

BPA Rate Case Customer Meeting: Incremental Rates

*Sponsored by
Transmission Services*

November 9, 2009

Predecisional/For Discussion Purposes Only



Slide 1

Background

Under our current (FY10-11) Rate Schedules, Incremental cost rates must be established in a 7(i) rate case. As part of the FY10-11 rate case, we considered replacing the 7(i) process with a less formal public process to establish the inputs to a formula incremental rate. We made some progress, but both BPA and Customers were not quite ready to commit to that approach so we agreed to table the issue.

We still have a need for incremental costs rates. Network upgrades identified in the Network Open Season cluster study as required for service, but not moved forward at embedded costs rates, are subject to incremental rates. Intertie upgrades may also be subject to incremental costs rates. In either case, we would not offer the incremental costs rate until we have completed the NEPA process, which could take 3 or more years after System Facility Studies are completed.

The question at this point is whether we want to take the time now to work through a Network and Intertie example to fully understand all the inter-related revenue requirement and revenue recovery issues or wait to have such discussion when we are ready to establish rates through the 7(i) process.

The “OR” Test

New Transmission Infrastructure required to meet new requests for service are subject to the “Higher of” test, sometimes referred to as the “or” test. Under this test, BPA-TS may charge the higher of the embedded cost rate with the new facilities included, or an incremental cost rate that fully recovers costs over the contract term from the new requests.

Current Incremental Cost Rates Language

H. INCREMENTAL COST RATES (from PTP)

The rates specified in section II. are applicable to service over available transmission capacity. Customers requesting new or increased firm service that would require BPA-TS to construct new facilities or upgrades to alleviate a capacity constraint may be subject to incremental cost rates for such service if incremental cost is higher than embedded cost. Incremental cost rates would be developed pursuant to section 7(i) of the Northwest Power Act.

H. INCREMENTAL COST RATES (from NT)

The rates specified in section II are applicable to service over available transmission capacity. Network Customers that integrate new Network Resources, new Member Systems, or new native load customers that would require BPA-TS to construct Network Upgrades shall be subject to the higher of the rates specified in section II or incremental cost rates for service over such facilities. Incremental cost rates would be developed pursuant to section 7(i) of the Northwest Power Act.



At workshops last year we discussed a fairly simple form of a Formula Incremental Rate for PTP:

A. Incremental Project Costs are determined by the Total Project Costs for the new facilities (including operation and maintenance), minus the project costs allocated to embedded costs rates, plus the costs associated with accelerating facilities that would otherwise be constructed within 10 years by BPA-TS for reliability purposes. Costs allocated to embedded costs rates include the total costs of reliability projects displaced by the new facilities and the value of deferring a planned reliability project to a future date.

The monthly charge per kilowatt of billing demand shall be one-twelfth of the sum of the annual cost of the FCRTS facilities used divided by the sum of Transmission Demands/capacity reservations.

The annual cost per kilowatt of Transmission Demand/capacity reservation for a facility constructed or otherwise acquired by BPA-TS shall be determined in accordance with the following formula: A/D

Where

A = The annual cost of such facility based on the Incremental Project Costs determined in accordance with A above, amortized over the term of the transmission service request..

D = The reserved Firm PTP transmission service

1. For facilities used solely by one customer, BPA-TS may charge a monthly amount equal to the annual cost of such sole-use facilities, determined in accordance with section A, divided by 12.
2. For facilities used by more than one customer, BPA-TS may charge a monthly amount equal to the annual cost of such facilities prorated based on relative use of the facilities, divided by 12.



- The simple form of the formula is straight-forward and did not raise significant concern. However, the inputs to the formula concern customers who may have to pay the incremental rate, and those that may see embedded cost rate increases as a result of the costs allocation. Some customers stated that they were reluctant to lose 7(i) process for the cost allocation that forms the basis for the incremental rate revenue requirement.
- We then tested a concept where the rate would be adjusted to account for subsequent users of the facilities. This quickly got complicated from all perspectives. The typical approach to an Incremental Rate would be to charge the incremental rate only to customers creating the initial need for the new facilities, all subsequent user pay embedded costs rates.
- For NT incremental rates, we discussed spill-over impacts. Since we cannot charge a customer both the embedded costs rate and an incremental costs rate for use of the same facilities, taking one or more customers' load out of the NT embedded cost rate calculation puts upward rate pressure on other NT customers. We discussed a hybrid approach that had NT customer support.



More Background on the “OR” Test

- If incremental rates exceed the embedded costs and the utility can prove that the facilities would not have been needed, the utility would be allowed to recover a pro rata contribution to the incremental cost upgrade.
- If it can be proven that the upgrade would eventually be needed, then the incremental cost rate should only reflect the cost differential associated with building the upgrade sooner.
- If it is determined that the upgrade will trigger the OR test, then will need to go through the 7(i) process under current rate schedule requirements.
- Transmission credits will be applied if the customer provides advance funding for the costs of the upgrade.



Estimate of Incremental vs. Rolled-In Rates (OR Test)

NT Incremental Rates

Incremental Rate

1 Project Demand (MW)		200
2 Interest Rate		6.0%
3 Amortization Period (Years)		20
4 Total Cost to be Capitalized (\$000) 2/		150,000
5 O&M (\$000/yr)		443
6 Annualized Capital Cost (\$000)		13,078
7 Total Annual Cost (Rev Requirement) (\$000) (5)+(6)		13,520
8 Network Benefit Credit (\$000)		0
9 Annualized Network Benefit Credit (\$000)		-
10 Adjusted Rev Requirement (\$000)		13,520
11 Incremental Rate (\$/kw-yr)	(10)/(1)	\$ 67.60
12 Incremental Rate (\$/kw-mo)		\$ 5.63

Rolled In Rate

Revenue Requirement (\$000)		
13 Project RR	(10)	13,520
14 Network Base Rate RR		538,185
15 Rolled-in Base Rate RR	(13)+(14)	<u>551,705</u>
Billing Determinants (MW)		
16 Project	(1)	200
17 Network Base Determinant		<u>34,552</u>
18 Rolled in Determinant	(16)+(17)	<u>34,752</u>
Rate Calculation		
19 Base rate w/ Project rolled in (\$/kw-yr)	(15)/(18)	\$ 15.88
20 Network Rate (\$/kw-mo) Rolled in Calculation with Project		\$ 1.32
21 Equivalent base rate w/o project (\$/kw-yr)	(14)/(17)	\$ 15.58
22 Network Rate (\$/kw-mo) Rolled in Calculation without Project		1.298



Questions to Consider for Incremental Costs

- What is the incremental increase in MW?
- What is the cost for the incremental increase in MW?
- How many years will the cost be amortized?
- What is the interest rate for this project?
- What is the incremental O & M costs per year?



