

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Docket Nos. UG-040640 and UE-040641
Puget Sound Energy, Inc.'s General Rate Case
for Gas and Electric Operations**

COMMISSION BENCH DATA REQUEST NO. 010

COMMISSION BENCH DATA REQUEST NO. 010:

During the evidentiary hearings, we received Exhibit No. 107, a letter dated December 6, 2004, from Dennis Metcalf, BPA TBL Rate Case Manager in the 2006-2007 Transmission Rate Case, concerning possible settlement of the BPA proceeding. Both PSE and Staff refer to Exhibit No. 107 in their briefs and offer argument concerning its significance. Industry trade press reports published after Reply Briefs were filed suggest that there have been subsequent developments in this regard. The parties may, in response to this Bench Request, inform the record about these developments and of their respective views concerning the significance, if any, of any relevant post-hearing developments.

RESPONSE:

On January 26, 2005, the Bonneville Power Administration ("BPA") issued a press release stating that "[m]ore than 120 customers of the [BPA] and other parties settled with the agency on a 12.5 percent overall transmission rate increase for the fiscal year beginning Oct. 1, 2005" and that the settlement "will expedite the transmission rate case, sparing the region a lengthy, costly formal rate process." Attached as Attachment A to Puget Sound Energy, Inc.'s ("PSE") Response to Commission Bench Request No. 010, please find a copy of BPA's press release dated January 26, 2005. As described below, the rate under which PSE receives the majority of its transmission services is increasing 17.7% under the settlement, consistent with Exh. No. 107 8:11 (Ryan) and Exh. No. 82C 15:4-5 (Ryan).

On January 31, 2005, *Clearing Up* reported that BPA had settled the case, and noted that this "marks the third time in a row that BPA has avoided a contested case to set its transmission rate schedule." Attached as Attachment B to PSE's Response to Commission Bench Request No. 010, please find a copy of the *Clearing Up* article dated January 31, 2005.

On February 2, 2005, BPA posted a Federal Register Notice formally commencing the 2006-2007 transmission rate case in which its Initial Proposal reflected the terms of the settlement agreement with its customers. Attached as Attachment C to PSE's

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Person who Prepared the Response: Dave Hoff
Witness Knowledgeable About the Response: Julia M. Ryan

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Response to Commission Bench Request No. 010, please find a copy of Federal Register, Vol. 70, No. 21, pages 5423 – 5428. The applicable Federal Register Notice may also be accessed at BPA's website:

http://www.transmission.bpa.gov/Business/Rates_and_Tariff/2006RateCase.cfm?page=der_Notice.

The proposed schedule for the 2006-2007 transmission rate case set out in the Federal Register Notice for the formal hearing is consistent with putting the proposed rate increase into effect on October 1, 2005, when the current rates expire:

February 14, 2005,	Petitions to Intervene
February 16, 2005	Pre-hearing Conference and Filing of BPA Direct Case (in support of the rates attached to the Federal Register Notice)
February 22, 2005	Clarification
February 24, 2005	Objections to Initial Proposal
February 28, 2005	Scheduling Conference
March 16, 2005	Participant Comments Due
June 20, 2005	Final Record of Decision (ROD), Final Studies supporting final ROD.

BPA's proposed 2006 Transmission Rate Schedules (TRS), as set forth in the Federal Register Notice, are the same as those set forth in the Settlement Agreement found at Exh. No. 107 8:11 (Ryan) in PSE's rate case proceeding and in a subsequent document, "Formula Rate Proposal GSR, IR, FPT", posted to BPA's website on December 16, 2004 and attached hereto as Attachment D to PSE's Response to Commission Bench Request No. 010. Page 7 of the TRS shows the calculation of the Base Rate for IR-06, which is the rate under which PSE receives the majority of its transmission service. See Exh. No. 82C 15:4-5 (Ryan). This rate, \$1.484, is comprised of a fixed component (\$1.416 per kilowatt per month) and a formula rate component (initially set at \$.068 per kilowatt per month)¹ Attached as Attachment E to PSE's

¹ The IR-06 Integration of Resources Rate at page 7 of the BPA rate schedule filed with the Federal Register Notice is the sum of :

1. \$1.416, and
2. ASC-06 Reactive Supply and Voltage Control From Generation Sources Service Rate for Long-Term Firm PTP Transmission Service and NT Service.

This latter rate is calculated from the formula: $[t + P + 4(Nq + Uq - 1 + Zq - 1)] / [bd - 4Sq]$

For the year Oct 1, 2005 – Sep 30, 2006 first year of the rate:

T = \$824,000

Bd=383,064,000 kW-months

P = \$25,000,000

BPA does not have at this time any non-federal Generation Supplied Reactive power cost. Depending on the outcome of current negotiations and/or litigation, BPA may have such costs in the future. Until it has these costs, N,U,Z and S are all zero. Thus the rate is:

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Response to Commission Bench Request No. 010, please find relevant excerpts from the TRS. The formula rate component adjusts a small component of the cost basis of the IR rate to reflect the quarterly change in the Reactive Supply and Voltage Control from Generation Sources Service rate and may be adjusted upward.

$\$1.416 + \$25,824,000/383,064,000$, or
\$1.484 (rounded up) - This is the IR-06 rate found at line 11, page 8 of 16, of Exhibit 107.

If BPA does, at some future time, have any non-federal Generation Supplied Reactive power cost, then these costs, N, U, Z & S, are positive, and the rate will increase.

