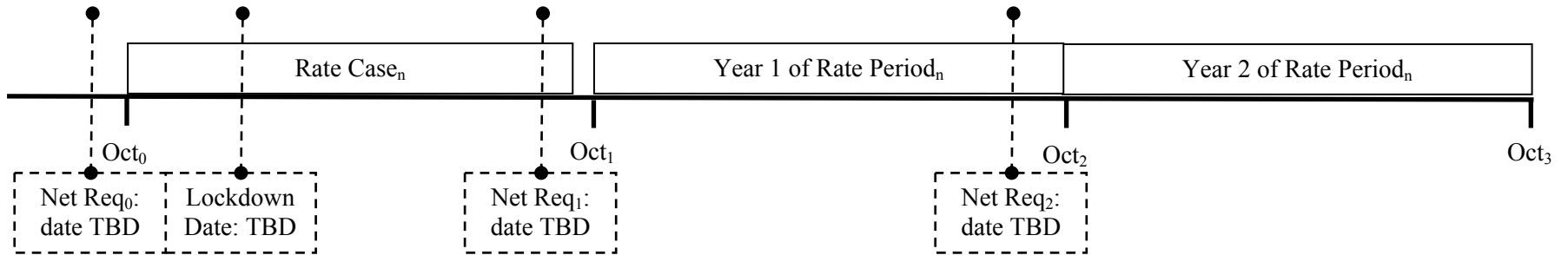


## Regional Dialogue Application Timeline Net Requirements, High Water Marks, Tier Determinations

**Application Timeline:**



Net Req<sub>0</sub>: Net Requirements determination for years 1 and 2 of the Rate Period; date to be determined

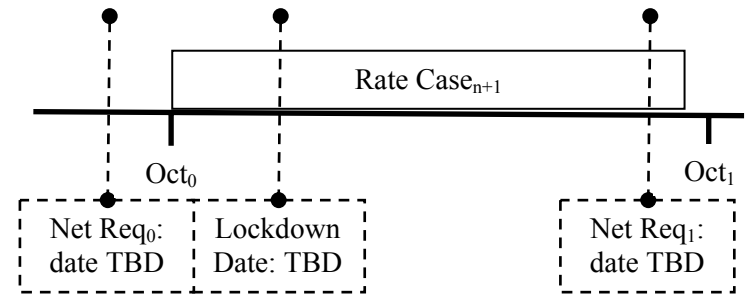
Rate Case: Stage 1 begins to determine size of Tier 1 System and High Water Marks

Lockdown Date: HWMs applied to Net Requirements to determine Tier 2 requirement; date to be determined, may be the same as Net Req<sub>0</sub>

Rate Case: Stage 2 determines Tier 1 and Tier 2 rates

Net Req<sub>1</sub>: Net Requirements re-determination for year 1 of Rate Period; date to be determined

Net Req<sub>2</sub>: Net Requirements re-determination for year 2 of Rate Period; date to be determined



### Three Potential Approaches to Tier 2 Amounts

**Approach 1)** No adjustments to Tier 2 amounts are made after the lockdown date for two-year rate period.

**Approach 2)** Non-symmetrical adjustment of net requirements at Net Req<sub>1</sub> and Net Req<sub>2</sub> where Tier 2 only decreases.

**Approach 3)** Symmetrical adjustment of net requirements at Net Req<sub>1</sub> and Net Req<sub>2</sub> where Tier 2 might increase as well as decrease.

## Draft

### Consequences of the Three Approaches

**Approach 1)** Tier 2 amounts are fixed for the two years. Costs of acquisitions and rates to customers are known and set in rate case. Tier 1 service will fluctuate more than in other approaches, potentially increasing the amount of risk recovered in load following charge. Customers may get less Tier 1 power than HWM entitlement if loads are lower than forecast at the lockdown date.

**Approach 2)** Tier 2 amounts may decrease at Net Req<sub>1</sub> or Net Req<sub>2</sub>, but customer bears the financial consequences of difference in value between the Tier 2 rate and the resale value. BPA (and thereby, other load following customers) bears the risk of load increases that could get included (in Approach 3) in the Tier 2 amount, the cost of this risk being included in load following charge. Customers get closer matching of loads and Tier 1 amounts than in Approach 1.

