

Montana Intertie BP-12 Transmission Rates Workshop

April 20, 2011



Agenda

- Review agenda and meeting purpose.
- Review the Montana Intertie background to the FY12-13 Rate Case.
- Discuss a few transmission rate related issues and BPA's request for transmission rate case parties to comment on each in their initial briefs.
- Discuss next steps and schedule to conclude the BP-12 Rate Case.



Purpose

- We recognize that some rate case parties have expressed, in their testimony, concerns with the roll-in rate alternatives for the Montana Intertie (IM).
- The discussion today is to seek additional information from parties concerning recent developments related to the Montana Intertie rate proposals, including the proposal to set the IM rate to zero, and any changed assumptions related to NOS 2010.
- Meeting participants are invited to ask questions throughout today's discussion.
- The summary slide identifies the issues rate case parties are asked to respond to in their initial briefs due May 2, 2011.



Principles

The following principles were provided in BPA's rebuttal testimony submitted on March 15, 2011 (see BP-12-E-BPA-48 at pg. 9):

- 1.Support of renewable resource development,
- 2.Assures that reliable operations are not compromised, and
- 3.Avoids significant cost shifts.

As stated in BPA's rebuttal testimony regarding segmentation, pg. 7, the Administrator has "discretion to apply 'a reasonable accommodation of conflicting policies that are committed to [his] care by statute.'"



Background

- Bonneville built and maintains the Townsend to Garrison Transmission (TGT) or Eastern Intertie line and receives monthly payments based on the total costs of the line, which includes the investment and O&M.
- The total annual cost of the Eastern Intertie line is \$12.5 million, which is allocated to all the participants in the Montana Intertie Agreement. BPA's share is \$2.7 million, including the costs of the exchange credit.
- BPA gave notice to parties to the Montana Intertie Agreement that BPA is terminating the exchange effective October 1, 2011. The termination of the exchange reduces the proposed Montana Intertie rate from \$1.312 to \$0.598 per kW per Mo.
- During rate case workshops, a customer proposed to begin the Network at Townsend instead of Garrison, which effectively eliminates the Montana Intertie (IM) rate (i.e. removes the "pancake" with the network rate). During this rate proceeding, a range of rate alternatives including rolling in the costs of BPA's share of the Montana Intertie and rolling in the full costs of the Eastern Intertie into the Network segment have been explored.



Background

- BPA's rebuttal testimony, submitted on March 15, 2011, also proposed a change to the TGT-12 formula rate to clarify that if BPA makes non-firm sales at the IM rate, those sales will reduce the amount of revenues to be collected from the TGT rate. Currently the formula only includes credits for non-firm revenue under the IE rate (BP-12-E-BPA-48). Therefore we propose to modify Section II. A. of the TGT rate schedule, BP-12-E-BPA-10, at 64, to read:
 - A. **NON-FIRM TRANSMISSION CHARGE:** This charge will be filed as a separate rate schedule, the Eastern Intertie (IE) rate, and revenues received there under and revenues received for non-firm transmission service on the Eastern Intertie under other rate schedules will reduce the amount of revenue to be collected under the Intertie Charge below.
- NorthWestern Energy (NWE) proposed, in their rebuttal testimony, to set the IM rate to \$0 for the FY12-13 rate period (see BP-12-E-NC-01). During clarification on March 21, 2011, some concern was raised about the aforementioned treatment of the TGT credits. NWE clarified that their proposal was to set **only** the firm Montana Intertie rate to \$0 (see data response BPA-NC-3).

