

DRAFT

BPA'S SLICE PROPOSAL

Note: This document describes BPA's Slice proposal. Other arrangements may be possible by bilateral negotiation between BPA and a purchaser.

General

- Right to receive a percentage share of FCRPS capability, including actual energy generation (firm and secondary), capacity, and storage.
- Right to modify the rate at which energy is produced within the day, week, month, and year, within the bounds of then-existing minimum and maximum operating constraints of the System (for example, operational and non-power requirements).
- BPA may buy back Slice in excess of Requirements if and when necessary to assure service to BPA's other statutory or contractual commitments in the PNW.
- Obligation to pay a corresponding percentage share of BPA revenue requirement without credit for secondary sales.
- Assumption of a proportionate share of the risks of the FCRPS.
- Release of any BPA obligation to serve purchaser's load that is not met by the combination of Slice, other firm purchases from BPA, and the purchaser's own resources.
- A set-up and testing period is required before 10/1/01 ~~for~~ implementation of Slice.

BPA revisions from PGP proposal:

- The proposed Slice is by schedule only, and therefore, purchasers have no right to modify the rate at which energy is produced within the hour. (With the appropriate "down-payment", BPA would start negotiating with the customer and TBL to investigate the feasibility of using dynamic signals.)
- BPA may contractually establish mechanisms to buy back the monthly or hourly output and capabilities in excess of the purchaser's net firm load requirements if and when necessary to assure service to BPA's other statutory or contractual commitments in the Pacific Northwest.
- PGP's proposal did not anticipate a testing period.

Remaining Issues for resolution:

- What point in time or time period is used for identifying and measuring the system from which purchasers buy a Slice (the "snapshot")?
- What are the PNW commitments BPA would buy back excess Slice for? Requirements only? DSI's? ~~IOU residential~~Other?
- What would trigger a buy-back of "excess Slice" and how would the buy-back work?
- What testing needs to be done for implementing a Slice purchase?
- What resource "replacements" will automatically become cost obligations of Slice purchasers?

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Proposed solutions:

- The “snapshot” of FCRPS resources for determining Slice percentages will be consistent with methodology^{iesy} used to determine requirements for Slice and all other Subscription purchases.
- Purchasers will need to make an up-front payment to begin setup and testing of Slice. (See “Eligibility to Purchase” below.)

Term

- 10 – 20 years.
- No offramps.
- Slice purchase will not affect purchaser’s rights to BPA power after the Slice contract period.

BPA revisions from PGP proposal:

- PGP proposed 5 – 20 years. BPA’s proposed Slice has a 10-year minimum term. BPA is open to bilaterally negotiating other arrangements and conditions that may allow purchases of other products for a shorter duration, without increasing risks of revenue recovery.

Remaining Issues for resolution:

- None.

Proposed Solutions:

- None.

Eligibility to Purchase

- Any Subscriber to PNW Requirements service, subject to statutory priorities and preferences.
- Slice is not intended to confer special rights over other Subscription products.
- The firm portion of Slice sold in Subscription would be used to serve Requirements load and limited to net load (total retail load minus customer resources).
- Slice contracts would fix net load (Requirements) amounts for the contract term, in the same manner as the Subscription firm block contracts.
- Requirements rights would be mapped to FCRPS firm resource capability, yielding a Slice percentage. Firm portion of Slice would count against Requirements eligibility.
- If resources remain after early Subscription phases, those resources would not be available for additional Slice purchases.
- Slice percentages would not be adjusted for load growth (no remapping).
- Slice percentages would not be adjusted for decreases in FCRPS firm resource capability (no remapping).
- Potential Slice purchasers will be required to pay set-up costs of the Slice.

BPA revisions from PGP proposal:

- Available only to qualified customers purchasing for their PNW net firm load requirements.
- The PGP proposal anticipated potential surplus Slice sales. A Slice purchase will be offered only as a requirements product during the 11/98 – 11/99 Subscription period.

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- In order for BPA to proceed with establishing Slice arrangements, potential purchasers will be expected to deposit funds with BPA to cover the up-front setup costs.