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**Attachment A to
PSE's Response to
Commission Bench Request No. 010**

PA and its customer utilities reach agreement on
Bonneville Power Administration

<http://www.bpa.gov>

BPA Home ▶ BPA News ▶ 2004 ▶ **BPA and its customer utilities reach agreement on**

PR 04 05

**BONNEVILLE POWER ADMINISTRATION
FOR IMMEDIATE RELEASE:
WEDNESDAY, Jan. 26, 2005
Contact: Ed Mosey | , BPA (503)-230-5131**

**BPA and its customer utilities reach agreement on
*transmission rates***

PORTLAND, Ore. -

More than 120 customers of the Bonneville Power Administration and other parties settled with the agency on a 12.5 percent overall transmission rate increase for the fiscal year beginning Oct. 1, 2005.

The increase equates to less than \$1 per megawatt-hour, or one to two percent of the total delivered wholesale power cost of about \$30 to \$40 per megawatt hour. Customers' rates will vary depending on what type of transmission service is purchased (network, point-to-point, southern intertie, etc.)

Steve Wright, BPA administrator, said the settlement will expedite the transmission rate case, sparing the region a lengthy, costly formal rate process.

"Customers and staff are to be commended for completing intense negotiations to reach this settlement," he said. "The increase will ensure that BPA has the revenue necessary to operate the system reliably and make needed capital improvements in transmission facilities throughout the Northwest."

Chuck Meyer, the Transmission Business Line's (TBL) vice president for marketing and sales, said the increase is driven by a significant drop in transmission revenues coupled with needed investments in major infrastructure projects to improve system reliability.

TBL experienced a more than 3,000-megawatt drop in network transmission sales since 2001 due to losses of regional load and to customers finding more efficient ways to use their existing firm transmission rights. Revenue decreased \$57 million in 2003 and an additional \$20 million in 2004, even after a 1.5 percent rate increase. Revenue is projected to be flat in 2005, with modest increases in FY 2006 and 2007.

In response to the lower revenue outlook, TBL reduced operating expenses in 2003 by more than \$44 million and in 2004 by \$37 million. TBL also deferred

\$55 million in capital costs in 2004 and is deferring over \$122 million in capital costs for the two-year rate period 2006-07.

"This same reduced revenue trend and TBL's responsive cost cutting are continuing in FY 2005," Meyer said. "For the FY 2006-07 rate period, operating costs will be held to less than the rate of inflation."

Even with the settlement, a formal rate-setting process is required to adopt the rates. However,

<http://www.bpa.gov/corporate/BPAnews/2004/NewsRelease.cfm?ReleaseNo=562>

2/2/2005

PA and its customer utilities reach agreement on

the settlement allows for a shorter and less contentious process. The last TBL rate increase was 1.5 percent for the 2004-2005 rate period.

For more information, visit the TBL Web site at
http://www.transmission.bpa.gov/Business/Rates_and_Tariff/2006RateCase.cfm

Submitted for distribution on 01-26-2005 at 1:31 PM

Bonneville Power Administration, 905 N.E. 11th Avenue, Portland, Oregon 97232
Mailing Address: Media Relations - DM7, P.O. Box 3621, Portland, OR 97208-3621
Phone: (503)230-5131 **FAX:** (503) 230-5884 **Web Site:** <http://www.bpa.gov>

If you believe information on this site is missing or in error, please **Submit that comment here.**

OTICE: This site is owned and operated by the Bonneville Power Administration, United States Department of Energy. Use of this system is monitored by system and security personnel. Anyone using this system consents to **MONITORING** of this use by system or security personnel.

Page last modified on Thursday April 29, 2004.

**Attachment B to
PSE's Response to
Commission Bench Request No. 010**

Kelliher also said the commission isn't opposed to companies transferring generating units to utilities from unregulated subsidiaries.

"There is a perception we're hostile to reintegration," Kelliher reportedly said. "The record doesn't support that."

Kelliher's comments came a week after *The Houston Chronicle* ran a story speculating that he would replace Wood as chairman of FERC [Steve Ernst].

[7.1] BPA and Customers Settle Transmission Rate Case

The Bonneville Power Administration and its customers have formally agreed on a 12.5 percent overall increase to transmission rates, beginning Oct. 1, 2005.

The increase equates to less than a \$1/MWh, or one to two percent of the total delivered wholesale energy costs of about \$30 to \$40 per MWh.

The agreement affects over 40 separate rates charged by BPA's Transmission Business Line and marks the third time in a row that BPA has avoided a contested case to set its transmission rate schedule (CU No. 1164 [2/14]) [S. E.].

[7.2] IPUC OKs Idaho Power PURPA Deal with U.S. Geothermal

The Idaho Public Utilities Commission last week approved a 20-year, 10-MW agreement between Idaho Power and Boise-based U.S. Geothermal for generation from the Raft River geothermal resource in east-central Idaho, near Malta [IPC-05-01, Order No. 29692].

The Raft River Phase One power plant is scheduled to begin commercial operation in mid-2006, and will receive payments under a price schedule that starts with \$51.50/MWh, and increases by 2.3 percent annually to \$81.25/MWh over the contract term. USG will retain ownership of any renewable energy credits ("Green Tags" and "Carbon Credits"), which the company intends to market separately.

