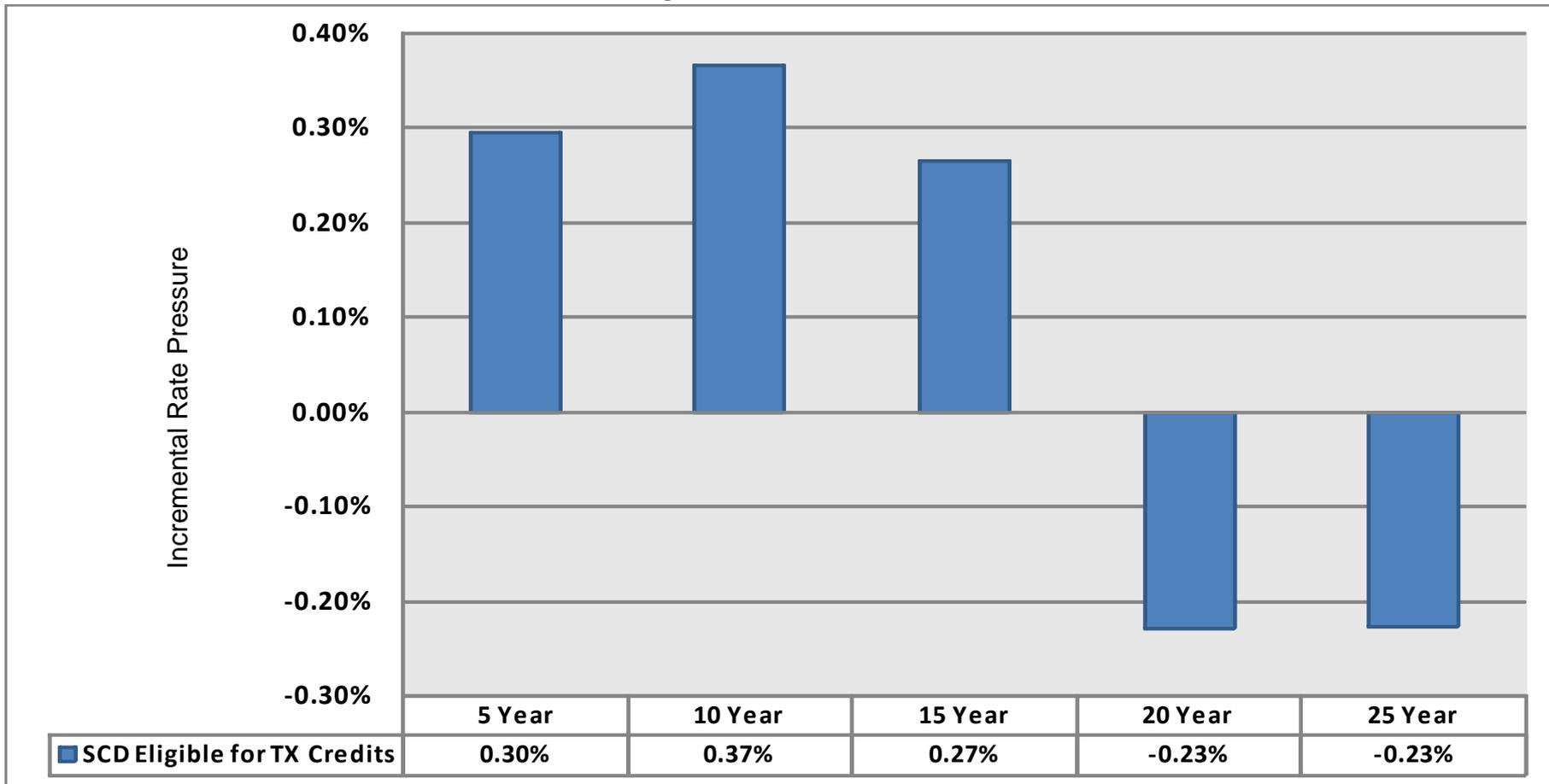
■ **Alternative # 2 – Repay transmission credits until balance is exhausted.**

- Remove the 20-year deadline on transmission credit repayment.
- There would be no balloon payments, but transmission credit payments would continue beyond 20 years.