Remaining Issues for resolution:

- How do we map percentages for firm energy and peaking requirements?
- Do purchasers need to demonstrate that they will have the resources to cover deficiencies between their loads and Slice?

Proposed solutions:

- The ~~determination of net requirements for Slice mapping of Slice percentages~~ will be consistent with methodology~~iesy~~ used to determine net requirements for all other Subscription purchases.

Product Received

- Proportionate share of the capability of the FCRPS, including both primary and secondary energy.
- Proportionate share of the flexibilities of the FCRPS between the minimum and maximum operating requirements; the Slice purchasers would be kept informed of the minimum and maximum operating requirements by BPA.
- Ability to schedule delivery of energy via traditional prescheduling procedures.
- Proportionate share of the storage and shaping rights, such as the ability to vary energy delivered during a day, or between days, weeks, or months within the minimum and maximum operating constraints.
- Daily deviations of actual take from right to actual generation would be posted to storage account.
- Storage account forced to be zeroed out when FCRPS reaches physical limits (storage is non-guaranteed).
- Hour-ahead changes in amount to be taken (~~preschedule change rights~~).
- Slice purchasers would not be entitled to purchasing or marketing services from BPA. In particular, BPA would be relieved of its obligation to serve a net requirements Slice purchaser's loads in times of deficiencies.
- No protection against required spill.

BPA revisions from PGP proposal:

- No dynamic signal in Slice. With the appropriate "down-payment", BPA would start negotiating with the customer and TBL to investigate the feasibility of using dynamic signals.

Remaining Issues for resolution:

- What kind of "down-payment" is needed to begin negotiation of dynamic signaling for Slice?
- ~~What can purchasers use the Slice for? (Particularly that portion of Slice that exceeds requirements.)~~Which portions of the Slice product are eligible for resale, and which are not?

Proposed solutions:

- None.

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Linkages

- The Slice product cannot be purchased in combination with other core Subscription products if that combination results either in new BPA risks or costs of service, or shifts risks or costs from one product to another.
- The Slice product can be purchased in combination with annual firm blocks.

BPA revisions from PGP proposal:

- None.

Remaining Issues for resolution:

- Some customers want access to Slice in combination with Actual Partial service. BPA is investigating if that can be done.

Proposed solutions:

- BPA will consider bilateral negotiations to offer Slice in combination with the Actual Partial Service product.
- BPA would limit its risk for meeting load growth, load factoring, shaping, control error and other features in any arrangement combining Slice with other net requirements products.

Costs to Purchasers

- Slice purchasers would pay a corresponding percentage of BPA's PBL costs, measured as BPA's PBL revenue requirement which has not been adjusted to take into account projected secondary sales, and which excludes:
 1. Costs of transmitting Slice power to the purchaser (purchase "at the bus-bar");
 2. Some short-term power purchases;
 3. Resource acquisitions other than those acquired to relieve the inventory constraint from Subscription, and those for public purposes.
- Responsibilities of the Slice purchasers would include their percentage share of all remaining FCRPS generation costs and PBL costs including, but not limited to:
 1. Generation integration;
 2. Treasury and WPPSS bonds;
 3. Residential/small farm exchange costs if they are a continuing federal system obligation;
 4. All personnel and overhead costs for the PBL (including marketing power, ratemaking, billing, contract administration);
 5. General Transfer Agreement costs;
 6. Service and Exchange agreements;
 7. Costs of transmission of Canadian Entitlement return and the costs of transmission to support other Federal system obligations such as operational agreements;
 - 7-8. Low Density Discount costs;
 - 8-9. Long-term power purchases;
 - 9-10. Costs of relieving the expected FCRPS inventory constraint resulting from Subscription, including resource acquisitions and short-term purchases, if necessary, but not including later-arising inventory constraints such as those from load growth;
 - 10-11. An appropriate share of planned net revenues for risk;
 - 11-12. Environmental investments (some conservation and renewable resource costs);
 - 12-13. Other public purposes;
 - 13-14. Stranded costs (same treatment as other Subscription purchasers);
 - 14-15. All costs of implementing Slice, including set-up costs;

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- ~~15-16.~~ Cost shifts to or from Slice from or to other purchasers;
- ~~16-17.~~ Costs of using financial reserves as a substitute for reduced generating capability, to meet public purposes ~~such as~~ fish mitigation;
- ~~17-18.~~ Costs of short-term power purchases that enhance the capabilities available to Slice purchasers.

