

## **DRAFT PROPOSED INCREMENTAL RATE SCHEDULE**

*1/30/09*

### **INCREMENTAL COST RATES**

Where a Facilities Study or a Network Open Season Cluster Study indicates the need to construct Network Upgrades to accommodate a request for Transmission Service, the Transmission Customer shall be charged the higher of (1) the rate for Long-Term Firm PTP Transmission Service including the annual cost of such Network Upgrades or (2) the Incremental Cost Rate. The firm service reservation(s) giving rise to Incremental Cost Rate and any subsequent firm service utilizing the same Network Upgrades shall be charged an adjusted Incremental Cost Rate in accordance with B., below, until such adjustments result in customers paying embedded cost rates for use of the Network Upgrades. The Transmission Customer shall also be charged any other applicable charges under the Tariff. If the Transmission Customer is charged the Incremental Cost Rate, upon completion of construction of such Network Upgrades, the Transmission Provider shall reconcile the Incremental Project Costs against the actual construction costs. Based on the reconciliation, the Transmission Customer's cost responsibility shall be adjusted as appropriate.

### **1. COST ALLOCATION OF NETWORK UPGRADES FOR INCREMENTAL COST RATE SERVICE**

Upon completion of the environmental review for each Integrated Network transmission path needing improvements to provide requested transmission service that the Transmission Provider has determined not to offer service at embedded cost rates ("Incremental Rate Path"), BPA-TS will prepare proposed Incremental Cost Rates for each Application requiring that path. The proposal will include the following documentation: (a) a spreadsheet showing cost items for the upgrades for each Incremental Rate Path; (b) an assessment showing any of the Network Upgrade costs that BPA-TS will not allocate to the Incremental Cost Rate because of the delay or elimination of planned Network Upgrades for reliability purposes, after such deductions, the remaining costs of the Network Upgrades are the "Incremental Project Costs"; (c) an assessment showing how Incremental Project Costs for Incremental Rate Paths were allocated among Applications and the resulting proposed Incremental Cost Rate for each Application; and (d) a proposed timeline for completing offers of Incremental Cost Rate service for such Applications, including the last date for submitting Applications that would be considered for the purpose of developing final Incremental Cost Rates.

BPA-TS will also prepare an assessment of the embedded cost rate for each Application including the costs of the Network Upgrades for all Incremental Rate Paths used by such Application ("Embedded Cost Rate").

If any Application needs more than one Incremental Rate Path to enable the requested service, BPA-TS may delay proposing Incremental Cost Rates for those Applications until completion of the environmental reviews for all Incremental Rate Paths affected by such Application.

**a. Public Process.** For Applications whose environmental reviews are complete and proposed Incremental Cost Rates developed, BPA-TS will hold a public meeting to present the proposed Incremental Cost Rates and Embedded Cost Rates for such Applications. BPA-TS will post the proposed Incremental Cost Rates, Embedded Cost Rates, and supporting materials at least 10 business days before the meeting and make copies available at the meeting. At the meeting, BPA-TS will explain the basis for the proposed rates and open the meeting for questions and comments. If there are remaining questions after the meeting, customers may, within 5 business days, submit the questions, or data requests regarding the proposed Incremental Cost Rates, Embedded Cost Rates, and supporting documentation, in writing and BPA-TS will respond in writing and post the questions, data requests, and the responses within 15 business days. Parties may submit written comments on the proposed Incremental Cost Rates and Embedded Cost Rates within 5 business days after BPA-TS responds to any written questions or data requests. BPA-TS will respond in writing within 15 business days to the issues raised during the public process. If there is sufficient interest in settlement, BPA-TS will hold settlement meetings, which will be noticed on BPA-TS's website. BPA-TS may extend the timeline for the public process and for completing offers of Incremental Cost Rate service to complete settlement negotiations. Failure to raise objections in writing to the proposed Incremental Cost Rates and Embedded Cost Rates during the public process that could have been raised during such public process will constitute a waiver of the objection.

**b. Cost Allocation Assessment.** For the purpose of determining the proposed unadjusted Incremental Cost Rates for Applications using Incremental Rate Paths, the Transmission Provider shall conduct a Cost Allocation Assessment for each Incremental Rate Path. All Applications requiring use of the Incremental Rate Path as demonstrated by the NOS Cluster Study, Facility Study, or other ATC analysis, shall be allocated Incremental Project Costs in the Cost Allocation Assessment. The Transmission Provider shall review these Applications in order to determine the amortization period for each Application. For this determination, the start date of the amortization period shall be the expected in-service date of the facility when BPA-TS offers service. The end date for the amortization period shall be the end of the term of the service requested in the Application.