- There are two views. One is the incremental rate and the other is the rolled in rate:
 - Incremental rate
 - Take the yearly O & M costs and add annualized capital costs to come up with adjusted revenue requirement.
 - Divide the adjusted revenue requirement by the incremental increase in MW to get the incremental rate.



– Rolled in Rate

- Take the adjusted revenue requirement, add the base rate revenue requirement to get the rolled in base rate revenue requirement.
- Take the incremental MW, add the base determinant to get the rolled in determinant.
- Take the rolled in base rate revenue requirement and divide it by the rolled in determinant to get the rolled in base rate.
- Take the base revenue requirement and divide by the base determinant to get the base rate.
- Compare the rolled in rate to the base rate. If the rolled in rate is higher than the base rate, then the OR test is triggered



More Background on Incremental Pricing Assumptions for NT

- NT new load is 200MW Designated Network Resource (DNR).
- NT base load is 500 MW.
- NT load shape is 500 MW.
- The 200MW will need a \$150 million capital build in order to meet the DNR.
- The DNR was for twenty years.
- The interest rate for the \$150 million capital build will be six percent.

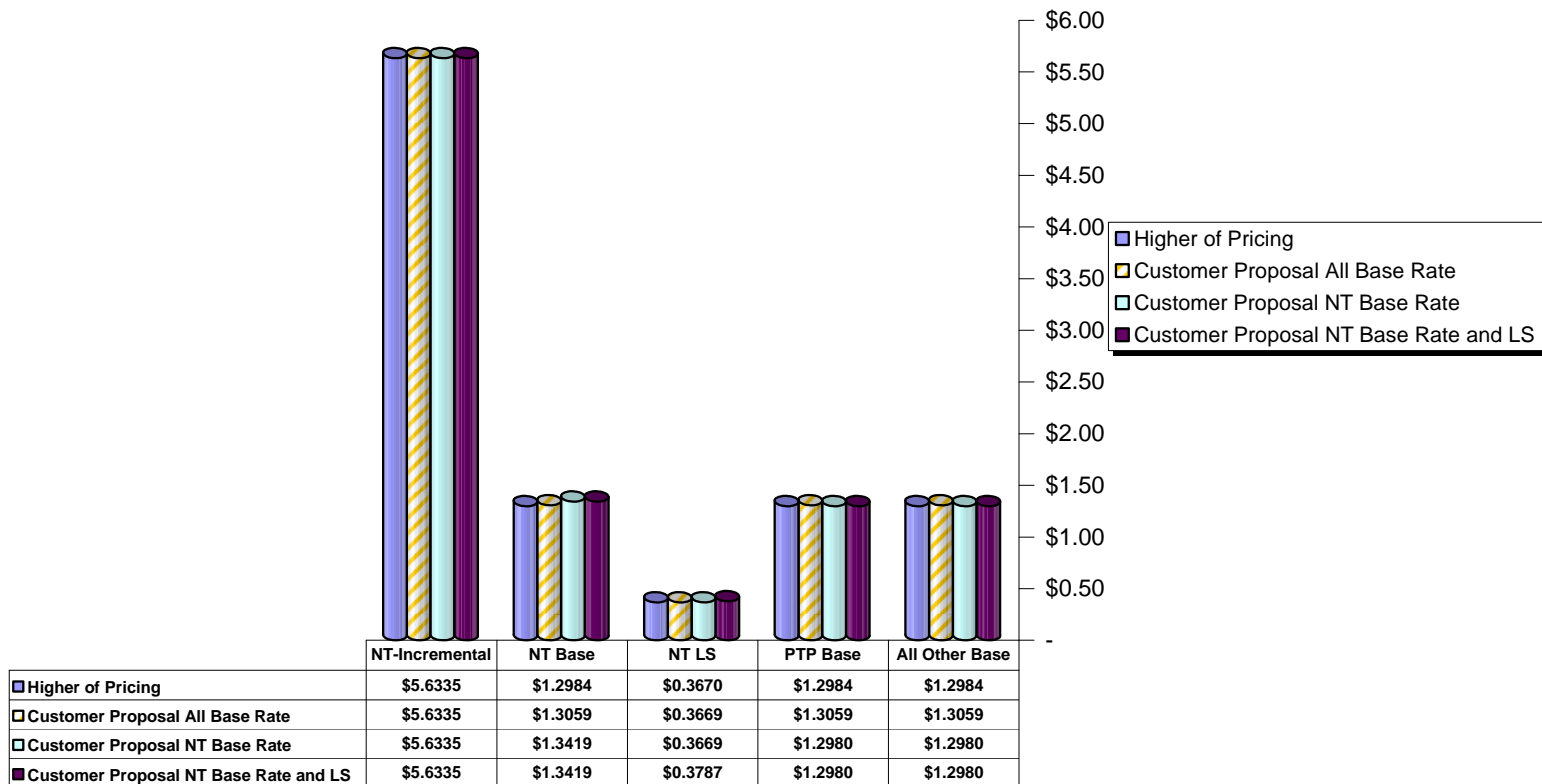


Scenarios for NT Incremental Pricing

- “Higher of Pricing”
- “And Pricing”
- Customer proposal that is a hybrid of “Higher Of Pricing” and “And Pricing.” This hybrid can be done several ways based on rate design:
 - Affects all network base rate.
 - Affects NT base rate only.
 - Affect NT base and Load Shaping rate.



