

Above-RHWM Load Service Options Customer Workshop

March 2011

Tier 2 Rate Service Overview

Predecisional. For Discussion Purposes Only



Tier 2 Rate Alternatives

- Customers have three options for serving Above-RHWM Load:
 - 1) Non-Federal Resource (Specified or Unspecified)
 - 2) BPA *Flat Block* Purchase at a Tier 2 rate
 - 3) Combination of the two
- On Nov 1, 2009, customers made their elections for how they will serve their Above-RHWM Load during the FY 2012-2014 purchase period; the FY 2012-2013 Above-RHWM Load amounts were established before these elections.
- The next election deadline is Sept 30, 2011. Above-RHWM Load amounts will not be set until RHWM processes occurring before future rate cases.

Notice Deadline		Purchase Period
November 1, 2009	for	FY 2012 – FY 2014
September 30, 2011	for	FY 2015 – FY 2019
September 30, 2016	for	FY 2020 – FY 2024
September 30, 2021	for	FY 2025 – FY 2028



Tier 2 Rate Alternatives

- Tier 2 rates will be established in 7(i) processes.
- Tier 2 rate alternatives will be based on the cost of providing a flat annual block of power.
- Pricing of power provided at a Tier 2 rate is based on the cost of BPA purchases and resource acquisitions to serve this load.
- Other cost components that may be included in Tier 2 rates:
 - BPA Overhead Costs – associated with power provided at Tier 2 Rates
 - Resource Support Services (RSS) – for the cost of RSS products needed to convert a resource/purchase into a flat block of energy
 - Additional costs, as appropriate, including risk-related costs, transmission costs, Balancing Authority costs for within-hour balancing, fuel adjustment adders, etc.



Tier 2 Rate Alternatives

Load Growth Rate

- BPA commits to meet Load Following customers' load growth placed on BPA for the term of the commitment period – although when giving notice to purchase at the Load Growth rate the customer may establish set amounts of Above-RHWM load to be served by non-Federal resources or other Tier 2 rate alternatives for the contract term.
- Election Opportunities: Nov. 1, 2009 for the period FY2012 through 2028 and Sept. 30, 2011 for the period FY2015 through 2028.
- Customers have a diversification right to limit the amount of power they purchase at the Load Growth rate in future years with notice provided by October 31 of rate case year (11 months before the rate period) and with possible liquidated damages.
- Customers choosing to purchase 100% of their Above–RHWM load service at the Load Growth Rate may elect the Shared Rate Plan. No customers elected this option at the first notice deadline.



Tier 2 Rate Alternatives continued

Short-term Rate

- Shorter commitment with terms of 3, 5, 5 & 4 years with pricing based on market opportunities. Notice deadlines and purchase periods are the same as those listed for Above-RHWM load elections, shown on Slide 2.
- BPA will determine amounts charged to Load Following customers at the Short-term Rate prior to every rate case for the subsequent rate period. Slice/Block customers must elect how much service they wish to receive at the Short-term Rate, for every year of a purchase period, when electing this service.
- Service at this rate may be converted to service at a Vintage rate.
- Customer has right to reduce purchase amounts with notice provided by October 31 of rate case year and possible liquidated damages.



Tier 2 Rate Alternatives continued

Vintage Rate

- Term of commitment dependent on term of intended BPA resource acquisition or power purchase.
- A Vintage rate alternative Statement of Intent may be available any time based on customer need and interest and BPA's need to acquire a resource(s).
- Customers will have to give BPA a binding commitment (with a Statement of Intent) to take service at a Tier 2 rate that recovers such costs before BPA will finalize the purchase commitment for a resource or for power.
- BPA will work with customers to understand their needs and interests for Vintage rate alternatives.



Summary of Tier 2 Alternatives

Tier 2 Alternative (Customer commitment)	<u>Potential</u> Resources Allocated to Tier 2 Rate Pool <i>(Will evolve over time as we get more information about available resources and customer needs and interests)</i>	RECs Provided?
Load Growth (14 or 17 yrs)	A mix of short & long term purchases (in no particular order, examples could include, Renewables, CCCT, Waste Energy Gen, Market Purchases). Resource selection primarily driven by lowest life cycle cost	Potential that some level of RECs could be provided over the course of the contract.
Short-Term (3-5 yrs)	Short-Term market purchases (5 years or less in duration). Purchases driven by lowest cost market opportunities	Unlikely
Vintage (up to 17 yrs)	Based on customer interest. (In no particular order: Wind, Geothermal, Solar, Waste Energy Generation, CCCT) Resource selection driven by targeted resource & lowest life cycle cost	Yes, for most renewable-based Vintage rate Alternatives.



November 1, 2009, Tier 2 Elections

First Purchase Period A-HWM Election Summary			
103 Load Following customers ¹ , 17 slice customers LGR = Load Growth Rate STR = Short-Term Rate LSR = Load Shaping Rate			
		Load (in aMW)	
		2012	2013
Load Following	<u>Load Growth Rate</u> 41 customers ²	0.0	2.7 (2 cust)
	<u>Short Term Rate</u> 49 customers ³	21.1 (6 cust)	53.9 (10 cust)
	<u>Non-Federal Resources</u> 13 customers opted no Tier 2 ⁴	14.4 (11 cust)	25.9 (11 cust)
	<u>Load Shaping Rate</u> aMW totals include customers electing LGR, STR or non-federal resources with <8760 MWh of A-HWM load (including no A-HWM load). ⁵	5.6 (86 cust)	12.1 (80 cust)
Slice	<u>Short Term Rate</u> 2 customers opting for 1 aMW each under the STR in 2014	-	-
	<u>Non-Federal Resources</u>	102.7	174.3
Total⁶	<u>Load Growth Rate</u>	0 (0%)	2.7 (1%)
	<u>Short Term Rate</u>	21.1 (15%)	53.9 (20%)
	<u>Non-Federal Resources</u>	117.1 (81%)	200.2 (74%)
	<u>Load Shaping Rate</u>	5.6 (4%)	12.1 (5%)
	<u>Total</u>	144	269

Notes

¹ For purposes of customer totals, PNGC's 14 members are counted as one.

² Includes 1 opting for Partial LGR.

³ Includes several who are combining the STR with non-federal resources.

⁴ Includes 11 serving A-HWM load <8760 MWh with non-federal resources. (Note the aMW totals include the non-federal load service from those customers electing partial LGR or STR.)

⁵ Once A-HWM load grows to be >8760 MWh, load service will be at LGR, STR, or from non-federal resources depending on customer election. Also, includes 8 Federal Agency customers.

⁶ Based on the percentage of total A-HWM load.