- Budget, investment, cost allocations, marketing decisions would be done per normal BPA practice.

BPA revisions from PGP proposal:

- Slice purchasers would pay a portion of costs of short-term power purchases (for relieving the inventory constraint and for enhancing Slice capabilities).
- Slice purchasers would pay a portion of the other costs of relieving the inventory constraint.
- Slice purchasers would bear some share of net revenues for risk, if identified as appropriate.
- Slice purchasers would pay all actual costs of implementation, including setting up the processes and systems that would occur prior to implementation.
- Slice purchasers would pay or receive appropriate adjustments for cost shifts caused by -to or from Slice purchasers.

Remaining Issues for resolution:

- Does there need to be something demonstrating that Slice purchasers could pay their share of risks?
- Do Slice purchasers receive and/or pay the costs of conservation discounts and Low Density discounts?
- Do Slice purchasers get credits (WNP-3, 4(h)(10)(c), FCCF)?
- What would Slice purchasers be required to contribute to planned net revenues for risk?
- What would be the Slice purchasers' share of relieving the Subscription inventory constraint?
- What short-term power purchases are and are not included in costs to Slice purchasers?

Proposed solutions:

- None.

Risks and Cost Shifts (Replaces “Risks Purchasers Accept”)

- Slice purchasers assume a proportionate share of the risks of the FCRPS.
- If the Subscription rate case and evaluation of risks demonstrate cost shifts, costs of Slice will be adjusted accordingly.

BPA revisions from PGP proposal:

- May result in additional or lesser costs being paid by Slice purchasers if Slice does not bear or bears more than its portion of costs for risk.

Remaining Issues for resolution:

- Need to analyze the risks for cost adjustment purposes.

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Proposed solutions:

- None.

Basis for Payment

- Cost of a Slice share is based on a percentage share of a contractually determined revenue requirement, including an appropriate adjustment for risks created or accepted.
- Slice purchasers are responsible for their proportionate share of BPA's actual costs -- there will be annual true-ups to reflect actual BPA cost overruns or underruns (including risks that have been realized in real-time), or extraordinary costs of generating units ("acts of God").
- No credits from BPA's marketing revenues.
- Possible different cost treatment for preference and non-preference Slice purchases, because of statutory rate directives.

BPA revisions from PGP proposal:

- PGP proposed to pay a percent share of contractually determined embedded cost revenue requirement. This includes more than just embedded costs (includes some costs of short term power purchases).
- Includes some risk adjustments.

Remaining Issues for resolution:

- Need analysis of cost shifts. (Those would be an outcome from the rate case.)
- What cost adjustments will the true-up cover?

Proposed solutions:

- None.

Resources Included/Excluded

- Includes FCRPS hydro and thermal committed prior to the "snapshot" date (less Canadian Entitlement obligations).
- Includes long-term BPA power purchases committed prior to the "snapshot".
- Includes public purpose resource acquisitions committed prior to the "snapshot".
- Excludes resources acquired for specific customers under other agreements.
- Excludes short-term purchases.

BPA revisions from PGP proposal:

- Resources include FCRPS resources at the time of the "snapshot".

Remaining Issues for resolution:

~~? Do long-term sales prior to Subscription affect Slice percentages?~~

- Are resources added to resolve the inventory constraint included in the resources for Slice purchases?
- Will Slice purchasers receive a share of increased output if FBS improvements, additions or replacements are made, or will Slice only be adjusted downward for loss of FBS capability?

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- Will Slice purchasers pay for and receive the benefit from large additions at existing projects, such as additional powerhouses at existing dams?

Proposed solutions:

- Slice percentages will be based on net requirements of purchasers and some measure of resources in FCRPS inventory. Long-term sales made prior to Subscription will not affect Slice percentages.
- Slice purchasers would receive benefit of system improvements, replacements, or additions at existing Federal projects if they paid a proportionate share of the costs of the improvements, replacements, or additions.