Summary of All Scenario Rates



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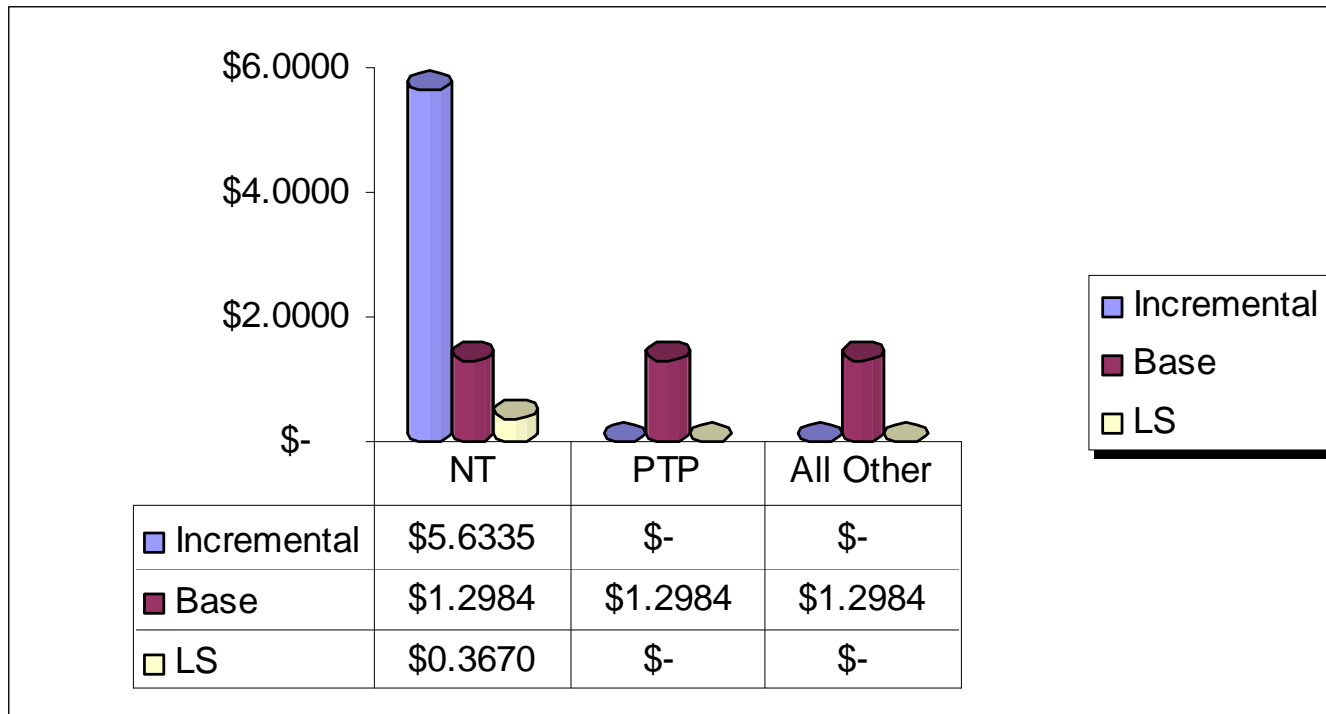


NT Incremental Pricing "Higher of Pricing"

- The "Higher of Pricing" would have the customer pay the higher of their current rate or the incremental rate for the DNR (200MW). See slides for the calculation of incremental rate.
- The customer would also be charged for the normal load at the current base rate for the 500 MW.
- The customer would also be charged for the load shaping that they would normally be charged without the DNR (500MW).



NT Incremental Pricing "Higher of Pricing"



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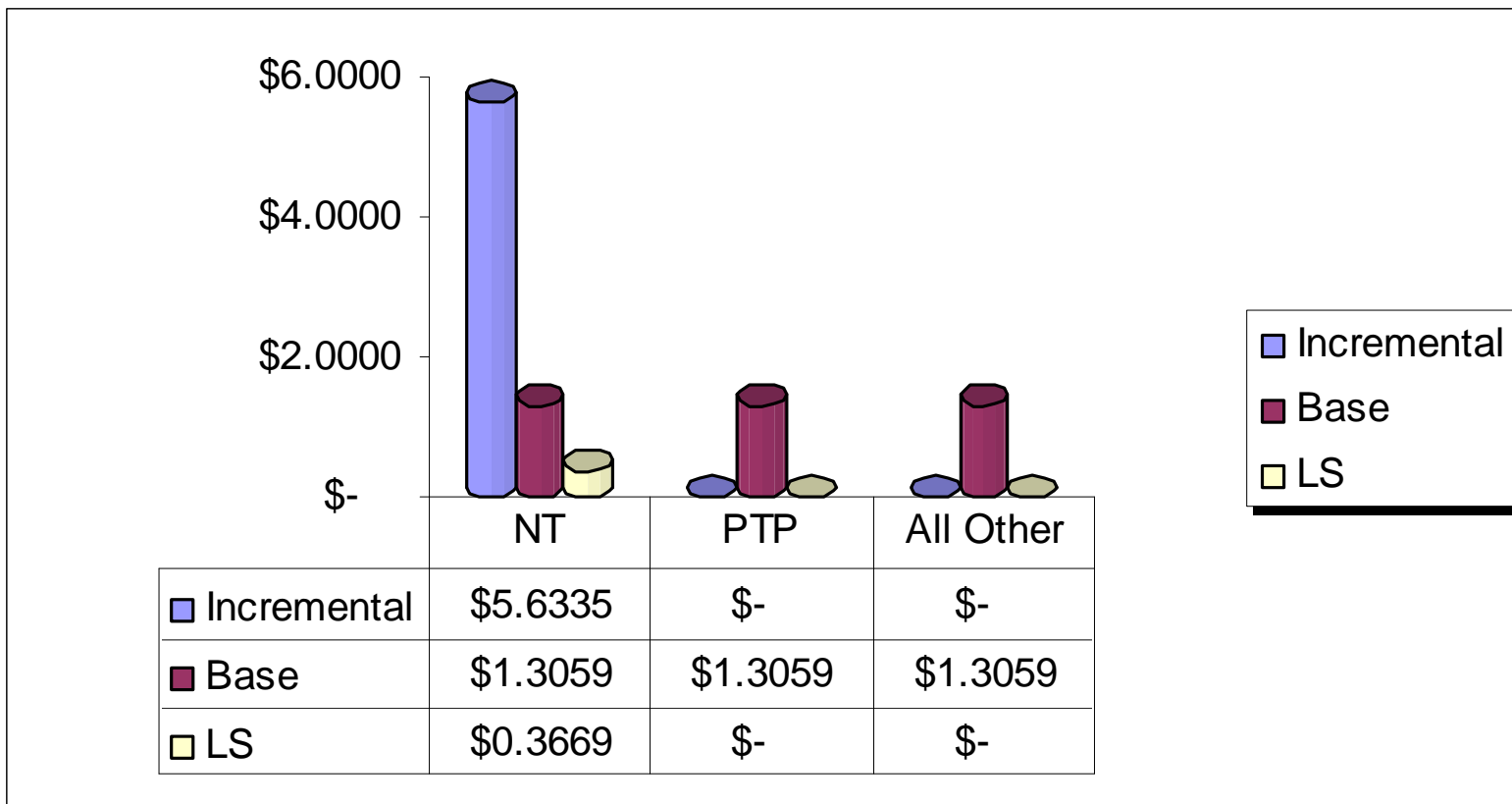


NT Incremental Pricing-Hybrid (Impacts All Customers)

- The hybrid would have the customer pay the incremental rate for the DNR (200MW). See slides for the calculation of incremental rate.
- The customer would also be charged for the normal load less the DNR.
- The new base rate would be calculated for all Network base rates to spread the 200MW reduction to all Network.
- The customer would also be charged for the load shaping that they would normally be charged without the DNR (500MW).