IPUC regulates the contract under the Public Utilities Regulatory Policies Act of 1978, and provides published electric power prices for a monthly average output of up to 10 MW. The power purchase agreement was reached between the two companies on Dec. 29, 2004, following a months-long dispute over contract terms that, in the end, has transformed the approach Idaho takes with PURPA contracts of 10 MW or less capacity (CU No. 1167 [10.3]).

Rather than using nameplate ratings or annual averages of generation as some states do, Idaho PURPA contracts will now specify the capacity of projects based on the actual monthly generation. Also, the guaranteed PURPA rate will now apply for generation between 90 and 110 percent of the amount estimated in the contract terms. Delivered energy outside this band will be paid at 85 percent of the wholesale market price or the contract rate, whichever is less.

When completed, the Raft River project is expected to be the first commercial geothermal power plant in the Pacific Northwest, and may well be the first new U.S. geothermal resource to be developed since 1992, when Puna in Hawaii and Brady Hot Springs in Nevada were

completed. Although several existing projects have since built expansions--most recently, CalEnergy's 49-MW plant in the Imperial Valley, Calif., five years ago--the successful development of new sites has languished until recently enacted Renewable Portfolio Standard laws in California and Nevada spurred new exploration.

In particular, projects at three new sites in Nevada--Hot Sulphur Springs in Elko County, Blue Mountain in Humboldt County, and Salt Wells in Churchill County--are being developed. However, only Hot Sulphur Springs currently has a power sales agreement, and is slated to come online sometime in late 2005 or 2006, with some schedule slip expected, giving the Raft River project a fighting chance to go online first [R. A.].

[7.3] Coalbed Methane Could Come to Coos County, Ore.

A subsidiary of British Columbia-based Torrent Energy is coring in Coos County, Ore., hoping to find a commercial-grade coalbed methane resource in the area's half-mile-deep coal deposits.

Methane Energy Corp., a Coquille, Ore., company and Torrent Energy subsidiary, has drilled three of six planned test holes to sample the coal seams in search of methane gas that has glommed onto the coal and is held fast by water pressure. Coal acts like a sponge, storing up to six times the amount of natural gas found in conventional reservoirs. To get the gas to flow, the water holding it in place would have to be pumped out.

The drilling commenced last November and will likely conclude in February, with test results back by April.

Torrent spokesman Bruce Nurse told *Clearing Up* that MEC had secured mineral rights to about 65,000 promising acres, and is aiming to increase that to 100,000 acres (156.3 square miles). A recent analysis done for Torrent by Sproule Associates of the historic data from two wells hinted at average holdings per 640-acre section (one square mile) of 10 billion cubic feet.

"We're very confident we're going to see a tcf [trillion cubic feet], conservatively," he said.

If so, the relatively small coal basin could be one of the richer coalbed methane (CBM) finds since the oil patch started exploiting this type of unconventional natural gas resource 30 years ago. For comparison, economic resources elsewhere typically fall in the 2 to 5 bcf per section range, compared with the possible 10 bcf of the Coos Bay Basin resource. The Sproule report speculated that the mere 250 square miles of the coal-bearing Coos Bay Basin "may be the reason this play has not yet been noticed by established CBM players."

But MEC President Steve Pappajohn knew about it, and has been trying for some 25 years to do something about it, first as a geologist for Amoco, and then as an independent through his own companies, buying leases and data as he went. One of those companies, Geo-Trends Hampton International, merged with B.C.-based Scarab Systems last May to become Torrent Energy Corp. and subsidiary MEC.

Based on optimistic estimates, the full development phase, which could start as early as 2006, Nurse says.

**Attachment C to
PSE's Response to
Commission Bench Request No. 010**

Issued in Washington, DC on January 26, 2005.

Sharon A. Evelin,

Acting Director, Records Management
Division, Office of the Chief Information
Officer.

[FR Doc. 05-1889 Filed 2-1-05; 8:45 am]

BILLING CODE 6460-01-P

DEPARTMENT OF ENERGY

Bonneville Power Administration

[BPA File No. TR-06]

2006 Transmission Rate Case; Public Hearing and Opportunities for Public Review and Comment

AGENCY: Bonneville Power Administration (BPA), Department of Energy (DOE).

ACTIONS: Notice of 2006 Transmission Rate Case.

SUMMARY: BPA File No. TR-06. BPA requests that all comments and documents intended to become part of the Official Records in this proceeding contain the file number designation TR-06.

BPA's existing transmission and ancillary services rates expire September 30, 2005. BPA will establish transmission and ancillary service rates in this proceeding for the period from October 2005 through September 2007, fiscal years ("FY") 2006 and 2007 ("2006-2007 Rate Period").

BPA's Transmission Business Line ("TBL") held several public meetings with customers over the period July through September 2004 to discuss transmission costs, revenues, and rate design issues for the 2006-2007 Rate Period. The customers expressed interest in meeting with TBL to develop a settlement for the 2006-2007 Rate Period. Continued meetings between October and early December resulted in a Settlement Agreement. TBL's initial rate proposal ("Initial Proposal") reflects the terms of the Settlement Agreement.

DATES: Persons wishing to become formal parties to the proceeding must notify BPA in writing of their intention to do so by the requirements stated in this Notice. Petitions to intervene must be received by BPA no later than 4:30 p.m., Pacific Time, on February 14, 2005.

