

Transmission Customer Forum 28

2009 Network Open Season Recommendation for the
Rolled-In Rate Determination For Customer
Consideration and Comment

April 22, 2010



Decision Before BPA

Language from the 2009 PTSA

- "Bonneville shall evaluate the projected cost and benefits of the proposed Expansion Facilities (as identified in the cluster study) consistent with its Commercial Infrastructure Financing Proposal**to determine in its discretion whether Transmission Service can reasonably be provided under the applicable PTP or NT rate schedule (rolled-in rate test)**".
- Enabled Under NOS: If Bonneville determines that Transmission Service "may be provided at rolled-in rates, Bonneville shall notify the customer and proceed to complete its NEPA analysis pursuant to section 5(d)" of the PTSA.
- Not Enabled Under NOS: If Bonneville determines that Transmission Service "cannot be provided at rolled-in rates, Bonneville shall notify the customer, this agreement (the PTSA) shall terminate pursuant to section 1(b) (1), and Bonneville will process the Customer's TSR in accordance with the OATT."



NOS 2009 Cluster Study Summary

- 2009 Participation was 34 PTSAs for 1,553 MW
 - 293 MW could be authorized without a build (in process)
 - 1,121 MW could be provided service with the projects proposed in NOS 2008.
 - 25 MW were determined to be Direct Assigned
 - 114 MW require new facilities to provide the requested service
- Three plans of service resulted from the cluster study for the 114MW that require new facilities.
 - Two were determined to be network facilities:
 - West of Garrison Reinforcement
 - Northern Intertie Reinforcement
 - One plan of service was direct assigned:
 - Harney
 - The PTSA for the 25 MW that is Direct Assigned terminates and the TSR will not move forward at rolled-in rates. Under the terms of the PTSA, BPA does not analyze TSRs associated with Direct Assignment facilities under the CIFA.



NOS 2009 Recommendation for Comment

- BPA will provide the requested service for the 293 MW that it can authorize without a build (authorizations in process).
- BPA proposes that the 1,121 MW associated with the projects proposed in the NOS 2008 move forward at Rolled-In rates.
- BPA proposes that both the Northern Intertie and West of Garrison reinforcements NOT move forward at Rolled-In Rates.
 - The PTSAs associated with these projects would terminate and BPA would offer NEPA agreements to the TSR holders.