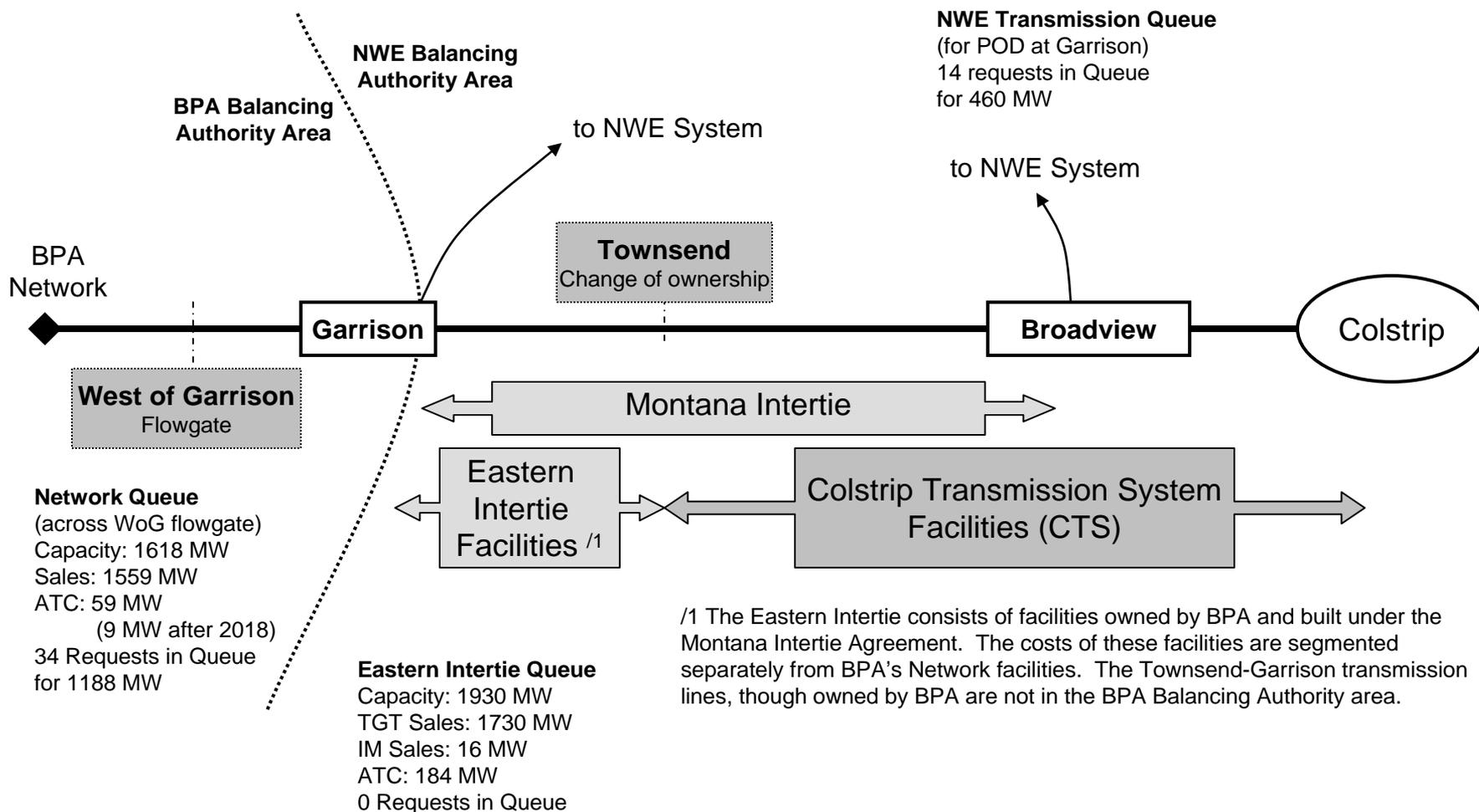


Issue #1: Montana Intertie Rates Relationship to NOS 2010

- There are currently no requests in BPA's transmission queue for service over the Montana Intertie.
- Northwestern Energy's transmission queue shows requests for 460 MW from Gaelectric with a point of delivery at BPAT.NWMT (eg. Garrison and Hot Springs).
- NOS 2010 includes the CUP West which, if constructed, will provide 530 MW of capacity on the Network West of Garrison. Of the 530 MW capacity gain, 100 MW of the requests for service are from Powerex and 430 MW of the requests for service on the BPA Network were from Gaelectric.
- Assuming that the power needed to use the CUP West Project will be delivered over NWE system to Garrison, then any delivery of Montana wind using BPA's ATC on the Montana Intertie would require additional system reinforcement on the BPA Network such as the Garrison-Ashe project.
- The NOS 2010 staff recommendation proposal did not include GASH to be rolled in at embedded rates.
- For Montana wind to utilize BPA's ATC on the Eastern Intertie to deliver power to the Northwest, is construction of the Garrison-Ashe project required?



