

BP-14 Transmission Pre-Rate Case Workshop

May 23, 2012



Agenda

- Cost Allocation Decision
- Reservation Fee
- Segmentation



Reservation Fee



Extensions for Commencement of Service (Deferral)

- The pro forma OATT allows for up to five one-year extensions of a PTP TSR's commencement of service date.
- The pro forma charge and the charge currently in BPA's transmission rate is one month's PTP charge for each extension.
- BPA continues to be concerned about the amount of revenue that is deferred due to deferrals.
- BPA made assumptions regarding deferrals of NOS TSRs in the Commercial Infrastructure Financing Analysis (CIFA) to determine whether a project moved forward at rolled-in-embedded rates. If actual deferrals of NOS TSRs are greater than the number of deferrals in the assumptions, there could be increased rate pressure and cost shifts to other Network customers.



Extensions for Commencement of Service (Deferral), Con't

Actual (for FY 2010-2011) and Forecast (for FY 2012-2015)
Deferred Revenues (in \$M)

	Actuals		Forecast			
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Non-NOS Requests	\$ 13.68	\$ 11.54	\$ 5.13	\$ 0.87	\$ 0.74	\$ 0.13
NOS - No Build needed (includes CF)	\$ 3.54	\$ 8.05	\$ 6.74	\$ 5.20	\$ 5.00	\$ 2.95
NOS - Build Required	\$ -	\$ -	\$ 1.32	\$ 1.77	\$ 19.55	\$ 35.25
Total	\$ 17.21	\$ 19.59	\$ 13.19	\$ 7.84	\$ 25.29	\$ 38.34

- Assumes current rates in FY 14 and FY 15
- Includes reservation fees
- Does not reflect potential terminations



Options for Addressing Deferrals in the 2014 Rate Case

- Alternative 1: Status Quo.
- Alternative 2: Increase Reservation Fee.
- Alternative 3: Escalate Reservation Fees annually based on the number of deferrals.
 - Both alternative 2 and 3 would require additional analytical support.



Who Should An Increased Deferral Fee Apply To?

- Alternatives.
 - All PTP Service.
 - Only NOS Participants.
 - Only NOS Participants requiring a build.
- Are there any other (non-rate) alternatives?
 - One possibility is to remove the reservation fee language from the tariff and address it only in the rate schedules.
 - This is consistent with all other rates related language which has been removed from the tariff so it can be addressed in BPA's rate filing.



Segmentation



What is Segmentation?

- Segmented plant investment and historical Operations and Maintenance (O&M) is the foundation for allocating costs in the transmission revenue requirement.
- Segmented plant investment, expanded by future plant in service projections, determines average investment in each rate year, which is the driver for:
 - transmission line and substation depreciation,
 - net interest expense, and
 - planned net revenue.
- Historical (3-year) O&M costs at each facility is allocated to segments by each facilities' plant investment segment allocation which is the driver for:
 - O&M costs during the rate period, and
 - general plant depreciation.



Definition of Segments

- **Generation Integration** – facilities to connect federal generation to the integrated transmission network.
- **Integrated Network** – facilities providing bulk power transmission between utilities and the generation integration, delivery and intertie segments.
- **Southern Intertie** – facilities connecting the integrated network in the PNW to California.
- **Eastern Intertie** – facilities creating capacity from Eastern Montana to the integrated network, primarily to transfer energy from Colstrip to the PNW.
- **Utility Delivery** – facilities that connect the integrated network to utility customers' distribution systems at voltages below 34.5 kV.
- **DSI Delivery** – facilities that connect the integrated network to direct service industry customers' loads at voltages below or equal to 34.5 kV.
- **Ancillary Service** – communications and control equipment. Also, the cost of generation inputs (from FCRPS) to provide ancillary and control area services is allocated to the Ancillary Services segment.

* See handout for more detailed descriptions



Historical Basis for Segments

- 1974 Northwest Power Act – excess transmission available to all utilities on a fair and nondiscriminatory basis.
- Prior to 1974 – many transmission contracts based on a use of facilities or “formula power” construct.
 - categorization of facilities.
 - average costs of facilities in each category.
 - use of each category by contract.
 - basis for initial Formula Power Transmission (FPT) rate in 1958.
- 1983 first Segmentation Study – identification of nine major segments.
 - four applied to non-Federal transmission – integrated network, southern intertie, eastern intertie, northern intertie.
 - five included (bundled) in power rates – generation integration, fringe area, preference and federal agency delivery, DSI delivery, IOU delivery.
 - sub-segmentation of network for FPT rate components.