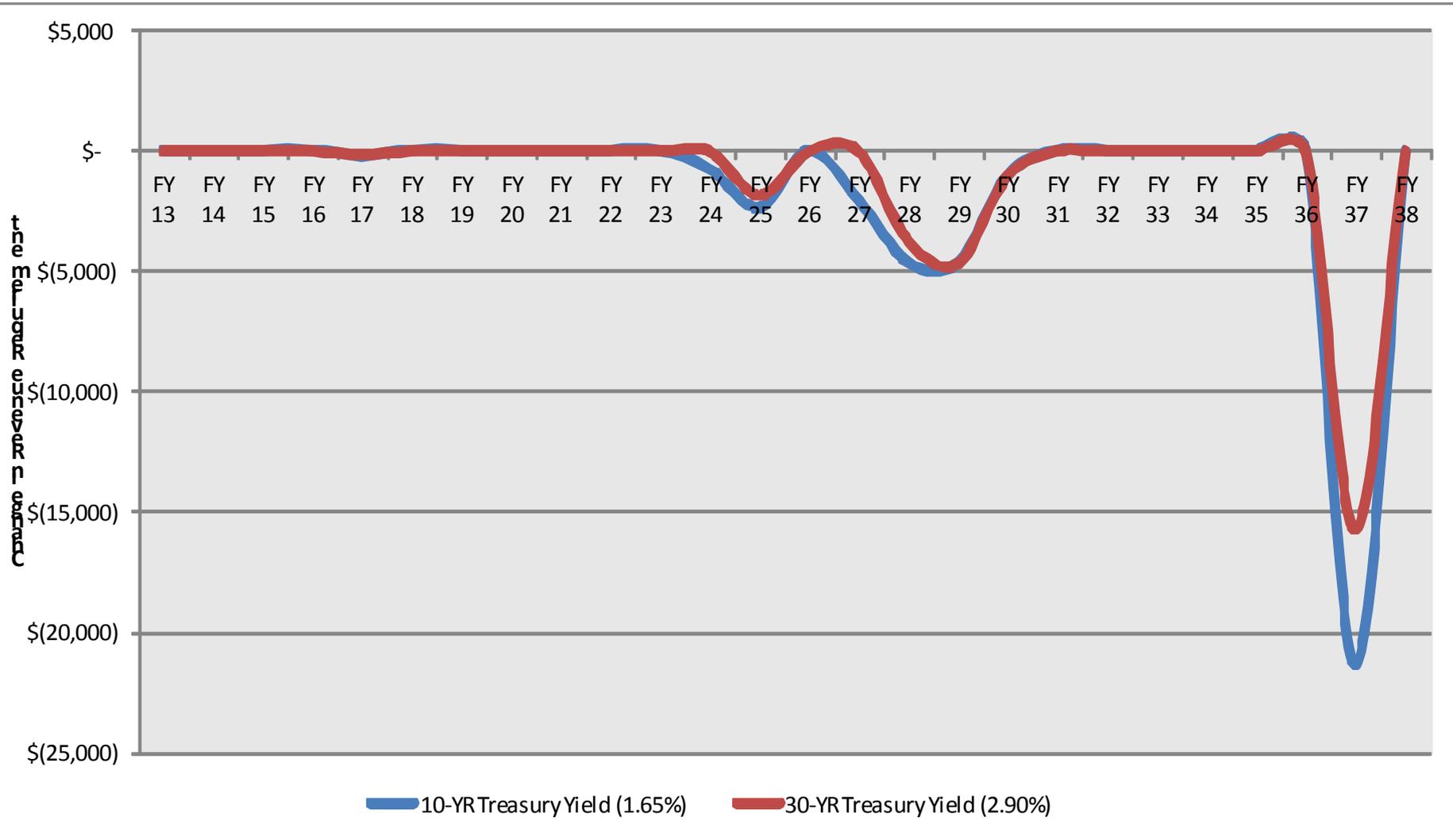
## Alternative # 3 – Include SCD in Transmission Credit repayment calculation.

- This alternative could apply to current and future credit balances.
- Faster repayment of credit balances would increase short term rate pressure and reduce long term rate pressure.