NT Incremental Pricing-Hybrid (Impacts All Customers)



Predecisional/For Discussion Purposes Only

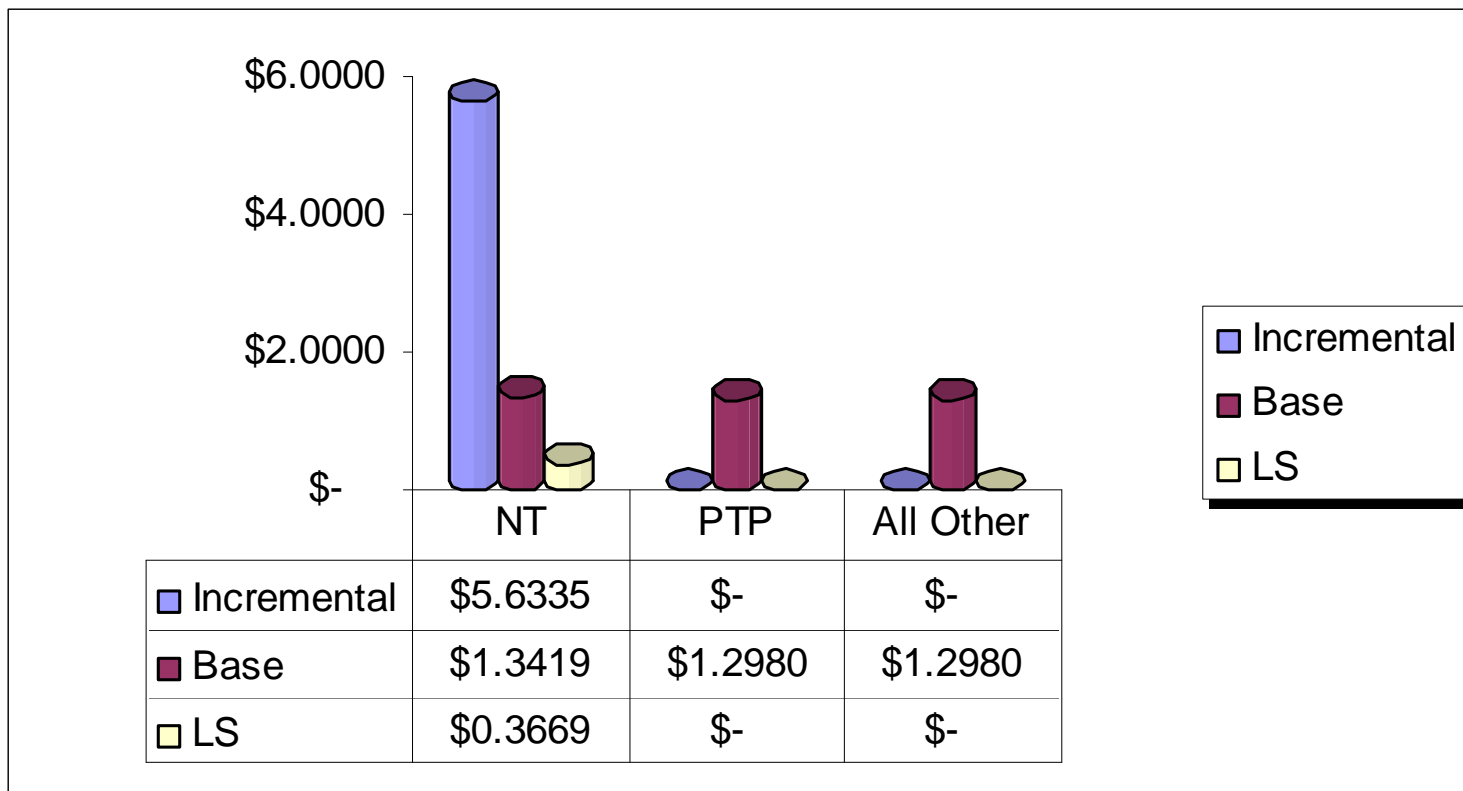


NT Incremental Pricing-Hybrid (Impacts NT Base Only)

- The hybrid would have the customer pay the incremental rate for the DNR (200MW). See slides for the calculation of incremental rate.
- The customer would also be charged for the normal load less the DNR.
- The new base rate would be calculated for NT base rates to spread the 200MW reduction to other NT customers.
- The customer would also be charged for the load shaping that they would normally be charged without the DNR (500MW).



NT Incremental Pricing-Hybrid (Impacts NT Base Only)