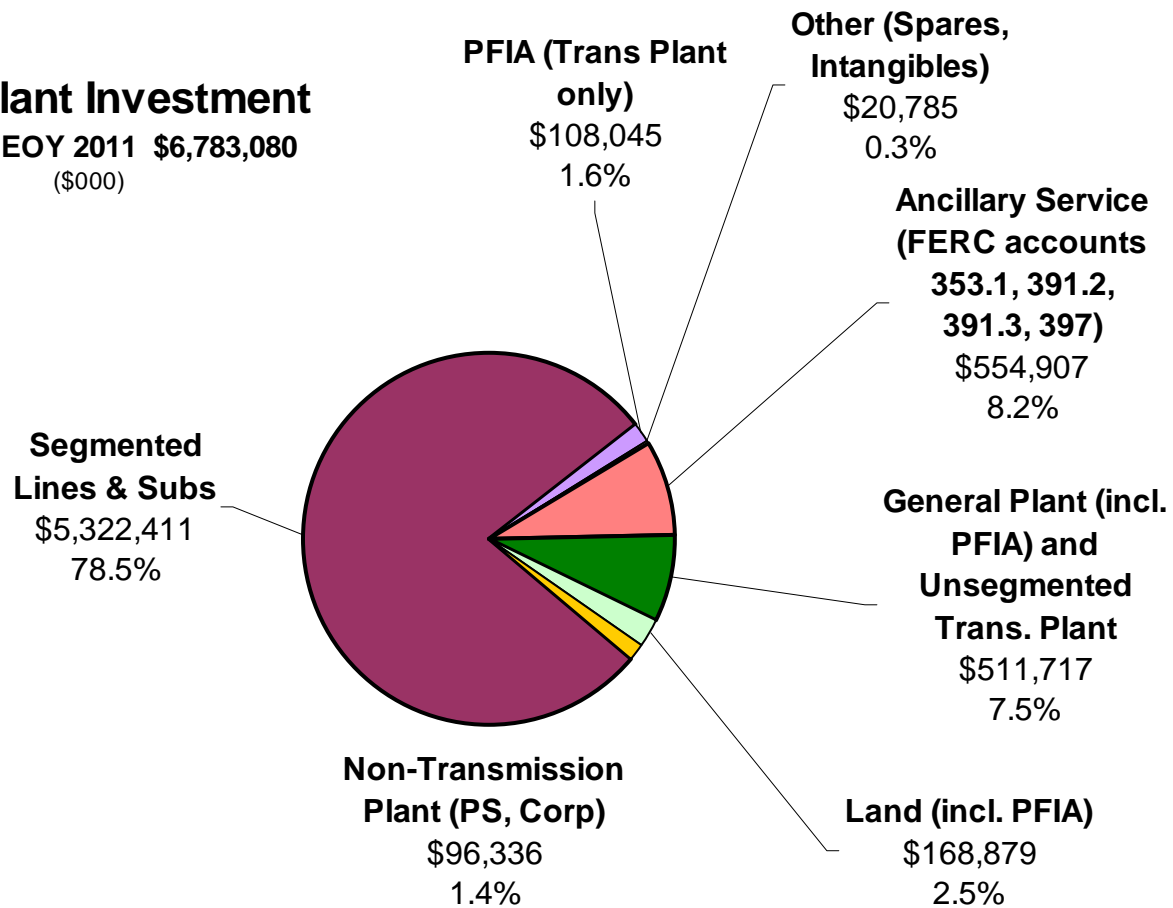
Historical Basis for Segments, cont.

- 1996 Segmentation.
 - OATT service introduced - separation of power and transmission business lines.
 - eliminated Fringe, IOU Delivery, and Northern Intertie segments.
 - more narrowly defined and un-bundled delivery segments.
- 2001 segmentation added the Ancillary Services segment.
- 2008 segmentation analysis was simplified by assigning all transmission investment costs for ancillary services to the Scheduling, Control, and Dispatch (SCD) and Generation Supplied Reactive (GSR) rates, and the remaining cost-based ancillary and control area service rates were based entirely on their respective generation input costs.



Investment Summary

BPA Plant Investment
through EOY 2011 \$6,783,080
(\$000)



Segmented Lines and Subs

(\$000)