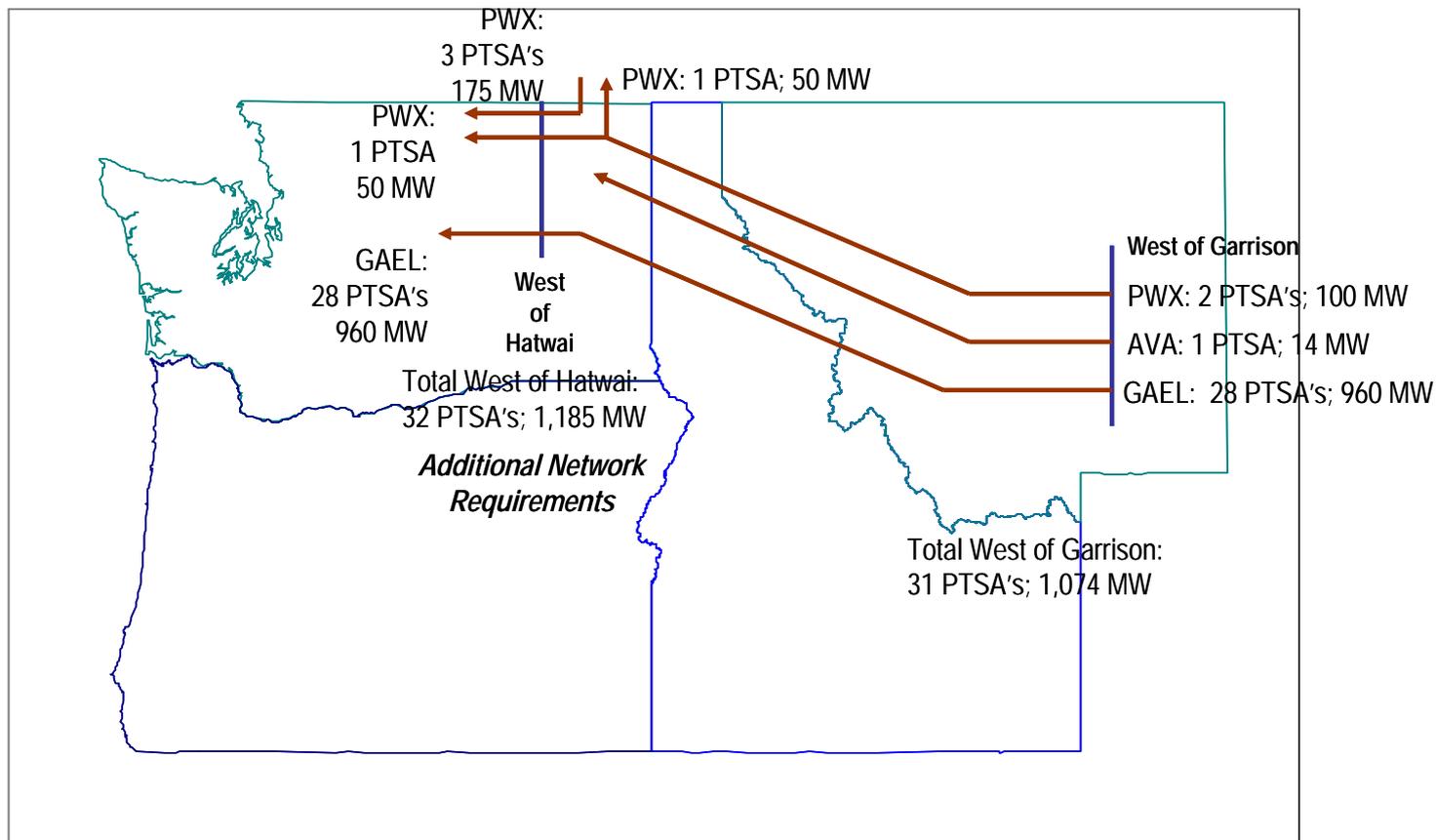
Existing Montana Interconnections as of April 2011



^{/1} The Eastern Intertie consists of facilities owned by BPA and built under the Montana Intertie Agreement. The costs of these facilities are segmented separately from BPA's Network facilities. The Townsend-Garrison transmission lines, though owned by BPA are not in the BPA Balancing-Authority area.