The rate adjustment proceeding will begin with a pre-hearing conference at 9 a.m., Pacific Time, on February 16, 2005, in Portland, Oregon, at the address stated below. Due to increased security, attendees should allow additional time for entry into the

building. Attendees will need a photo ID and will need to sign in at the security desk.

Written comments by non-party participants must be received by March 16, 2005, to be considered in the Record of Decision ("ROD").

ADDRESSES:

1. Petitions to intervene should be directed to Jonathan Shardlow, Hearing Clerk—LT-7, Bonneville Power Administration, 905 NE 11th Ave., Portland, Oregon, 97232. In addition, a copy of the petition must be served concurrently on BPA's General Counsel and directed to Charles H. Combs—LT-7, Office of General Counsel, 905 NE 11th Ave., Portland, Oregon 97232 (see Part III, A for more information).

2. Written comments by non-party participants should be submitted to Rate Case, TBL Communications—T-Ditt2, Bonneville Power Administration, PO Box 491, Vancouver, WA 98666. You also may e-mail your comments to: tblfeedback@bpa.gov.

3. The pre-hearing conference will be held in the BPA Rates Hearing Room, 2nd floor, 911 NE 11th Ave., Portland, Oregon, at 9 a.m., Pacific Time, on February 16, 2005. Compact discs ("CD") containing the Initial Proposal documents, in PDF format, will be provided to parties at the pre-hearing conference. The Settlement Agreement, studies and documentation also will be available on BPA's Web site at http://www.transmission.bpa.gov/Business/Rates_and_Tariff/2006RateCase.cfm, and may be viewed at BPA's Public Reference Room, 1st floor, 905 NE 11th Ave., Portland, Oregon.

FOR FURTHER INFORMATION CONTACT:

Information also may be obtained from Debbie Stout, TBL Communications—T-Ditt2, Bonneville Power Administration, PO Box 491, Vancouver, WA 98666; by phone at (360) 418-8995 or toll free at 1-888-276-7790; or via e-mail to dastout@bpa.gov.

Responsible Official: Mr. Dennis Metcalf, Transmission Rate Case Manager, is the official responsible for the development of BPA's transmission and ancillary service rates.

SUPPLEMENTARY INFORMATION:

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Part I—Introduction and Procedural Background

Section 7(i) of the Northwest Power Act, 16 U.S.C. 839e(i), requires that BPA's rates be established according to certain procedures. These procedures include, among other things, publication of notice of the proposed rates in the Federal Register; one or more hearings conducted as expeditiously as practicable by a Hearing Officer; opportunity for both oral presentation and written submission of views, data, questions, and arguments related to the proposed rates; and a decision by the Administrator based on the record. BPA's rate proceedings are governed by BPA's Procedures Governing Bonneville Power Administration Rate Hearings, 51 FR 7611 (1986) ("Procedures"). These Procedures implement the statutory Section 7(i) requirements. This rate proceeding will be governed by Section 1010.9 of the Procedures providing for a general rate proceeding, as modified by the Hearing Officer at the pre-hearing conference. However, BPA will not hold any field hearings to provide for non-party participant oral comments. Section 1010.7 of the Procedures prohibits ex parte communications. BPA imposed ex parte limitations beginning January 17, 2005.

The Bonneville Project Act, 16 U.S.C. 832; the Flood Control Act of 1944, 16 U.S.C. 825s; the Federal Columbia River Transmission System Act, 16 U.S.C. 838; the Northwest Power Act, 16 U.S.C. 839; and the Federal Power Act, 16 U.S.C. 824k(i)(1)(B)(ii) provide guidance regarding BPA's ratemaking. With regard to transmission rates, the Northwest Power Act requires BPA to set rates that are sufficient to recover, in accordance with sound business principles, the cost of transmitting electric power, including amortization of the Federal investment over a reasonable period of years, and the other costs and expenses incurred by the Administrator. The Federal Columbia River Transmission System Act requires that the costs of the Federal Columbia River Transmission System be equitably allocated between Federal and non-Federal power utilizing the system. In addition, rates for Federal Energy Regulatory Commission ("FERC" or "Commission")-ordered transmission service shall be at rates and charges that permit the recovery of all costs incurred in connection with the transmission service and necessary associated services.

A proposed schedule for the formal hearing is stated below. A final schedule

will be established by the Hearing Officer at the pre-hearing conference.
 February 14, 2005, Petitions to Intervene
 February 18, 2005, Pre-hearing Conference and Filing of BPA Direct Case
 February 22, 2005, Clarification
 February 24, 2005, Objections to Initial Proposal
 February 28, 2005, Scheduling Conference
 March 16, 2005, Participant Comments Due
 June 20, 2005, Final ROD—Final Studies

Part II—Purpose and Scope of Hearing

A. Key Components

1. Overview

BPA is committed to marketing its power and transmission services separately in a manner that is modeled after the regulatory initiatives to promote competition in wholesale power markets that were adopted by the Commission in 1996. The Commission's initiatives in Orders 888¹ and 889² directed public utilities regulated under the Federal Power Act to separate their power merchant functions from their transmission reliability functions; unbundle transmission and ancillary services from wholesale power services; and set separate rates for wholesale generation, transmission, and ancillary services. Although BPA is not required by statute to follow the Commission's regulatory directives promoting competition and open access transmission service, BPA has elected to separate its power and transmission operations and unbundle its rates in a manner consistent with the directives concerning open access transmission service. Accordingly, in 1996 BPA established separate business lines: BPA's Power Business Line ("PBL") which performs BPA's wholesale merchant functions, and BPA's TBL which performs BPA's transmission system operations and reliability functions. BPA develops its transmission rates in separate proceedings from its power rates.