A	B	C	D	E	F	G	H	G	
	Generation Integration	Network	Southern Intertie	Eastern Intertie	Utility Delivery	DSI Delivery	Total	Ancillary Services	
1	Plant Investment through FY 1998 (From Final 2002 Rate Case Segmentation Study)								
2	Substations	43,361	1,292,779	470,554	23,866	88,283	88,154	2,006,998	
3	Lines	16,025	1,650,852	197,378	97,890	31	-	1,962,177	
4	SubTotal	59,386	2,943,631	667,932	121,757	88,314	88,154	3,969,175	225,037
5	% of Total	1.5%	74.2%	16.8%	3.1%	2.2%	2.2%	100.0%	
6	Plant Investment through FY 2009 (From Sep 15, 2010 Workshop - Preliminary)								
7	Substations	43,204	1,899,155	498,066	23,866	24,876	15,557	2,504,725	
8	Lines	18,332	2,046,410	187,084	94,271	642	-	2,346,739	
9	SubTotal	61,536	3,945,565	685,150	118,137	25,518	15,557	4,851,464	586,399
10	% of Total	1.3%	81.3%	14.1%	2.4%	0.5%	0.3%	100.0%	
11	Plant Investment through FY 2011 (Preliminary - Subject to review)								
12	Substations	50,840	2,083,709	570,582	24,132	28,918	26,010	2,784,191	
13	Lines	18,471	2,227,169	198,260	94,271	47	-	2,538,219	
14	SubTotal	69,312	4,310,879	768,842	118,404	28,965	26,010	5,322,411	554,838
15	% of Total	1.3%	81.0%	14.4%	2.2%	0.5%	0.5%	100.0%	

A Segmentation Detail Handout identifies the investment at each facility associated with each segment.



Multi-Segmented Facilities

1. Directly assigned equipment investment to each segment based on equipment utilization.
2. Allocate investment to multiple segments based on contractual assignment of investment.
3. Proportionally allocate total investment according to major equipment assignment.
 - Identify investment in major equipment by class (either voltage level or specific use).
 - Allocate station general (non-major) equipment by proportion of investment in each class.
 - Identify # terminals (interconnections) within each class that support each segment.
 - Allocate class investment to each segment in proportion to the number of allocated terminals.



Future Plant in Service

(\$000)

A	B Generation Integration	C Network	D Southern Intertie	E Eastern Intertie	F Utility Delivery	G DSI Delivery	H Total	F Ancillary Services	G General Plant
1	Substation Future Plant								
2	FY 2012	4,421	141,866	6,978	-	289	-	153,554	
3	FY 2013	3,639	248,463	10,325	-	558	-	262,985	
4	FY 2014	3,159	261,191	30,676	-	358	-	295,384	
5	FY 2015	2,382	230,643	12,468	-	479	-	245,972	
6	Line Future Plant								
7	FY 2012	840	80,495	1,032	-	-	-	82,367	
8	FY 2013	703	121,143	2,977	-	-	-	124,823	
9	FY 2014	476	390,868	4,372	-	-	-	395,715	
10	FY 2015	513	97,965	1,777	-	-	-	100,255	
11	Subs + Lines								
12	FY 2012	5,261	222,361	8,009	-	289	-	235,920	30,261 38,818
13	FY 2013	4,342	369,606	13,302	-	558	-	387,808	45,692 42,990
14	FY 2014	3,635	652,058	35,048	-	358	-	691,099	105,874 52,711
15	FY 2015	2,896	328,608	14,244	-	479	-	346,227	47,695 114,487

Data derived from Capital Investment Review (CIR) process, and subject to change in the Integrated Program Review (IPR) process.



Historical O&M

(\$000)

A	B	C	D	E	F	G	H	
	Generation Integration	Network	Southern Intertie	Eastern Intertie	Utility Delivery	DSI Delivery	Total	
1	Historical O&M FY 1996 through FY 1998 (From Final 2002 Rate Case Segmentation Study)							
2	Substations	751	28,838	10,145	215	2,504	1,423	43,876
3	Lines	548	53,245	4,023	924	4	-	58,744
4	SubTotal	1,299	82,083	14,167	1,139	2,509	1,423	102,620
5	% of Total	1.3%	80.0%	13.8%	1.1%	2.4%	1.4%	100.0%
6	Historical O&M FY 07 through FY 09 (preliminary 2012 rate case)							
7	Substations	1,126	44,236	10,242	316	1,341	1,541	58,802
8	Lines	401	50,991	2,926	621	13	-	54,951
9	SubTotal	1,527	95,227	13,167	937	1,353	1,541	113,753
10	% of Total	1.3%	83.7%	11.6%	0.8%	1.2%	1.4%	100.0%
11	Historical O&M FY 09 through FY 11 (draft 2014 rate case)							
12	Substations	1,550	55,729	11,627	329	1,496	812	71,544
13	Lines	381	45,136	2,592	458	8	-	48,575
14	SubTotal	1,931	100,865	14,220	787	1,504	812	120,119
15	% of Total	1.6%	84.0%	11.8%	0.7%	1.3%	0.7%	100.0%



Next Steps

- Next Workshop – June 13, 2012
 - Utility Delivery
 - Montana Intertie
 - Segmentation