The Cost Allocation Assessment will indicate the allocation of the Incremental Project Costs to each Application on a pro-rata basis of the positive incremental power flow impacts of the requested service on the Network Upgrades for each Incremental Rate Path in proportion to the total of all positive incremental power flow impacts of the Applications on the Network Upgrades for each Incremental Rate Path. The average incremental power flow impact of each Application in the Cost Allocation Assessment

shall be determined using each peak season model applicable to the amortization period. Each impact amount shall be determined by first establishing a set of initial seasonal base cases that excludes flows associated with all Applications included in the Cost Allocation Assessment. Then each Application in the Cost Allocation Assessment will be added individually to the models and the change in flow across such Incremental Rate Path shall be determined for such Application. The Incremental Project Costs of Network Upgrades allocated to each Application shall be proportional to the positive incremental impact of such Application on the Network Upgrades divided by the total positive incremental impacts on the Network Upgrades of all Applications included in the Cost Allocation Assessment. Incremental flows having a negative impact on an Network Upgrades shall be ignored.

### **RATE**

After concluding the above cost allocations to each Application in a Cost Allocation Assessment for an Incremental Rate Path, the Transmission Provider shall determine the charges for each Application by using the levelized monthly cost for each Application. This levelized monthly Incremental Project Cost shall be determined by calculating the present worth of the Incremental Project Costs associated with the Network Upgrades for the Incremental Rate Paths as allocated to an Application in the Cost Allocation Assessment and then calculating an appropriate monthly amount for each Application in the Cost Allocation Assessment, based on the months in its amortization period described above. Such monthly amount shall be divided by the Reserved Capacity for PTP service, or by the capacity required for a New Network Load or New Network Resource for NT service, to determine the Incremental Cost Rate. If the Incremental Cost Rate is higher than the Embedded Cost Rate, the charge for the requested service will be the Incremental Cost Rate.

For Applications to add new Network Resources or new Network Loads that require service over Incremental Rate Paths, NT customers shall pay the Incremental Cost Rate in addition to other charges in the Network Integration Rate schedule.

The Incremental Cost Rate will be determined based on those Applications for which Eligible Customers have agreed to take service.

BPA-TS may determine the charges for Applications for use of the Incremental Rate Path submitted after BPA-TS posts proposed Incremental Cost Rates as provided in B., below

### **DETERMINATION OF INITIAL INCREMENTAL COST RATE**

The monthly Initial Incremental Cost Rate per kilowatt of Reserved Capacity or capacity required for a new Network Load or new Network Resource shall be determined in accordance with the following formula:

$AX(D/\text{sum of } D \text{ for all customers requiring the incremental upgrade})$

*where*

**A** = The annual Incremental Project Costs determined in accordance with **1** above, amortized over the term of the transmission service request.

**D** = The pro rata share of positive flow over the Network Upgrade due to the reserved Firm PTP transmission service or capacity required for a New Network Resource or New Network Load in relation to the sum of the positive flows of all reserved firm transmission service over the Network Upgrade.

**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.

## **OTHER RATE PROVISIONS**

### **A. TRANSMISSION CREDITS FOR ADVANCE FUNDING OF FACILITIES**

If BPA-TS requires the Customer to provide advance funding for construction of facilities subject to incremental costs rates, then the Customer shall be entitled to transmission credits, equal to the total amount paid to Transmission Provider for the Network Upgrades. Credits shall include interest calculated at the rate for ten-year bonds posted on Bloomberg, L.P., under the United States Government Agency fair market yield curve (yield curve number 84) as in effect on the first day of the month during which the Transmission Provider receives the first payment for Network Upgrades, such interest to accrue from the date of any payment for Network Upgrades through the date on which the Customer receives a repayment of such payment pursuant to this subparagraph.

Transmission credits will only apply to the non-usage sensitive portion of the Customer's transmission bill for the reservation(s) requiring the advance-funded facilities.

### **B. ADJUSTMENTS TO THE INITIAL INCREMENTAL COSTS RATES**

If any new service commences, or reservations expire, that require an Incremental Rate Path subject to the Incremental Cost Rate, BPA-TS will adjust the Initial Incremental Cost Rate annually. BPA-TS will true-up the Initial Incremental Cost Rate for the

difference between revenues forecast and received due to changes in reservations for the preceding year.

BPA-TS shall annually post the Short-Term Firm, Long-Term Firm, Non-Firm PTP and Monthly NT Incremental Costs Rates for additional service requiring the Incremental Rate Path. These rates apply to service granted for Applications received subsequent to the initial Cost Allocation Assessment and the establishment of the Initial Incremental Costs Rates. The monthly rate for additional reservations shall not exceed the highest Monthly Incremental Costs Rate (Initial or adjusted) for the prior year.

(1) Monthly, Weekly, and Daily Firm and Non-Firm PTP Service

For each additional reservation, the rates shall not exceed:

(a) Days 1 through 5 (\$/kW/day)

Highest Incremental Cost Rate for the prior year \*  $\frac{12 \text{ months}}{52 \text{ weeks} * 5 \text{ days}}$

(b) Day 6 and Beyond (\$/kW/day)

Highest Adjusted Initial Incremental Costs Rate \*  $\frac{12 \text{ months}}{52 \text{ weeks} * 7 \text{ days}}$

(2) Hourly Firm and Non-Firm Service (mills/kilowatthour)

The rate shall not exceed:

Highest Incremental Cost Rate for the prior year \*  $\frac{12 \text{ months}}{52 \text{ weeks} * 5 \text{ days} * 16 \text{ hours}}$