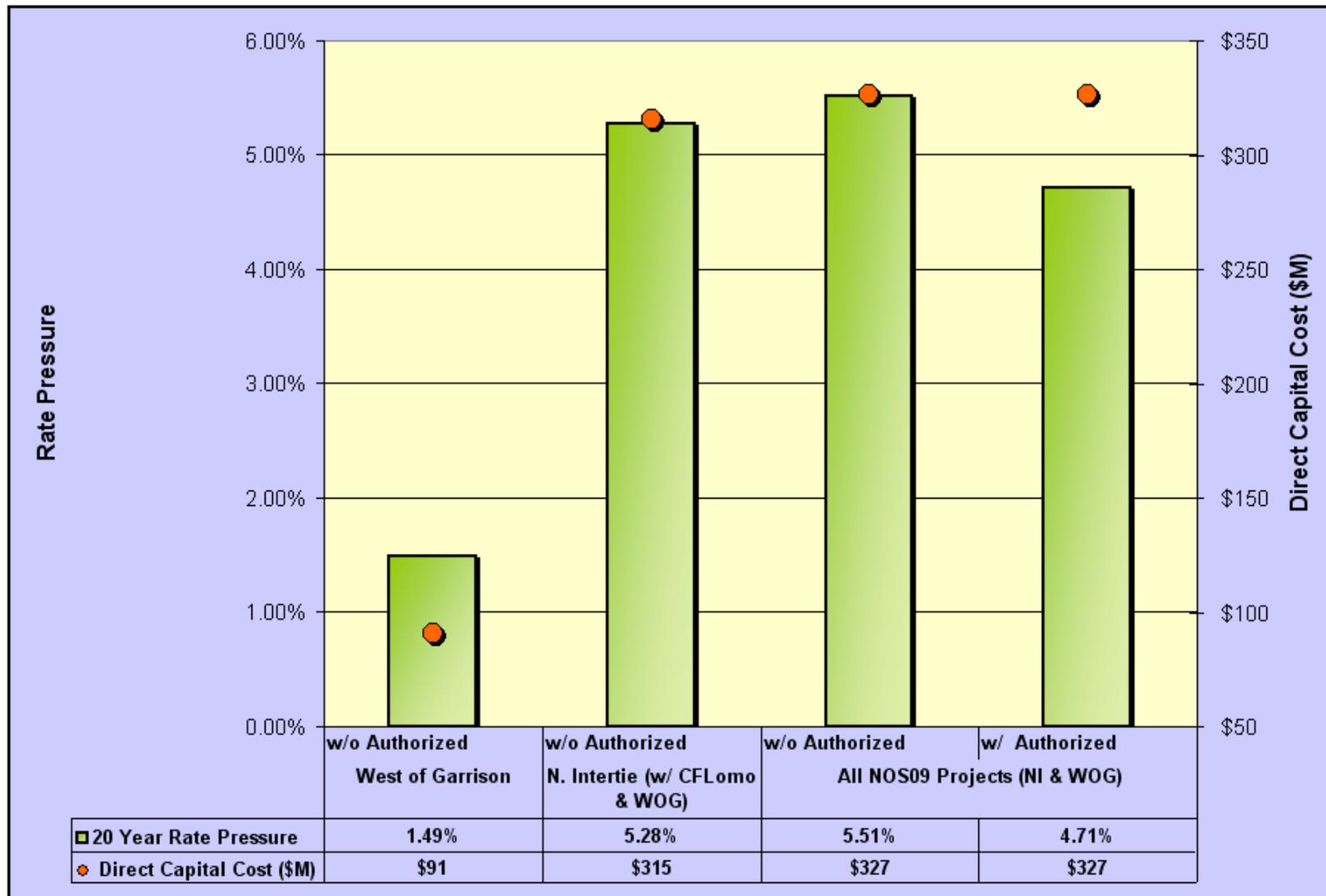


Rationale for BPA Recommendation

- Northern Intertie (\$225 million in direct costs, 2 TSRs for 100 MW)
 - The analysis of this plan of service includes West of Garrison and a *pro rata* share of Central Ferry-Lower Monumental necessary to offer service.
 - Net Present Value of negative \$232 million.
 - Project carries a 5.28% rate impact (20 year average)
 - \$13,140 per MW
 - No reliability benefits associated with this project.
- West of Garrison (\$91 million in direct costs, 1 TSR for 14 MW)
 - Net Present Value of negative \$82.5 million
 - Project carries a 1.49% rate impact (20 year average)
 - \$27,080 per MW
 - No reliability benefits associated with this project.
- Both projects together, including all 2009 requests that could be offered service without a build (293 MW), still result in an upward rate pressure of 4.71%.