Predecisional/For Discussion Purposes Only

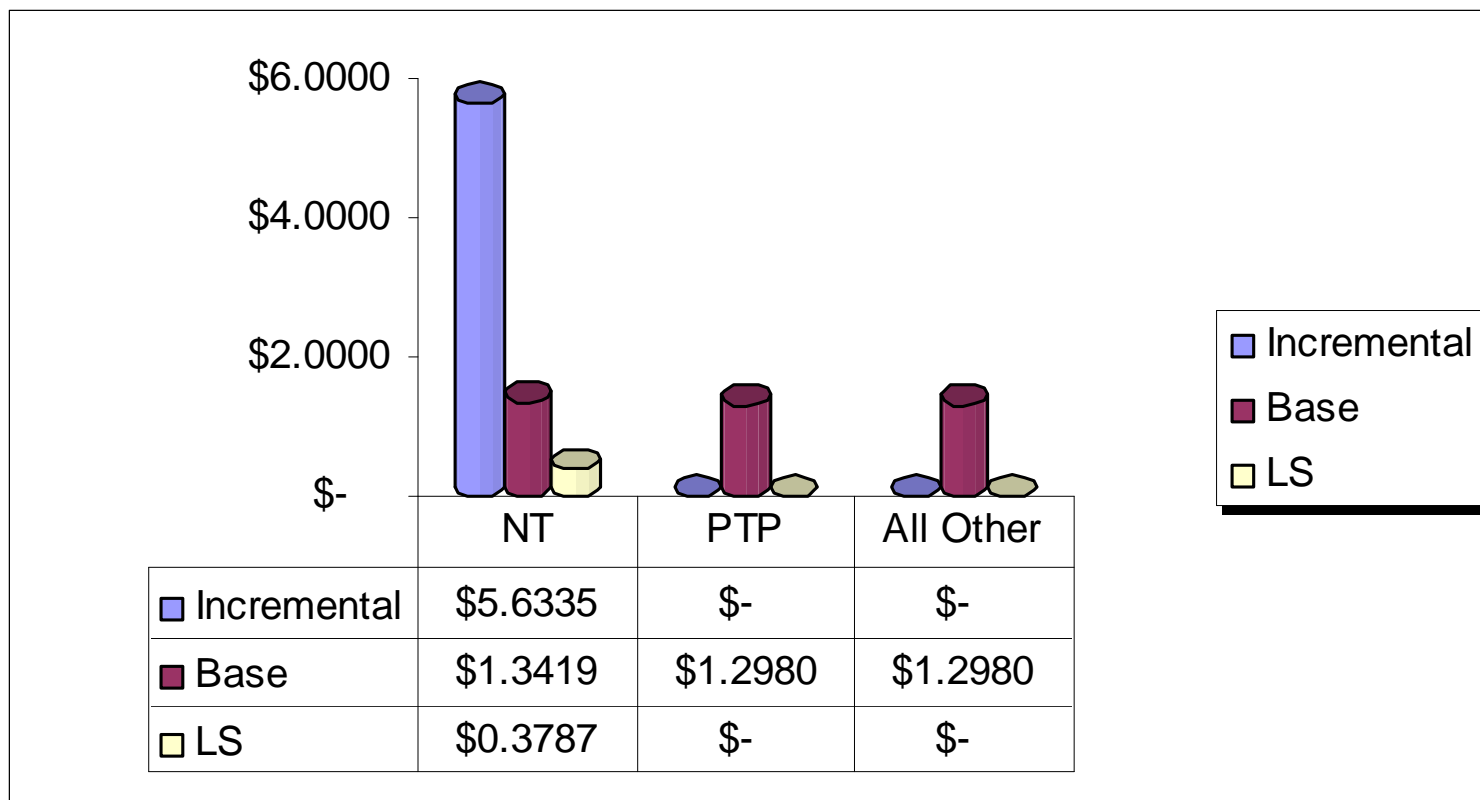


NT Incremental Pricing-Hybrid (Impacts NT Base and NT Load Shaping Rate)

- The hybrid would have the customer pay the incremental rate for the DNR (200MW). See slides for the calculation of incremental rate.
- The customer would also be charged for the normal load less the DNR.
- The new base rate would be calculated for NT base rates to spread the 200MW reduction to other NT customers.
- The customer would also be charged for the normal load shaping less the DNR.
- The new load shaping rate would be calculated for NT base rates to spread the 200MW reduction to other NT customers load shaping rate.



NT Incremental Pricing-Hybrid (Impacts NT Base Only)



Parking Lot

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Slide 22



Parking Lot Issues

Future customer meetings may be scheduled to discuss each of the following issues raised for consideration in the Transmission FY2012-13 Rate Case:

1. Should Transmission propose to establish an **incremental cost rate(s)** for NOS plan-of-service that do not meet the criteria to move forward at embedded cost rates? (11/9/09)
2. Should Transmission propose to establish a **short distance discount** for the So. Intertie?
3. Should Transmission propose to offer to **replace customer served load** to preserve some benefit previously received through CSL credits?
4. Should Transmission propose to establish a **deferral rate** adjustment provision for deferred transmission service resulting from network open season?
5. Should Transmission propose to clarify the **ratchet demand relief** language?
6. Should Transmission offer to propose options to minimize potential rate impact of **utility delivery segment**?

Disclaimer: Parking Lot issues are subject to change without notice and are not indicative of whether an issue will be included in transmission's initial rate proposal or not.



Wrap Up

- Where do we go from here?
 - Any idea of the proposed 7(i) schedule for the FY2012-13 Rate Case?
 - What happens with the parking lot of transmission issues for consideration in the FY12-13 rate case?
 - Any idea when the transmission rate case workshops will begin and how customers will be notified?



Appendix

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Slide 25



Comparison of Transmission Program Expenses: TR-02 v. TR-10

TR-02 Transmission O&M Programs (\$000s)			Excerpt of TR-10 Table 2-1: Transmission Program Spending Forecast (\$000s)		
	A	B		A	B
Operating Expenses	2002	2003	Program & Other Operating Costs	FY2010	FY2011
1 Transmission System Operations	30,996	32,106	1 Transmission System Operations	56,544	57,468
2 Transmission System Maintenance	71,300	73,400	2 Transmission System Maintenance	121,810	126,578
3 Environment	5,100	5,300	3 Transmission Environmental Operations	5,497	5,769
4 Transmission System Development	21,354	21,554	4 Transmission System Development	23,540	23,675
5 Transmission Marketing and Scheduling	15,246	15,703	5 Transmission Marketing	19,086	19,896
6			6 Transmission Scheduling	9,668	10,122
7 Support Services	11,890	12,246	7 Transmission Business Support	32,174	32,209
8 Transmission G&A	22,200	23,800	8		
9 Administrative & Support Services	30,000	28,100	9 Corporate Charges	51,865	52,137
10 CSRS Pension Expense	27,600	17,600	10 Transmission Other	13,447	13,580
11 Between Business Line Expenses	77,320	77,303	11 Between Business Line Expense	90,176	102,730
12 Total System Operation & Maintenance	313,006	307,113	Total Transmission IPR Program Levels	423,806	444,162

The TR-02 documentation of forecasted expenses did not include any detail comparable to Table 2-1 of the TR-10 Revenue Requirement documentation. This table matches contrasts the TR-02 expense table with summary data from Table 2-1. The line items may not be directly comparable because of reorganizations and reallocations since 2000, when the TR-02 data was collected.