2. PBL as a Party to the Rate Case

Because BPA has separated its power and transmission functions, sets its

¹ Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities, Reg-Preamble, FERC Stats & Regs 1991-96, para. 31,036 (1996).

² Open Access Same-Time Information System (formerly Real-Time Information Networks) and Standards of Conduct, Reg-Preamble, FERC Stats & Regs 1991-96, para. 31,035 (1996).

power and transmission rates in separate proceedings, and PBL is a TBL transmission customer, it is appropriate that the PBL be a party to the transmission rate proceeding. Accordingly, PBL will be considered a party to the Transmission Rate Case for all purposes under the BPA Procedures. The PBL may file testimony and briefs as a party and will be entitled to all other procedural rights of a party. In particular, the PBL shall be considered a party for purposes of ex parte communications.

3. Two-Year Transmission Rate Period

The rate period for the rates proposed in this transmission rate adjustment proceeding is two years, the 2006-2007 Rate Period. A two-year rate period balances the need for a short rate period to limit revenue and cost risks with the significant resource and time requirements needed to plan and carry out a rate case.

4. Settlement Agreement

TBL and most of its customers are parties to a Settlement Agreement that provides for TBL to submit an initial transmission rate proposal that incorporates the provisions of the Settlement Agreement. The Settlement Agreement specifies rate levels for BPA's transmission and ancillary service rates during the 2006-2007 Rate Period, as provided in Attachment 1 to the Agreement and reflected in the proposed Rate Schedules. Other major provisions of the Settlement Agreement include:

a. Payment by TBL to PBL of \$1.5 million per year for redispatch services described in a revised Attachment K to BPA's Open Access Transmission Tariff ("OATT"). The Settlement Agreement provides that TBL agrees to file with the Commission, and the signatories to the Settlement Agreement agree not to challenge, the revised Attachment K. BPA will file the revised Attachment K as a proposed amendment to BPA's OATT to be effective as of October 1, 2005. Such filing will not be part of this rate proceeding;

b. Network Integration rate schedule language limiting the amount of Customer-Served Load ("CSL"), and a TBL commitment to work with customers prior to October 2011, the date on which TBL intends to eliminate CSL, to determine whether a transition mechanism is appropriate for NT customers with CSL;

c. TBL commitment, effective on the date TBL signs the Settlement Agreement, to apply the methodologies in FERC Order 2003-A for determining, funding, and allocating the costs of

facilities associated with generator interconnections, and revisions to the Advance Funding ("AF") rate;

d. PBL agreement to charge federal power customers that are served over non-federal facilities ("General Transfer Agreement" or "GTA" service), which PBL pays for, the same low-voltage delivery charge applicable to customers served over federal Delivery facilities during the 2006-2007 Rate Period. For the period beginning in FY 2008, the GTA delivery charge will be determined in the power rate case. PBL also agrees to hold a rates workshop or other public forum in advance of the power rate case;

e. TBL commitment to work with customers in the Business Practice Forum to develop a business practice for self-supply of Generation Supplied Reactive from qualifying non-federal generators;

f. Failure to Comply Penalty Charge revisions, which include a requirement to curtail actual use;

g. TBL's expected use of \$15 million in each year of the 2006-2007 Rate Period of TBL's financial reserves as a funding source for transmission capital programs, and the reflection of such use in the calculation and presentation of the transmission revenue requirement;

h. Rate schedule revisions that would bill hourly non-firm transmission service based on reservations instead of on schedules, when TBL has systems in place to do so;

i. TBL commitment to work to develop a conditional firm transmission product, and to conduct an expedited rate case and make filings if necessary to implement the product;

j. Formula rates to adjust for (1) FY 2007 PBL generation inputs for Regulation and Frequency Response, Operating Reserves, and Generation-Supplied Reactive ancillary services, as determined in the next BPA power rate case; (2) TBL payments for non-federal generation-supplied reactive made under FERC-approved rates; and (3) self-supply of generation-supplied reactive. The ASC-06 Regulation and Frequency Response Service rate and the Operating Reserve—Spinning Reserve Service and Operating Reserve—Supplemental Reserve Service rates would be adjusted one time, on October 1, 2006. The ASC-06 Reactive Supply and Voltage Control from Generation Sources Service rate, FPT-06.1 Formula Power Transmission rate, and IR-06 Integration of Resources rate would be calculated on a quarterly basis beginning October 2005; and

k. A provision to be added to the Point-to-Point ("PTP"), Southern Intertie ("IS"), and Montana Intertie ("IM") rate schedules limiting

additional charges for redirecting Long-Term service to Short-Term service.

The Settlement Agreement recognizes the possibility that parties to the 2006 Transmission Rate Case that have not signed the Settlement Agreement may object to the TBL's Initial Proposal. If any party objects to the Initial Proposal, TBL may continue to defend the Initial Proposal or submit a revised proposal. If TBL submits a revised proposal, signatories to the Settlement Agreement may contest any aspect of the revised proposal. If TBL does not revise its Initial Proposal, and the Administrator establishes transmission rates consistent with the Initial Proposal, the signatories have agreed not to challenge approval of the rates by FERC or in any judicial forum.