**Approach 3)** Tier 2 amounts may increase or decrease at Net Req<sub>1</sub> or Net Req<sub>2</sub>; customers bear more risk, with either more Tier 2 load than indicated in the lockdown, or the financial consequences of remarketing of excess Tier 2 power. BPA bears less risk, but there is an issue of what price the additional Tier 2 amounts would be charged. Load following charges are lower as there is less risk than in the other approaches.

### Comparative Criteria

	Approach 1	Approach 2	Approach 3
Lowest Tier 1 Costs and Rates			
Lower Load Following Charges (Lower Risk to BPA)	1	3	5
Customer Equity			
Lower Tier 2 Costs to Customer	3	5	1
Preserve Value of Tier 1	3	1	5
Certainty of Obligations			
Maintains Tier 1 Service Amount	3	5	1
Limit Exposure to Adverse Market	5	3	1
Simplicity	5	1	1

## Draft

### **Scenario 1: Load Following Utility Experiences Quantifiable Load Loss** (what constitutes a quantifiable load loss is an open discussion)

Initial High Water Mark set at 12 aMW

Net Req<sub>0</sub> forecasts load on BPA of 15 aMW in Year 1 and 17 aMW in Year 2

Rate Case Stage 1 determines no change to Tier 1 System

Lockdown Date establishes Year 1 Tier 2 requirement of 3 aMW and Year 2 Tier 2 requirement of 5 aMW

Net Req<sub>1</sub> re-determines Year 1 load forecast at 14 aMW

**Approach 1:** Tier 2 obligation remains at 3 aMW, Tier 1 decreases to 11 aMW

**Approach 2&3:** Tier 2 obligation remains at 3 aMW, 1 aMW is remarketed to maintain Tier 1 at 12 aMW

Net Req<sub>2</sub> re-determines Year 2 load forecast at 14 aMW

**Approach 1:** Tier 2 obligation remains at 5 aMW, Tier 1 decreases to 9 aMW

**Approach 2&3:** Tier 2 obligation remains at 5 aMW, 3 aMW is remarketed to maintain Tier 1 at 12 aMW

### **Scenario 2: Load Following Utility Experiences Quantifiable Load Gain**

Initial High Water Mark set at 12 aMW

Net Req<sub>0</sub> forecasts load on BPA of 15 aMW in Year 1 and 17 aMW in Year 2

Rate Case Stage 1 determines no change to Tier 1 System

Lockdown Date establishes Year 1 Tier 2 requirement of 3 aMW and Year 2 Tier 2 requirement of 5 aMW

Net Req<sub>1</sub> re-determines Year 1 load forecast at 16 aMW

**Approach 1&2:** Tier 2 obligation remains at 3 aMW, load gain increases Tier 1 service to 13 aMW

**Approach 3:** Tier 2 obligation increases to 4 aMW, Tier 1 remains at 12 aMW

Net Req<sub>2</sub> re-determines Year 2 load forecast at 19 aMW

**Approach 1&2:** Tier 2 obligation remains at 3 aMW, load gain increases Tier 1 service to 16 aMW

**Approach 3:** Tier 2 obligation increases to 7 aMW, Tier 1 remains at 12 aMW

### **Scenario 3: Load Following Utility Experiences Quantifiable Load Loss with Decrease in Tier 1 System**

Initial High Water Mark set at 12 aMW

Net Req<sub>0</sub> forecasts load on BPA of 15 aMW in Year 1 and 17 aMW in Year 2

Rate Case Stage 1 determines 4% reduction to Tier 1 System; HWM is reset to 11.5 aMW

Lockdown Date establishes Year 1 Tier 2 requirement of 3.5 aMW and Year 2 Tier 2 requirement of 5.5 aMW

Net Req<sub>1</sub> re-determines Year 1 load forecast at 14 aMW

**Approach 1:** Tier 2 obligation remains at 3.5 aMW, Tier 1 decreases to 10.5 aMW

**Approach 2&3:** Tier 2 obligation remains at 3.5 aMW, 1 aMW is remarketed to maintain Tier 1 at 12 aMW

Net Req<sub>2</sub> re-determines Year 2 load forecast at 14 aMW

**Approach 1:** Tier 2 obligation remains at 5.5 aMW, Tier 1 decreases to 8.5 aMW

**Approach 2&3:** Tier 2 obligation remains at 5.5 aMW, 3 aMW is remarketed to maintain Tier 1 at 12 aMW

**Scenario 4: Load Following Utility Experiences Quantifiable Load Gain with Decrease in Tier 1 System**

Initial High Water Mark set at 12 aMW

Net Req<sub>0</sub> forecasts load on BPA of 15 aMW in Year 1 and 17 aMW in Year 2