Comparison of Revenue Requirement Formats

TR-02 Format			TR-10 Format		
	A	B		A	B
	FY 2002	FY 2003		FY 2010	FY 2011
1 OPERATING EXPENSES			1 OPERATING EXPENSES		
2 OPERATION AND MAINTENANCE	235,686	229,810	2 TRANSMISSION OPERATIONS	117,472	119,695
3 INTER-BUSINESS LINE EXPENSES	77,320	77,303	3 TRANSMISSION MAINTENANCE	127,306	132,346
4 FEDERAL PROJECTS DEPRECIATION	181,734	194,009	4 TRANSMISSION ENGINEERING	23,540	23,675
5 TOTAL OPERATING EXPENSES	494,740	501,122	5 TRANSMISSION ACQUISITION & ANCILLARY SERVICES	103,328	116,422
6 INTEREST EXPENSE			6 BPA INTERNAL SUPPORT	65,312	65,716
7 INTEREST ON FEDERAL INVESTMENT -			7 OTHER INCOME, EXPENSES & ADJUSTMENTS	(8,000)	(32,000)
8 ON APPROPRIATED FUNDS	66,904	65,280	8 DEPRECIATION & AMORTIZATION	189,702	201,536
9 ON LONG-TERM DEBT	138,609	144,768	9 TOTAL OPERATING EXPENSES	618,661	627,390
10 INTEREST CREDIT ON CASH RESERVES	(7,767)	(9,754)	10 INTEREST EXPENSE AND AFUDC		
11 AMORTIZATION OF CAPITALIZED BOND PREMIUMS	3,220	3,220	11 INTEREST EXPENSE		
12 CAPITALIZATION ADJUSTMENT	(19,618)	(20,174)	12 FEDERAL APPROPRIATIONS	32,979	27,538
13 AFUDC	(5,040)	(5,225)	13 CAPITALIZATION ADJUSTMENT	(18,968)	(18,968)
14 NET INTEREST EXPENSE	176,308	178,115	14 LONG-TERM DEBT	90,812	112,508
15 TOTAL EXPENSES	671,048	679,237	15 AMORTIZATION OF CAPITALIZED BOND PREMIUMS	758	692
16 MINIMUM REQUIRED NET REVENUES 1/	-	-	16 DEBT SERVICE REASSIGNMENT INTEREST	56,781	56,780
17 PLANNED NET REVENUES FOR RISK	-	-	17 NON-FEDERAL INTEREST	32,814	40,878
18 TOTAL PLANNED NET REVENUES	-	-	18 AFUDC	(16,501)	(22,648)
17 TOTAL REVENUE REQUIREMENT	671,048	679,237	19 INTEREST INCOME	(24,479)	(23,201)
			20 NET INTEREST EXPENSE	154,196	173,579
			21 TOTAL EXPENSES	772,857	800,970
			22 MINIMUM REQUIRED NET REVENUES 1/	74,517	75,641
			23 PLANNED NET REVENUES FOR RISK	-	-
			24 TOTAL PLANNED NET REVENUES	74,517	75,641
			25 TOTAL REVENUE REQUIREMENT	847,374	876,610



Comparison of Revenue Requirement Formats continued

TR-02 Format	A	B	TR-10 Format	A	B
	FY 2002	FY 2003		FY 2010	FY 2011
1 CASH FROM CURRENT OPERATIONS:			1 CASH FROM CURRENT OPERATIONS:		
2 MINIMUM REQUIRED NET REVENUES 1/	-	-	2 MINIMUM REQUIRED NET REVENUES 1/	74,517	75,641
3 EXPENSES NOT REQUIRING CASH:			3 EXPENSES NOT REQUIRING CASH:		
4 FEDERAL PROJECTS DEPRECIATION	181,734	194,009	4 DEPRECIATION & AMORTIZATION	189,702	201,536
5 AMORTIZATION OF CAPITALIZED BOND PREMIUMS	3,220	3,220	5 TRANSMISSION CREDIT PROJECTS DEBT SERVICE	10,696	13,057
6 CAPITALIZATION ADJUSTMENT	(19,618)	(20,174)	6 AMORTIZATION OF CAPITALIZED BOND PREMIUMS	758	692
7 ACCRUAL REVENUES (AC INTERTIE/FIBER)	(4,031)	(4,031)	7 CAPITALIZATION ADJUSTMENT	(18,968)	(18,968)
8 CASH PROVIDED BY CURRENT OPERATIONS	161,305	173,024	8 DRAWDOWN OF CASH RESERVES FOR CAPITAL FUNDING	15,000	15,000
			9 ACCRUAL REVENUES (AC INTERTIE/FIBER/LGIA)	(41,537)	(47,097)
9 CASH USED FOR CAPITAL INVESTMENTS:			10 CASH PROVIDED BY CURRENT OPERATIONS	230,168	239,861
10 INVESTMENT IN:					
11 UTILITY PLANT	(252,300)	(248,416)	11 CASH USED FOR CAPITAL INVESTMENTS:		
12 CASH USED FOR CAPITAL INVESTMENTS	(252,300)	(248,416)	12 INVESTMENT IN:		
			13 UTILITY PLANT	(443,957)	(454,575)
13 CASH FROM TREASURY BORROWING AND APPROPRIATIONS:			14 CASH USED FOR CAPITAL INVESTMENTS	(443,957)	(454,575)
14 INCREASE IN LONG-TERM DEBT	252,300	248,416			
15 REPAYMENT OF LONG-TERM DEBT	(107,604)	(116,544)	15 CASH FROM TREASURY BORROWING AND APPROPRIATIONS:		
16 REPAYMENT OF CAPITAL APPROPRIATIONS	(23,913)	(26,247)	16 INCREASE IN LONG-TERM DEBT	428,957	439,575
17 CASH FROM TREASURY BORROWING AND APPROPRIATIONS	120,783	105,625	17 DEBT SERVICE REASSIGNMENT PRINCIPAL	(12)	(154)
			18 REPAYMENT OF LONG-TERM DEBT	(140,251)	(100,000)
18 ANNUAL INCREASE (DECREASE) IN CASH	29,788	30,233	19 REPAYMENT OF CAPITAL APPROPRIATIONS	(74,905)	(124,707)
			20 CASH FROM TREASURY BORROWING AND APPROPRIATIONS	213,790	214,714
19 PLANNED NET REVENUES FOR RISK	-	-			
			21 ANNUAL INCREASE (DECREASE) IN CASH	-	-
20 TOTAL ANNUAL INCREASE (DECREASE) IN CASH	29,788	30,233	22 PLANNED NET REVENUES FOR RISK	-	-
			23 TOTAL ANNUAL INCREASE (DECREASE) IN CASH	-	-