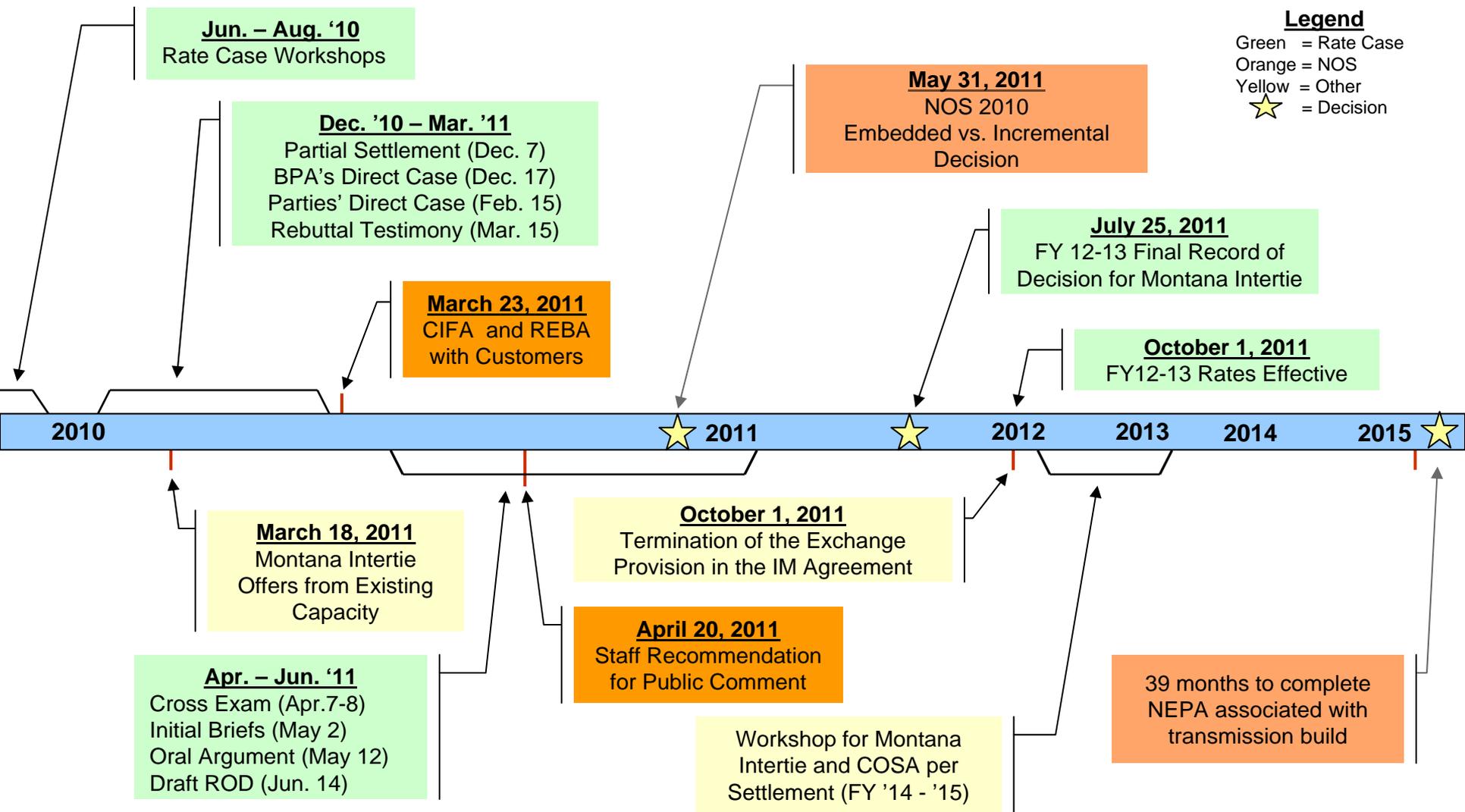
NOS CUP West Project



Source: 2010 NOS Cluster Study Results Customer Briefing on January 27, 2011



Montana Intertie Timeline



Issue #2: NWE Rate Proposal

- The second issue is NWE's rate proposal to set the level of the long-term firm IM rate and short-term firm IM rate at zero dollars for the FY12-13 rate period (see data response BPA-NC-2).
- Because this proposal was made in rebuttal, BPA wanted to take the opportunity to have an open discussion of this customer-advanced rate proposal with parties and invite each to address this specific proposal in their initial briefs due on May 2nd.
- Will this rate proposal encourage the purchase of IM capacity by Colstrip parties for the purpose of reducing the TGT rates?



Summary

- Following today's customer workshop discussing the Montana Intertie rate alternatives and the relationship with 2010 NOS, BPA requests that parties respond in their Initial Briefs, due May 2, 2011, to each below:
 - **1.** Would rolling in BPA's share of Montana Intertie capacity or setting the IM rate at zero result in any transmission service requests in BPA's network queue for transmission of Montana wind generation from Townsend, for delivery either between Garrison and West of Hatwai or west of West of Hatwai? Or are any such requests contingent on the construction of Garrison-Ashe? (new request) Please be as specific as possible.
 - **2a.** Would NWE's proposal to set the firm long-term and short-term IM rate to \$0 for the FY-12-13 rate period indirectly result in allocation of reduced Eastern Intertie costs to the TGT rate without offsetting revenues from other rates? (new request) **2b.** In general, do you support NWE rate proposal? Please explain why or why not. (new request)
 - **3.** Does rolling in the Montana Intertie set a potential precedent for rolling in the other non-integrated network segments? How could those other segments be distinguished from the Montana Intertie? (see BP-12-E-48 at pg 9)
- **Thank you in advance for your input!**



Next Steps

- Initial Briefs – **May 2, 2011**
- Oral Argument – **May 12, 2011**
- Draft ROD – **June 14, 2011**
- Briefs on Exception – **June 24, 2011**
- Final Record of Decision – **On or around July 25, 2011**
- Rates become effective – **October 1, 2011**