Rate Case Stage 1 determines 4% reduction to Tier 1 System; HWM is reset to 11.5 aMW

Lockdown Date establishes Year 1 Tier 2 requirement of 3.5 aMW and Year 2 Tier 2 requirement of 5.5 aMW

Net Req<sub>1</sub> re-determines Year 1 load forecast at 16 aMW

**Approach 1&2:** Tier 2 obligation remains at 3.5 aMW, load gain increases Tier 1 service to 12.5 aMW

**Approach 3:** Tier 2 obligation increases to 4.5 aMW, Tier 1 remains at 11.5 aMW

Net Req<sub>2</sub> re-determines Year 2 load forecast at 19 aMW

**Approach 1&2:** Tier 2 obligation remains at 5.5 aMW, load gain increases Tier 1 service to 13.5 aMW

**Approach 3:** Tier 2 obligation increases to 7.5 aMW, Tier 1 remains at 11.5 aMW

**Scenario 5: Load Following Utility Experiences Quantifiable Load Loss after Net Req<sub>1</sub>**

Initial High Water Mark set at 12 aMW

Net Req<sub>0</sub> forecasts load on BPA of 15 aMW in Year 1 and 17 aMW in Year 2

Rate Case Stage 1 determines no change to Tier 1 System

Lockdown Date establishes Year 1 Tier 2 requirement of 3 aMW and Year 2 Tier 2 requirement of 5 aMW

Net Req<sub>1</sub> confirms Year 1 load forecast at 15 aMW; load loss occurs 2 months later

**All Approaches:** Tier 2 obligation remains at 3 aMW, load loss known after Net Req<sub>0</sub> decreases Tier 1 service

Net Req<sub>2</sub> re-determines Year 2 load forecast at 14 aMW

**Approach 1:** Tier 2 obligation remains at 5 aMW, Tier 1 decreases to 9 aMW

**Approach 2&3:** Tier 2 obligation remains at 5 aMW, 3 aMW is remarketed to maintain Tier 1 at 12 aMW

**Scenario 6: Load Following Utility Experiences Colder Than Normal Winter in Year 1 and Warmer Than Normal in Year 2**

Initial High Water Mark set at 12 aMW

Net Req<sub>0</sub> forecasts load on BPA of 15 aMW in Year 1 and 17 aMW in Year 2

Rate Case Stage 1 determines no change to Tier 1 System

Lockdown Date establishes Year 1 Tier 2 requirement of 3 aMW and Year 2 Tier 2 requirement of 5 aMW

Net Req<sub>1</sub> confirms Year 1 load forecast at 15 aMW

**All Approaches:** Tier 2 obligation remains at 3 aMW, cold weather increases Tier 1 service

Net Req<sub>2</sub> confirms Year 2 load forecast at 17 aMW

**All Approaches:** Tier 2 obligation remains at 5 aMW, warm weather decreases Tier 1 service

## Draft

### Scenario 7: Tier 1 System Decreases after Lockdown Date, but before Year 1 of Rate Period

Initial High Water Mark set at 12 aMW

Net Req<sub>0</sub> forecasts load on BPA of 15 aMW in Year 1 and 17 aMW in Year 2

Rate Case Stage 2 determines 4% reduction to Tier 1 System, HWM remains at 12; BPA replaces Tier 1 reduction for rate period

Lockdown Date establishes Year 1 Tier 2 requirement of 3 aMW and Year 2 Tier 2 requirement of 5 aMW

Net Req<sub>1</sub> confirms Year 1 load forecast at 15 aMW

**All Approaches:** Tier 2 obligation remains at 3 aMW, no change in Tier 1 service

Net Req<sub>2</sub> confirms Year 2 load forecast at 17 aMW

**All Approaches:** Tier 2 obligation remains at 5 aMW, no change in Tier 1 service