

Rate Case Approach to Between Business Line Costs and Redispatch

Background

Between Business Line Costs: In the 2002 Power Rate Case, PBL and TBL jointly sponsored a number of issues regarding the amount of power costs that would be recovered through transmission and ancillary service rates. The resultant costs and rates were set for a five-year period (FY 2002-2006) and used to develop power rates (revenue credits), and the transmission and ancillary service rates. The costs developed in the 2002 Power Rate Case are:

Between Business Line Costs	\$millions/yr for FY02-06
Generation Inputs for Ancillary Services	
▪ Generation Reactive	\$25.0
▪ Operating Reserves	\$35.1 (\$5.63/kWmo)
▪ Regulation	\$11.5 (\$6.50/kWmo)
Other Costs	
▪ COE/BOR Transmission facilities	\$3.7
▪ RAS (Generation Dropping)	\$0.2
▪ Station Service	\$1.7

The Between Business Line costs and rates are known for the first year (FY 2006) of the rate period, but not for the second year (FY 2007). PBL will conduct a rate case to set power rates effective FY 2007 and beyond. Rate case-quality data for FY 2007 will not be available in time for the TBL rate proposal.

Redispatch: In the 2002 and 2004 Transmission Rate Case settlements, PBL, TBL and parties negotiated redispatch services provided by federal system resources. The 2004 settlement, which includes an annual payment of \$3 million per year to PBL for redispatch services specified in the Open Access Transmission Tariff (OATT) Attachment K, is effective through FY 2005. Redispatch OATT provisions and costs will have to be determined for the two-year period of FY 2006-2007.

Proposal**A. Between Business Line Costs****1. Generation Inputs for Ancillary Services**

For affected transmission and ancillary/control area rates, TBL will set rates using the known generation inputs for FY 2006, and set formula rates for FY 2007. (See below for affected rates.)

- At the conclusion of the 2007 Power Rate Case and prior to FY 2007, the generation inputs would be factored into the transmission and ancillary service formula rates.
- The 2007 formula rates would specify the transmission cost component, amount of the generation input, and billing determinant in order to make the 2007 rate setting as mechanical as possible.

Rate case-quality data for generation input costs will not be available until the 2007 Power Rate Case. The formula rate approach would avoid the need to forecast these costs prior to having good data, although it does add complexity to the Transmission Rate Case and rate schedules.

Affected Rates***Ancillary/Control Area Service Rates***

1. Reactive Supply and Voltage Control from Generation Sources Service Rate (Generation Reactive)
2. Regulation and Frequency Response Service Rate
3. Operating Reserves Rates – Spinning and Supplemental Reserve Services

Transmission Rates

4. FPT Rate (recovers 2 required Ancillary Services costs in the transmission rate)
5. IR Rate (the 2 required Ancillary Services are bundled in the transmission rate)

2. Other Costs (COE/BOR Transmission facilities, RAS, Station Service)

Transmission rates will be set based on a forecast of Other Costs for the two-year rate period, FY 2006-2007.

B. Redispatch

In a separate docket concurrent with the Transmission Rate Case, BPA (PBL and TBL) would establish the payment to PBL for the level of redispatch services provided by PBL for the two-year rate period, FY 2006-2007. The recovery of the redispatch cost through transmission rates would be addressed in the Transmission Rate Case Docket 1.