NOS 2009 Project Scenario Rate Pressure

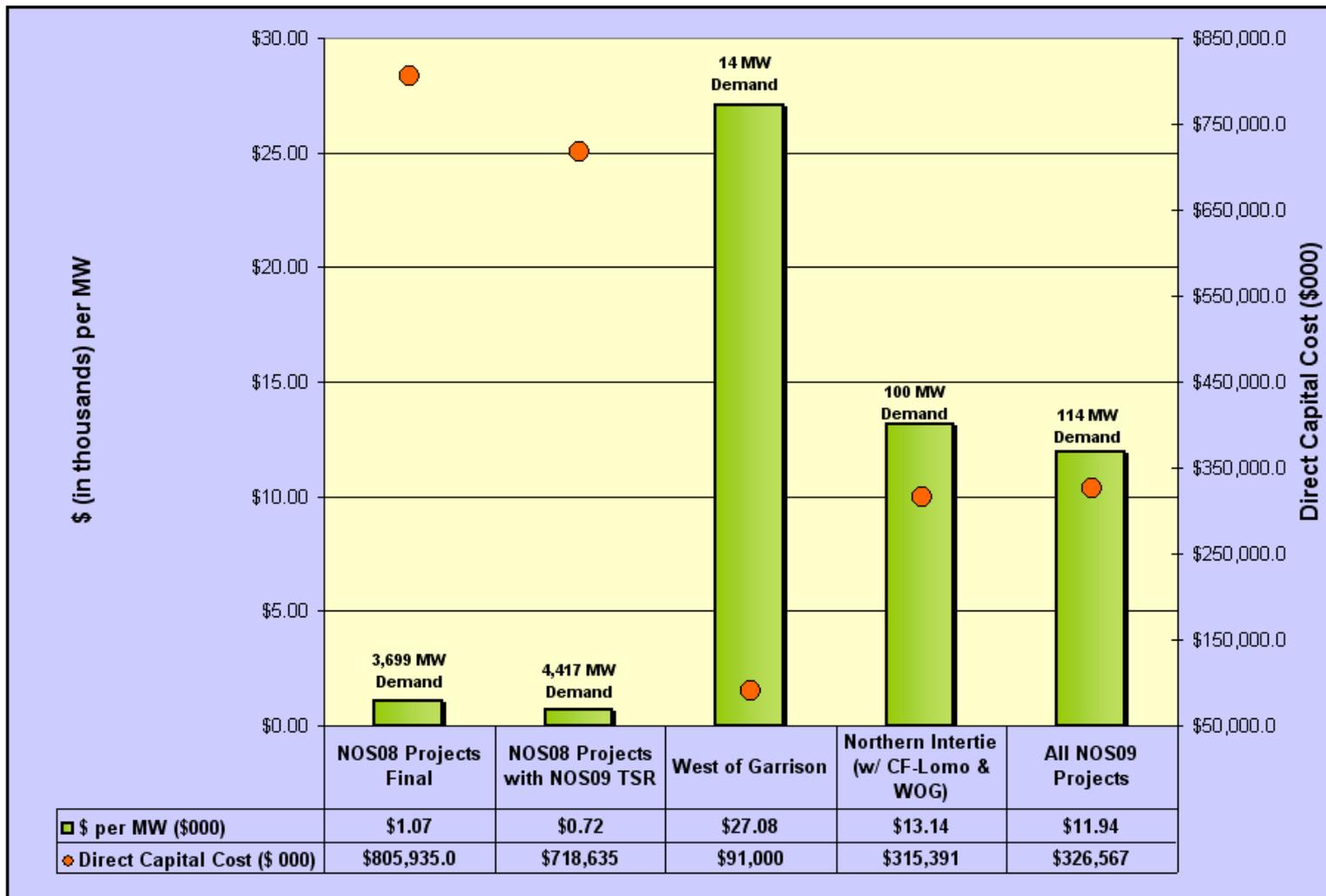


Note:

- No deferrals assumed.
- Authorized TSRs submitted in NOS 2008 were not included.



Annual Average Direct Capital Cost Per Enabled MW Subscription



Note:

- No deferrals assumed.
- Authorized TSRs not included.



Timeline for Customer Comment and BPA Decision

- Open comment period: April 22 to May 7, 2010.
 - Submit comments to techforum@bpa.gov
- BPA consideration of comments: May 7 to May 22, 2010.
- BPA decision: NLT May 27, 2010.



Appendix to
2009 NOS Recommendation for Customer Comment



Developing Incremental Rates

- In the rate case workshop on April 14, BPA proposed several options for incremental rate development, including:
 - Adopt a formula rate in the 2012 rate case;
 - Wait until the start of the NEPA process for a project moving forward at incremental rates to develop a formula rate
 - Continue with the current rate schedule language requiring a 7(i) process and if BPA decides to build facilities after the NEPA process, adopt a specific incremental rate after the NEPA process.
- There will be further discussions with customers on how to proceed in future rate case workshops.