B. Cost Increases and Revenue Reductions

For nearly a decade, BPA has been increasing its focus on the reliability and availability of the federal transmission system. In 1996, two major transmission outages affected the western United States. Over the past few years, industry deregulation, drought in California and the Northwest, changes in use of the transmission system, constraints in the federal transmission system, and the blackout in the Northeastern United States in 2003, all have contributed to an intensified regional focus on transmission system reliability and availability and their effect on energy costs. In order to maintain transmission system reliability and availability, BPA developed an infrastructure plan with objectives to reinforce the transmission system to continue compliance with national reliability standards; maintain and improve the availability of the transmission system, and remove or manage constraints on the system. In addition, BPA also adopted new tools for evaluating how the main grid transmission system is used.

During the current rate period, TBL has completed and put into service three major components of its infrastructure program, the 500 kV Kangley-Echo Lake line; 500 kV Bell-Grand Coulee line; and modernization of the Celilo Direct Current Terminal. In early FY 2006, a fourth major component, the 500 kV Schultz-Wautoma line, is scheduled to enter service.

Since the 2004 Transmission Rate Case, transmission revenues declined significantly compared to the forecasts. In response, TBL increased efforts to find efficiencies in its programs, deferred some transmission improvements, reduced operating

expenditures, and further cut program costs in an attempt to stay within actual revenues. The drop in revenues for FY 2004 and FY 2005 and the resulting deferred operations and maintenance work, together with an increase in costs due to completion of high-priority capital projects, created tension between reliability and cost recovery.

TBL is projecting sales during the 2006-2007 Rate Period similar to the reduced level of sales encountered in the current rate period. The increased costs due to infrastructure projects, and the reduced sales experienced during the current rate period which are forecast to continue in the 2006-2007 Rate Period, are the major contributors to the need for increased rates.

C. Overview of the Public Process

1. Program Level Funding Workshops—Programs in Review

During the spring and summer of 2004, TBL provided an opportunity for public participation and input on TBL program cost levels through the Programs In Review ("PIR") process. PIR opened on May 3, 2004, with a notification by mail to TBL customers and interested parties. Notices also were published on TBL's external website. Seven public meetings were held around the region during June and July 2004. At these public meetings, TBL discussed issues concerning future capital investments in the transmission system and proposed expense levels for transmission system development, operation, maintenance, and reliability for FY 2006-2007. A total of 147 entities attended the regional meetings. In response to a request from customers for additional information and discussion of specific program level issues, technical meetings were held on August 5 and August 25, 2004. TBL also provided informational materials through direct mailings, written responses to customer letters, e-mailings, and publication of all BPA and customer-generated materials on TBL's external website and through making staff available to answer questions.

The PIR workshops and technical meetings explored customers' and interested parties' views on: (1) Operating and maintaining an aging transmission system; (2) building and maintaining a business framework in a changing energy industry; (3) building a transmission infrastructure to meet load growth, provide stability for existing contracts, ensure transmission system reliability, and integrate new resources; (4) maintaining a skilled and trained

workforce; (5) TBL's access to capital; (6) TBL and corporate staffing and related corporate costs; and (7) operating expenses increasing faster than the rate of inflation. TBL accepted written and oral comments on proposed transmission programs, including expense and capital spending levels, through September 15, 2004. A one-week extension was given for comment on the maintenance program for transmission facilities 115 kV and below, until September 24, 2004.

After consideration of the customer comments, BPA closed out the PIR public process by issuing a decision from the Administrator on transmission spending levels for the proposed rate period. The Initial Proposal is consistent with the results of the Administrator's decision on transmission program spending levels.

2. Transmission Rate Case Customer Workshops

In preparation for the formal 2006 Transmission Rate Case, TBL held an initial public workshop on July 15, 2004, for customers and other interested parties. Three additional public workshops and meetings were held in August and September, 2004, for customers and interested parties during which TBL presented information about costs, revenue forecasts, transmission products, pricing, and rate design issues. See http://www.transmission.bpa.gov/Business/Rates_and_Tariff/2006RateCase.cfm.

3. Settlement Discussions

During the rate case workshop meetings, the customers approached BPA about settlement of the rate case. The customers and other interested parties met with BPA during October, November, and early December to discuss settlement. The discussions resulted in the Settlement Agreement, which was offered by TBL on December 6, 2004, signed by customers through January 7, 2005, and signed by TBL on January 11, 2005.

D. Scope of the Transmission Rate Proceeding

Many of the decisions that determine TBL's costs have been or will be made in public review processes other than the transmission rate proceeding. This section provides guidance to the Hearing Officer as to those matters that are within the scope of the transmission rate proceeding and those that are outside the scope.

1. Spending Levels

As described above, Programs In Review workshops were held

throughout the region to clarify, discuss, and provide the public the opportunity to comment orally and in writing on BPA's proposed capital expenditures and expenses for transmission. After considering all comments, the Administrator closed out the public process by issuing a decision on spending levels for FY 2006–2007. That decision serves as the basis for the transmission capital and expense levels that are reflected in the transmission rate proposal. Pursuant to section 1010.3(f) of BPA's Procedures, the Administrator directs the Hearing Officer to exclude from the record any evidence or arguments that seek in any way to challenge the appropriateness or reasonableness of the Administrator's decision on transmission spending levels and sources of capital, including capital and expense levels reviewed in the Programs in Review public process. If any re-examination of sources of capital and spending levels is necessary, that re-examination will occur outside of the rate proceeding.