Segmented Revenue Requirement TR-02 Rate Case Final Proposal

	A	B	C	D	E	F	G	H
	TOTAL	Generation Integration	NETWORK	Southern Intertie	Eastern Intertie	Utility Delivery	DSI Delivery	Ancillary Services
FY 2002								
1 Operations & Maintenance	235,686	2,335	154,775	25,476	2,048	4,588	2,559	43,905
2 Inter-Business Line Expenses	77,320	30	4,611	630	8	321	56	71,664
3 Depreciation	181,734	2,402	119,986	26,371	4,062	2,675	2,427	23,811
4 Net Interest Expense	176,308	2,816	127,914	23,633	4,517	2,811	2,430	12,187
5 Planned Net Revenues (MRNR + PNRR)	-	-	-	-	-	-	-	-
6 Total Transmission Revenue Requirement	671,048	7,583	407,286	76,110	10,635	10,395	7,472	151,567

	A	B	C	D	E	F	G	H
	TOTAL	Generation Integration	NETWORK	Southern Intertie	Eastern Intertie	Utility Delivery	DSI Delivery	Ancillary Services
FY 2003								
1 Operations & Maintenance	229,810	2,276	151,036	24,832	1,996	4,473	2,494	42,703
2 Inter-Business Line Expenses	77,303	30	4,591	630	8	324	56	71,664
3 Depreciation	194,009	2,473	128,861	27,065	4,161	2,803	2,548	26,098
4 Net Interest Expense	178,115	2,690	131,595	22,365	4,273	2,749	2,386	12,057
5 Planned Net Revenues (MRNR + PNRR)	-	-	-	-	-	-	-	-
6 Total Transmission Revenue Requirement	679,237	7,469	416,083	74,892	10,438	10,349	7,484	152,522



Segmented Revenue Requirement TR-04 Rate Case Workshop, Date Uncertain

	A	B	C	D	E	F	G	H
	TOTAL	Generation Integration	NETWORK	Southern Intertie	Eastern Intertie	Utility Delivery	DSI Delivery	Ancillary Services
FY 2004								
1 Operations & Maintenance	289,518	2,977	195,255	32,464	2,609	5,825	3,260	47,128
2 Inter-Business Line Expenses	77,320	30	4,611	630	8	321	56	71,664
3 Depreciation	188,385	2,485	126,679	26,435	4,018	2,147	3,288	23,333
4 Net Interest Expense	170,282	2,231	129,387	20,168	3,705	1,490	2,703	10,598
5 Planned Net Revenues (MRNR + PNRR)	5,865	77	4,456	695	128	51	93	365
6 Total Transmission Revenue Requirement	731,370	7,800	460,388	80,392	10,468	9,834	9,400	153,088

	A	B	C	D	E	F	G	H
	TOTAL	Generation Integration	NETWORK	Southern Intertie	Eastern Intertie	Utility Delivery	DSI Delivery	Ancillary Services
FY 2005								
1 Operations & Maintenance	291,607	2,995	196,458	32,674	2,627	5,863	3,283	47,707
2 Inter-Business Line Expenses	77,303	30	4,591	630	8	324	56	71,664
3 Depreciation	202,312	2,536	136,802	27,944	4,084	2,211	3,376	25,359
4 Net Interest Expense	181,926	2,167	140,152	21,110	3,578	1,465	2,654	10,800
5 Planned Net Revenues (MRNR + PNRR)	-	-	-	-	-	-	-	-
6 Total Transmission Revenue Requirement	753,148	7,728	478,003	82,358	10,297	9,863	9,369	155,530



Segmented Revenue Requirement

TR-06 Rate Case Settlement Discussions, November 2, 2004

	A	B	C	D	E	F	G	H
	TOTAL	Generation Integration	NETWORK	Southern Intertie	Eastern Intertie	Utility Delivery	DSI Delivery	Ancillary Services
FY 2006								
1 Operations & Maintenance	257,053	3,895	157,751	32,787	1,946	2,183	1,490	57,001
2 Inter-Business Line Expenses	78,786	41	13,510	614	13	334	20	64,254
3 Depreciation	200,301	2,362	136,955	29,354	4,124	946	864	25,696
4 Net Interest Expense	162,149	1,904	131,299	19,696	2,678	447	688	5,437
5 Planned Net Revenues (MRNR + PNRR)	20,626	252	16,540	2,609	355	59	91	720
6 Total Transmission Revenue Requirement	718,915	8,454	456,055	85,060	9,116	3,969	3,153	153,108

	A	B	C	D	E	F	G	H
	TOTAL	Generation Integration	NETWORK	Southern Intertie	Eastern Intertie	Utility Delivery	DSI Delivery	Ancillary Services
FY 2007								
1 Operations & Maintenance	263,243	3,979	161,221	33,510	1,989	2,232	1,523	58,789
2 Inter-Business Line Expenses	79,778	56	14,303	753	18	366	28	64,254
3 Depreciation	211,102	2,364	146,176	29,422	4,110	962	856	27,212
4 Net Interest Expense	181,811	1,993	149,631	20,783	2,760	482	706	5,456
5 Planned Net Revenues (MRNR + PNRR)	6,792	77	5,546	805	107	19	27	211
6 Total Transmission Revenue Requirement	742,726	8,469	476,877	85,273	8,984	4,061	3,140	155,922



Segmented Revenue Requirement TR-08 Rate Case Workshop, August 16, 2006

	A	B	C	D	E	F	G	H
	TOTAL	Generation Integration	NETWORK	Southern Intertie	Eastern Intertie	Utility Delivery	DSI Delivery	Ancillary Services
FY 2008								
1 Operations & Maintenance	265,611	3,533	166,066	29,084	2,028	2,907	2,140	59,853
2 Transmission Acquisition & Ancillary Services	69,339	47	24,320	1,207	13	483	34	43,235
3 Non-Federal Debt Service	6,425	-	7,160	(735)	-	-	-	-
4 Depreciation	190,229	1,982	137,798	25,763	3,888	674	864	19,260
5 Net Interest Expense	156,095	1,546	128,683	17,523	2,232	398	683	5,030
6 Planned Net Revenues (MRNR + PNRR)	42,214	418	34,800	4,739	604	108	185	1,360
7 Total Transmission Revenue Requirement	729,913	7,526	498,827	77,581	8,765	4,570	3,906	128,738