Transmission

- Not included; purchaser obtains own transmission for delivery of Slice to its system.

BPA revisions from PGP proposal:

- None.

Remaining Issues for resolution:

- None.

Proposed solutions:

- None.

Generation Reserves

- Customer responsible for generation reserves to meet reliability standards.

BPA revisions from PGP proposal:

- None.

Remaining Issues for resolution:

- None.

Proposed solutions:

- None.

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Scheduling and Accounting

- Use of flexibility rights accounted for daily in a "storage account".
- Scheduling and accounting provisions established by contract.
- BPA may adjust the rate of power deliveries to reflect actual operating constraints on the FCRPS.
- The proposed Slice has no dynamic scheduling; BPA is open to negotiating other arrangements bilaterally with purchasers.

BPA revisions from PGP proposal:

- No dynamic scheduling in the Slice product (unless separately negotiated).

Remaining Issues for resolution:

- How often is storage accounted for?
- How often is the storage true-up performed? How long do purchasers have to get back within bounds? Can the storage account be cashed out by parties?
- Any concern about where Slice purchaser would take delivery? Since Slice is a requirements product, must a purchaser take delivery of all (or a specific portion) Slice power at purchaser's system?
- As a scheduled product, is Slice power firm within an hour? What happens to the Slice delivery within the hour if a generator goes down?

Proposed solutions:

- None.

Operations/Management Influence

- Federal agencies make decisions on non-power requirements and operations of the FCRPS.
- Purchaser would have no authority in river management, investment, or other management decisions.

BPA revisions from PGP proposal:

- None.

Remaining Issues for resolution:

- None.

Proposed solutions:

- None.

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Forecast and Data Needs

• Forecasted Constraints and Data Supplied by BPA to the Slice Purchaser:			
Item	Within Day	Next Day	Next Week
1. Maximum rate of delivery (MW)	next hour	yes	yes
2. Minimum rate of delivery (MW)	next hour	yes	yes
3. Maximum HLH energy delivery for the day (for sustained peaking capability) (MWh)	yes	yes	yes
4. Maximum upward storage deviation (MWh)	yes	yes	yes
5. Maximum downward storage deviation (MWh)	yes	yes	yes
6. <u>Estimated FCRPS generation from natural flows (MWh) (assuming no storage draft)</u>	<u>yes</u>	<u>yes</u>	<u>yes</u>
<p>6-7. Formal and periodic updates on characteristics of non-power constraints, similar to what BPA now provides to PNCA Parties.</p> <ul style="list-style-type: none"> ▪ Items 4-5 are cumulative over 24 hours. ▪ Information provided for the next week is expressed in terms of average for heavy load hours or daily averages (as appropriate). 			
<ul style="list-style-type: none"> • <u>BPA will provide 50-year hydro studies for the following month through the end of the operating year, for Slice purchasers to estimate the maximum and minimum storage capability of the FCRPS under varying water conditions.</u> • <u>BPA will provide to each purchaser its after-the-fact storage account balances.</u> • Forecasted Data Supplied by the Slice purchaser to BPA: <ol style="list-style-type: none"> 1. Best estimate of purchaser's expected hourly Slice take will be provided to BPA for the next day. 			

BPA revisions from PGP proposal:

- BPA will provide ~~no information on BPA's operation, but will provide a forecast of the expected operating constraints that individual Slice purchasers would face~~ a different set of forecasted constraints, for a different period, than proposed by PGP. In general, BPA will provide data on conditions purchasers face, but not on BPA's expected operations under those conditions.
- BPA will provide descriptive information, rather than numerical data, on expected non-power constraints.

Remaining Issues for resolution:

- The level of detail in data provided to purchasers. (BPA's ability to supply the information will depend on computer and software capability that does not currently exist. The timeliness and cost of producing the information will depend on the level of detail in data required by purchasers.)

Proposed solutions:

- None.

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Dispute Resolution

- (Criteria and process to be determined.)

BPA revisions from PGP proposal:

Remaining Issues for resolution:

Proposed solutions:

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