2008 NOS Proposed Project Demands by Cluster

- 1,121 MW from 2009 NOS could be provided service from the projects proposed in the 2008 NOS.
- Including the 3,210 MW from 2008 NOS, a total of 4,331 MW could be provided service from the proposed 2008 NOS projects.

(A)		(B)		(C)		(D)		(E)		(F) = (B) + (D)		(G) = (C) + (E)		(H) = (F) + (G)	
		NOS 2008 ¹		NOS 2009 ²								NOS 2008 and 2009			
	Cluster Group	Demand MW (w/o NT and Redirects)	Demand MW (NT and Redirects)	Demand MW (w/o NT and Redirects)	Demand MW (NT and Redirects)	Total Demand MW Used in CIFA	Total Demand MW (NT and Redirect) Not Used in CIFA	Total Demand MW							
1	Authorized	1,699	486	266	27	1,965	513	2,478							
2	McNary-John Day & Big Eddy-Knight	1,564	147	805	91	2,369	238	2,607							
3	I-5 Reinforcement	150	0	12	88	162	88	250							
4	Central Ferry-Lomo	200	0	0	0	200	0	200							
5	McNary-John Day & Big Eddy-Knight & I-5	495	0	125	0	620	0	620							
6	McNary-John Day & Big Eddy-Knight & Central Ferry Lomo	550	90	0	0	550	90	640							
7	McNary-John Day & Big Eddy-Knight & Central Ferry Lomo & I-5	100	0	0	0	100	0	100							
8	NOS 2008 Proposed Projects Demand Total	3,059	237	942	179	4,001	416	4,417							
9	NOS 2008 Proposed Projects Demand Total Including Authorized	4,758	723	1,208	206	5,966	929	6,895							

/1 NOS 2008 project proposals for Harney (775 MW), Northern Intertie (100 MW), and LaGrande (54 MW) are excluded.

/2 NOS 2009 project proposals for Harney (25 MW), Northern Intertie (100 MW), and West of Garrison (14 MW) are excluded.



Criteria Applied to Evaluation

- Business/Finance
 - Cost effective using Net Present Value analysis consistent with the CIFA analysis process and Agency financial assumptions;
 - No more than a 2-3% rate impact for the combined expansion facilities over 20 years;
 - \$\$ per MW
 - Direct Assignment evaluation (per the “Direct Assignment Facilities Guidelines” – <http://www.transmission.bpa.gov/includes/get.cfm?ID=827>)
 - Negligible to low stranded investment risk;
 - Consistency with BPA’s financial plan, financial targets, rate case assumptions, and treasury payment probability;
 - Acceptable impact on future capital adequacy;
 - Can be financed using third party lease program;
 - No adverse impact on BPA’s bond rating;
 - Enhanced system operation by reducing reliance on curtailment calculators and RAS;
 - Reliability benefits;
 - Provide capacity for load growth and future commercial sales;
 - Impact to future non-firm revenue;
 - Provide enhanced ability for region to meet Renewable Portfolio Standards;
 - Provide for wind diversity;
 - Provide regional benefits to customers and consumers in the BPA balancing authority and western interconnection.



Criteria Applied to Evaluation (continued)

- Legal:
 - Consistent with BPA and applicable statutes, BPA Tariff and PTSA terms.
- Environment:
 - Recommendation minimizes impact on the environment. Decision to construct any facilities is subject to NEPA review.
 - Recommendations not in conflict with fish and wildlife goals, energy efficiency goals, renewable resource development, and climate change response policy.
- Public Interest:
 - Customers, merchants, transmission providers, elected officials, other stakeholders and media perspectives understood and taken into account.
- Implications for BPA people and processes