However, the foregoing direction to the Hearing Officer does not apply to the following matters: Customer advance capital funding, revenue financing, reserve financing, the proper modeling of financing methods in rate case studies, interest rate forecasts, scheduled amortization, forecast depreciation, forecasts of system replacements for repayment studies, interest expense, expense and revenue uncertainties, and risks included in the risk analysis.

2. Issues Decided in Power Rate Proceeding

A number of issues that affect transmission and ancillary service rates have been addressed in BPA's 2002 Power Rate Case. On June 20, 2001, the Administrator established wholesale power rates for the period October 1, 2001, through September 30, 2006. The Commission granted final approval of the rates on July 21, 2003. In the Power Rate Case, the Administrator made decisions regarding the following: A methodology for functionalizing generation and transmission costs, including a methodology for functionalizing corporate overhead costs to the business lines; costs for generation inputs for ancillary services, including operating reserves, regulating reserve, and reactive power and voltage control from generation resources; the generation costs of station service and remedial action schemes; and the allocation of the costs of generation integration and generator step-up transformers to the business lines.

The Initial Proposal for transmission rates in FY 2006 is consistent with the results of the Administrator's decision on these and all other issues decided in the Power Rate Case and will be reflected in all final decisions made in the transmission rate proceeding. The Administrator directs the Hearing Officer to exclude from the record all evidence and argument that seek in any way to address or revisit final decisions that were made in the 2002 Power Rate Case. In addition, the Administrator directs the Hearing Officer to exclude from the record all evidence and testimony that seek in any way to address the same issues for the rates for FY 2007, since those issues will be covered in the next power rate case. However, this direction to the Hearing Officer does not apply to the design of formula rates to recover those costs in FY 2007, nor does it apply to generation costs of station service and remedial action schemes, nor to generation integration costs that are forecasted in the 2006 Transmission Rate Case.

3. Revised Attachment K

The Administrator directs the Hearing Officer to exclude from the record all evidence and argument that seek in any way to address revised Attachment K to BPA's OATT. BPA is not required by law to, and does not, amend its OATT in this rate proceeding. BPA will be submitting a revised Attachment K to the Commission for approval. A party may raise challenges to revised Attachment K to the Commission at that time, unless the party has signed the Settlement Agreement and TBL does not revise its Initial Proposal.

4. The National Environmental Policy Act

BPA is in the process of assessing the potential environmental effects of its Initial Proposal, as required by the National Environmental Policy Act ("NEPA"). The Administrator directs the Hearing Officer to exclude from the record all evidence and argument that seek in any way to address the potential environmental impacts of the rates being developed in the 2006 Transmission Rate Case. BPA's Business Plan Environmental Impact Statement ("Business Plan EIS"), completed June 1995, evaluated the environmental impacts of a range of business plan alternatives that could be varied by applying policy modules, including one for rates. Any combination of alternative policy modules should allow BPA to balance its costs and revenues. However, the EIS also addressed response strategies BPA could pursue if BPA's costs exceeded its revenues.

In August 1995, the BPA Administrator issued a Record of Decision ("Business Plan ROD") that adopted the Market-Driven Alternative from the Business Plan EIS. This alternative was selected because, among other reasons, it allows BPA to: (1) Recover costs through rates; (2) competitively market BPA's products and services; (3) develop rates that meet customer needs for clarity and simplicity; (4) continue to meet BPA's legal mandates; and (5) avoid adverse environmental impacts. BPA also committed to apply as many response strategies as necessary when BPA's costs and revenues do not balance.

Because the Initial Proposal likely would assist BPA in accomplishing these goals, the proposal appears consistent with these aspects of the Market-Driven Alternative. In addition, this rate proposal is similar to the type of rate designs and resulting rate levels evaluated in the Business Plan EIS; thus implementation of this rate proposal would not be expected to result in significantly different environmental impacts from those examined in the Business Plan EIS. Therefore, BPA expects that this rate proposal will fall within the scope of the Market-Driven Alternative that was evaluated in the Business Plan EIS and adopted in the Business Plan ROD. As part of the Administrator's Record of Decision that will be prepared regarding this 2006 Transmission Rate Case, BPA may tier its decision under NEPA to the Business Plan ROD. However, depending upon the ongoing environmental review, BPA may, instead, issue another appropriate NEPA document.

Part III—Public Participation

A. Distinguishing Between "Participants" and "Parties"

BPA distinguishes between "participants in" and "parties to" the hearings. Apart from the formal hearing process, BPA will receive written comments, views, opinions, and information from "participants," who are defined in the BPA Procedures as persons who may submit comments without being subject to the duties of, or having the privileges of, parties. Participants' written comments will be made part of the official record and considered by the Administrator. Participants are not entitled to participate in the pre-hearing conference; may not cross-examine parties' witnesses, seek discovery, or serve or be served with documents; and are not subject to the same procedural requirements as parties.

Written comments by participants will be included in the record if they are received by March 16, 2005. Written views, supporting information, questions, and arguments should be submitted to Rate Case, TBL Communications, at the address listed in the ADDRESSES section of this Notice, or may be e-mailed to tblfeedback@bpa.gov.

Persons wishing to become a party to this transmission rate adjustment proceeding must notify BPA in writing. Petitioners may designate no more than two (2) representatives upon whom service of documents will be made. Petitions to intervene shall state the name and address of the person requesting party status, and the person's interest in the hearing.

