2010 BPA Rate Case

TR-10 Transmission & Ancillary Services Customer Workshop

July 31, 2008

Agenda

- Workshop objective
- Approach to concurrent rate cases
- Workshop schedule
- Transmission & Ancillary Services issues and future workshop topics (including process)
- Next Steps

Objective

- Our objective today is threefold: (1) to share our thinking about the approach to the concurrent rate proceedings for Power Services and Transmission Services, (2) to disclose the preliminary schedule, and (3) to open two-way channels of communication centered around issues to be addressed through the 2010 BPA Rate Case.

- To deliver best possible regional outcomes, all customers are encouraged to actively participate throughout this rate proceeding.

Concurrent Approach

- The 2010 BPA Rate Case will run concurrent Power and Transmission Rate Cases using the same schedule and the same Hearing Officer.
- There will be two dockets: one for transmission rates and one for power rates and any joint issues.
- Power Services will be a party to the Transmission case.

Concurrent Approach Cont'd

- BPA will continue to conduct separate repayment studies and establish separate revenue requirements for Power Services and Transmission Services.

- Rates will be developed separately for Power Services and Transmission Services based on the respective revenue requirement.

- Cost recovery will be demonstrated separately for Power Services and Transmission Services rates.

- Separate risk analyses will be performed for Power Services and Transmission Services.

Benefits of Concurrent Approach

- The 2010 BPA Rate Case will establish (1) wholesale power rates and (2) transmission and ancillary services rates for the FY 2010-2011 rate period (October 2009 through September 2011).
- A two-year rate period was decided by the Administrator for several reasons:
  1) BPA to synchronize the power and transmission rate cases to maximize the efficient use of both BPA staff and management resources and customer resources (single schedule);
  2) Subscription power contracts expire September 30, 2011;
  3) Power sales under the new Regional Dialogue contracts will commence FY 2012 (October 1, 2011), and the power cost allocation and rate design will change substantially at that time;
  4) Interbusiness Line Revenues and Expenses on same schedule.
- BPA expects that this concurrent approach will provide customers with the total delivered power cost that will enable customers to make informed business decisions.

2010 BPA Rate Cases Schedule

- Transmission Services has developed a preliminary list of workshop issues and a draft schedule to address key inputs to the initial proposal.
- The schedule for the rate case will be discussed at the Prehearing Conference, decided by the Hearings Officer, and incorporated into the Federal Register Notice to be published in mid-January.
- In order to submit the record of decision and prepare the FERC submittal in July 2009, for rates to become effective October 1, 2009, we expect that the rate case schedule will be established in January 2009.
- However, until the rate case schedule is set, we can only share our best estimates of what the schedule may be.

Potential Transmission Issues

- **Unauthorized Increase Charge** applies to Point-to-Point Transmission Service under the PTP, IS, and IM Rate Schedules when they exceed their capacity reservations at any POR or POD. For Transmission Customers taking Network Integration Transmission Service under the NT Rate Schedule, the UIC applies if their Actual Customer-Served Load (CSL) is less than their Declared CSL. BPA TS is exploring how to adopt a rate to charge customers for usage under a waived UIC event.

- **Failure to Comply Penalty Charge.** When a party fails to comply with the BPA-TS's curtailment, redispatch, or load shedding orders, the party will be assessed the Failure to Comply Penalty Charge. Due to the potential for financial sanctions for non-compliance with NERC/WECC reliability standards, BPA is exploring how best to assess and pass on, in the rate schedule, such violations to offending parties.

Scope of Wind Integration Team

- The WI-09 Wind Integration Rate Case Settlement requires BPA to charter a cross-agency Wind Integration Team (WIT) to determine how to cost-effectively interconnect wind in a way that maintains reliability and allows sound power and transmission operational planning. Over the next two to three years, the WIT will work with other BPA groups to develop a set of coordinated processes and procedures for:

  1. Managing the requirements for generation inputs used by the BPA balancing authority to provide reserves.

  2. Identifying new supply generation resources for generation inputs.

  3. Reducing the demand on the existing capacity of the FCRPS to provide generation inputs.

  4. Acquiring cost-effective capacity resources that meet BPA’s firm power obligations and the generation input needs of the BPA Balancing Authority.

- The reserves methodology, developed by WIT, will yield a total amount of reserves required by the Balancing Authority that in turn will flow directly into the initial proposal.

Wind Integration Team
High Level Work Stream

Quantify Issues

BPA to define and measure impacts of Wind Integration

Requirements

Potential Solutions

BPA to address potential solutions

Solutions

Methods & Procedures

BPA to identify the methods and procedures to implement solutions

Implementation

Scope of TR-10 Rate Case

(Generation Inputs Supporting Ancillary Services)

- The TR-10 Rate Case will establish transmission and ancillary rates for the FY2010-11 period. In order to establish rates for wind integration, the following sequence of events will need to happen:

  1. TS will determine the reserve requirement for the BPA Balancing Authority.

  2. PS will determine Generation Input costs for the amount of inputs it will supply to TS.

  3. TS will determine rate design. If third party supply is required, rate design will be flexible to accommodate conditions of third party supply requirements that will be addressed separately through business practice.

TR-10 Rate Case
High Level Work Stream

(Generation Inputs Supporting Ancillary Services)

Phase 1 (Jul '08)

TS will determine the reserve requirement amount needed to maintain reliability standards.

Requirements

Phase 2 (Sep '08)

PS will determine the price for reserves it will supply.

Supply

Phase 3 (Nov '08)

TS will determine if a third party supply is needed and develop appropriate rate design.

Rates

Wind Efforts Crosswalk

	Key Issues	2010 BPA Rate Case	Wind Integration Team (WIT)
1	BPA BA Reserve Requirement	X	
2	Predictability of Wind Generation		X
3	FCRPS Availability		X
4	Third Party Supply		X
5	Pricing FCRPS Generation Inputs	X	
6	Scheduling & Forecasting		X
7	Ramping		X
8	Wind Farm Dynamic Performance		X
9	Disturbance Ride Through		X
10	Voltage Stability Control		X
11	Rate Design	X	

The major link between the WIT and the Rate Case is the reserves methodology, which will yield a total amount of reserves required by the Balancing Authority. This total amount, broken up for regulation and load following, will become Generation Inputs captured into Power Services' 2010 Initial Proposal and Rate Schedules and will also be reflected into Transmission Services 2010 Initial Proposal and Rate Schedules.

Next Steps

- In an effort to schedule and plan for future customer workshops, BPA Transmission Services is proposing the following workshop dates and topics of discussion:

    - 31-Jul Kickoff for 2010 BPA Rate Case (transmission focus)
    - 6-Aug Continued Discussion on Workshop Issues and Priorities
    - 26-Aug Wind Integration: Within-Hour Balancing
    - 10-Sep Segmentation, UIC, Failure to Comply Penalty Charge
    - 23-Sep Wind Integration: With-In Hour Balancing
    - 8-Oct Segmented Revenue Requirement, Risk Analysis, Cost Allocation
    - 21-Oct LGIA Credits, Load Forecast, Compliance and Risk Analysis
    - 5- Nov Rate Design

- All workshops dates and topics are subject to change with notice. However, please regularly check BPA's "Agency Calendar" for workshop changes and updates at: http://www.bpa.gov/CORPORATE/PUBLIC_AFFAIRS/CALENDAR/