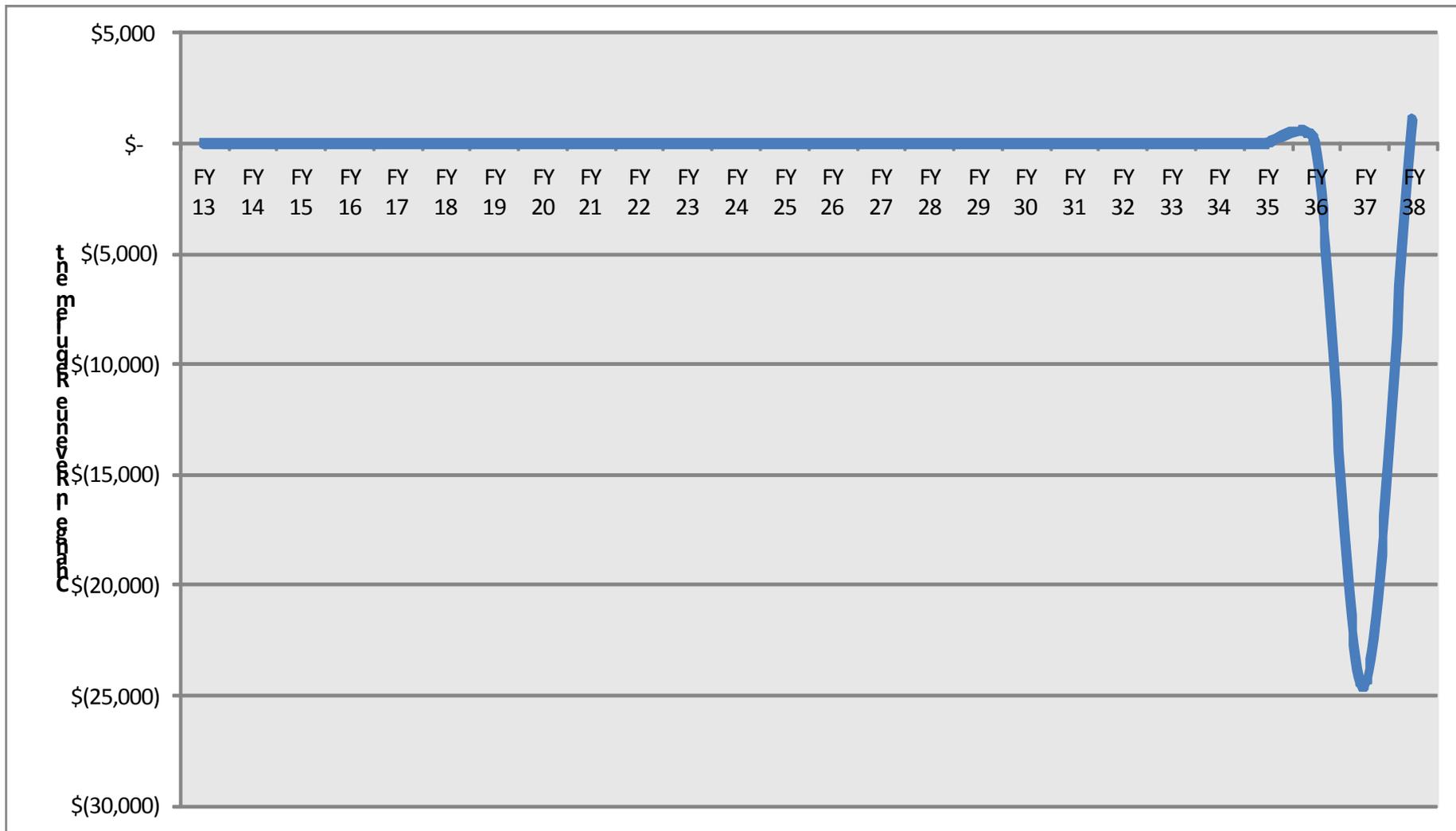


# Appendix

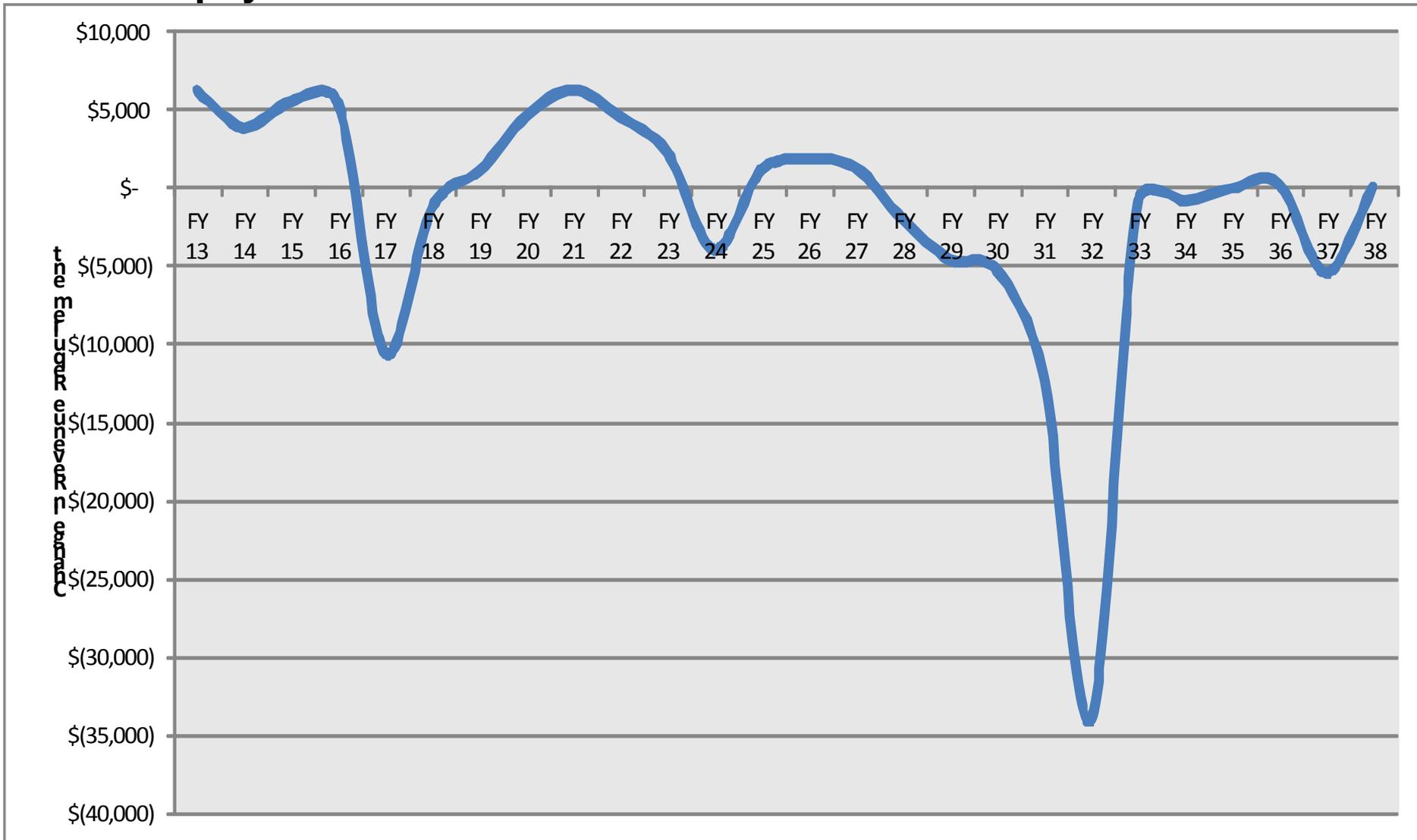
■ **Alternative # 1 – Change the interest rate applicable to LGIA credits.**



- Alternative # 2 – Repay transmission credits until balance is exhausted.**



■ **Alternative # 3 – Include SCD in Transmission Credit repayment calculation.**



# Next Steps

- Please send comments to [techforum@bpa.gov](mailto:techforum@bpa.gov) with “TX Credits” in the subject line.