	A	B	C	D	E	F	G	H
	TOTAL	Generation Integration	NETWORK	Southern Intertie	Eastern Intertie	Utility Delivery	DSI Delivery	Ancillary Services
FY 2009								
8 Operations & Maintenance	276,657	3,684	173,188	30,324	2,114	3,032	2,231	62,084
9 Transmission Acquisition & Ancillary Services	70,920	47	25,811	1,249	13	531	34	43,235
10 Non-Federal Debt Service	10,515	-	9,590	925	-	-	-	-
11 Depreciation	198,535	1,987	145,882	27,283	3,882	678	863	17,960
12 Net Interest Expense	166,000	1,488	137,432	19,192	2,089	380	653	4,766
13 Planned Net Revenues (MRNR + PNRR)	45,987	412	38,073	5,317	579	105	181	1,320
14 Total Transmission Revenue Requirement	768,614	7,618	529,976	84,290	8,677	4,726	3,962	129,365



Segmented Revenue Requirement TR-10 Rate Case Workshop, October 8, 2008

	A	B	C	D	E	F	G	H
	TOTAL	Generation Integration	NETWORK	Southern Intertie	Eastern Intertie	Utility Delivery	DSI Delivery	Ancillary Services
FY 2010								
1 Operations & Maintenance	348,859	4,155	216,832	36,549	2,070	2,164	3,295	83,794
2 Transmission Acquisition & Ancillary Services	98,963	231	28,496	3,345	324	558	241	65,768
3 Non-Federal Debt Service	5,890	-	5,890	-	-	-	-	-
4 Depreciation	192,993	2,244	140,570	24,411	3,011	1,047	2,161	19,549
5 Net Interest Expense	150,888	1,730	121,146	16,531	2,908	776	1,837	5,960
6 Planned Net Revenues (MRNR + PNRR)	57,893	383	51,309	3,659	644	172	407	1,319
7 Total Transmission Revenue Requirement	855,486	8,743	564,243	84,495	8,957	4,717	7,941	176,390

	A	B	C	D	E	F	G	H
	TOTAL	Generation Integration	NETWORK	Southern Intertie	Eastern Intertie	Utility Delivery	DSI Delivery	Ancillary Services
FY 2011								
8 Operations & Maintenance	358,366	4,264	223,115	37,518	2,126	2,223	3,383	85,737
9 Transmission Acquisition & Ancillary Services	99,505	221	29,141	3,324	303	554	229	65,733
10 Non-Federal Debt Service	4,690	-	4,690	-	-	-	-	-
11 Depreciation	204,535	2,303	151,240	25,225	3,036	1,078	2,201	19,452
12 Net Interest Expense	166,505	1,747	135,792	17,439	2,898	786	1,837	6,006
13 Planned Net Revenues (MRNR + PNRR)	57,581	283	52,605	2,825	470	127	298	973
14 Total Transmission Revenue Requirement	891,182	8,818	596,583	86,331	8,833	4,768	7,948	177,901



When Will the NOS Projects be Included in Rates (based on projected energization dates as of October 2009)?

Rate Period Year of Rate Case	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
McNary-John Day <i>Energizes Q2, FY 2012</i>			Would forecast plant in service during 2012-2013 rate period, affecting depreciation & interest expense in rate period										
				Facilities included in segmented plant & influences 3-yr O&M ratios									
I-5 Corridor <i>Energizes Q4, FY 2015</i>				Would forecast plant in service at end of 2014-2015 rate period, affecting depreciation & interest expense starting in 2015									
								Facilities included in segmented plant & influences 3-yr O&M ratios					
Central Ferry-Lwr Mon <i>Energizes Q2, FY 2013</i>			Would forecast plant in service at end of 2012-2013 rate period, affecting depreciation & interest expense starting in 2013										
							Facilities included in segmented plant & influences 3-yr O&M ratios						
Big Eddy-Knight <i>Energizes Q2, FY 2013</i>			Would forecast plant in service at end of 2012-2013 rate period, affecting depreciation & interest expense starting in 2013										
							Facilities included in segmented plant & influences 3-yr O&M ratios						

Note
 Analysis that is dependent on official plant records typically will include data as of the end of FY prior to the rate case.
 For example, a rate case that starts in FY 2009 will only have access to official plant records through FY 2008.



Would BPA's treatment of the 3rd AC Intertie inform how and when Intertie expansion will affect rates?

In the 1991 rate case, BPA revised the methodology for segmenting rate period transmission O&M expenses. Rather than directly use the three-year averages of O&M from the Segmentation Study as the basis to allocate O&M across the segments, "O&M factors" were introduced in that rate case. These factors were derived by dividing the three-year average of O&M for a given segment by the historical year investment for that segment. The resulting percentages were then applied to the projected investment for that segment in the rate period years to produce revised three-year average O&M by which the rate period year's forecast O&M would be segmented. The 1991 rate case was settled and in the following rate case, which introduced the "Third AC" Intertie and capacity ownership, BPA did not continue that methodology, instead, returning to the direct use of the three-year averages of O&M.



For More Information

- Check the agency calendar for future transmission, ancillary or control area service rates at: http://www.bpa.gov/corporate/public_affairs/calendar/

- The Quarterly Business Review (QBR) is an ongoing forum consisting of quarterly meetings/workshops that focus on BPA's finances with a review of current fiscal year actual financial results compared to financial forecasts such as start-of-year targets. BPA will also report on how actual spending compares to rate case assumptions.
<http://www.bpa.gov/corporate/Finance/IBR/QBR/>

- Additional rates backgrounds is available online at:
http://www.bpa.gov/corporate/ratecase/2008/2010_BPA_Rate_Case/meetings.cfm
http://www.bpa.gov/corporate/ratecase/2008/2010_BPA_Rate_Case/tr-10.cfm
 - Record of Decision (TR-10-A-02)
 - Transmission Revenue Requirement Study (TR-10-FS-BPA-01)
 - Transmission Revenue Requirement Study Documentation (TR-10-FS-BPA-01A)