Petitions to intervene as parties in the rate proceeding are due to the Hearing Officer by 4:30 p.m., Pacific Time, on February 14, 2005. The petition should be directed to: Jonathan Shardlow, Hearing Clerk—LT-7, Bonneville Power Administration, 905 NE 11th Avenue, Portland, Oregon 97232.

A copy of the petition should be served on BPA's General Counsel and directed to Charles H. Combs—LT-7, Office of General Counsel, 905 NE 11th Ave., Portland, Oregon 97232.

Petitioners must explain their interests in sufficient detail to permit the Hearing Officer to determine whether they have a relevant interest in the hearing. Pursuant to Rule 1010.1(d) of BPA's Procedures, BPA waives the requirement in Rule 1010.4(d) that an opposition to an intervention petition be filed and served 24 hours before the pre-hearing conference. Any opposition to an intervention petition may instead be made at the pre-hearing conference. Any party, including BPA, may oppose a petition for intervention. Persons who have been denied party status in any past BPA rate proceeding shall continue to be denied party status unless they establish a significant change of circumstances. All timely applications will be ruled on by the Hearing Officer. Late interventions are strongly disfavored. Opposition to a petition to intervene filed after the pre-hearing conference shall be filed, and must be received by BPA, within two (2) days after service of the petition.

B. Developing the Record

The hearing record will include, among other things, the transcripts of the hearing, written material entered into the record by TBL and the parties, written comments from participants and other material accepted into the record by the Hearing Officer. The Hearing Officer then will review the record and

will certify the record to the Administrator for decision.

The Administrator will develop final proposed rates based on the record, information from the PIR, documents prepared pursuant to the National Environmental Policy Act and other environmental statutes, and such other material or information as may have been submitted to or developed by the Administrator. The Administrator will serve copies of the Final Record of Decision on all parties. BPA will file its rates with the Commission for confirmation and approval after issuance of the Final Record of Decision.

During the rate proceeding, TBL must continue to meet with customers in the ordinary course of business. To comport with the rate case procedural rule prohibiting *ex parte* communications, TBL will provide necessary notice of meetings involving rate proceeding issues to provide an opportunity for participation by all rate proceeding parties. Parties should be aware, however, that such meetings may be held on very short notice and should be prepared to devote the necessary resources to participate fully in every aspect of the rate proceeding.

Part IV—Major Studies and Summary of Transmission Rate Proposal

A. Major Studies

1. *Revenue Requirement Study*—This Study includes the calculation of transmission revenue requirements for the 2006–2007 Rate Period and demonstration of cost recovery for the transmission function. The Revenue Requirement Study also includes an analysis of financial risks.

2. *Revenue Forecast Testimony*—This testimony includes the FY 2006 and 2007 revenue forecast at current 2004 transmission and ancillary service rates and at proposed 2006 rate levels based on forecasted loads and sales during the period.

B. Summary of Proposal

1. *Transmission rates*—TBL is proposing five rate schedules for the use of its Integrated Network segment:

- *Formula Power Transmission (FPT-06.1 and FPT-06.3) rates*—The two FPT rates are based on the cost of specific types of facilities including a distance component for the use of transmission lines, and are charged on a contract demand basis. Included in the FPT rates are the costs of the two required ancillary services: Scheduling, System Control and Dispatch Service and Reactive Supply and Voltage Control from Generation Sources Service. The

FPT-06.1 rate is proposed for contracts that allow annual rate adjustments. The FPT-06.1 rate is a formula rate that is calculated quarterly to reflect the quarterly change in the Reactive Supply and Voltage Control from Generation Sources Service rate, a small component of the cost basis of the FPT rate. The FPT-06.3 rate is proposed for contracts that allow a rate change only once every three years. The FPT-06.3 rate is fixed for the rate period at the level of the FPT-04.3 rate for FY 2005. Although TBL has not offered new FPT wheeling contracts since the OATT was adopted, a number of FPT contracts continue in place during the rate period.

- *Integration of Resources (IR-06) rate*—The IR rate is a postage stamp, contract demand rate for the use of the Integrated Network, similar to the PTP service. Charges for the two required ancillary services: Scheduling, System Control and Dispatch Service, and Reactive Supply and Voltage Control from Generation Sources Service, are embedded in the IR rate. The proposed IR-06 rate is a formula rate that is calculated quarterly to reflect the quarterly change in the Reactive Supply and Voltage Control from Generation Sources Service rate, a small component of the cost basis of the IR rate. A Short Distance discount is available when resources are 75 miles or less from load. Although TBL is not offering new IR contracts, some IR contracts remain in place during the rate period.

- *Network Integration Transmission (NT-06) rate*—The NT rate applies to customers taking Network Integration Transmission Service under the OATT. The NT rate schedule includes a Load Shaping Charge applied to the customer's total load on the hour of the Monthly Transmission Peak Load, and a Base Charge applied to the customer's total load less CSL, if any. CSL is the amount of load that the customer agrees to serve without using its NT service. Beginning October 2005, CSL is being limited to the annual amount and resources specified in NT service agreements at that time. TBL intends to eliminate CSL October 1, 2011.

- *Point-to-Point (PTP-06) rate*—The PTP rate is a contract demand rate that applies to customers taking PTP Transmission Service on BPA's Integrated Network facilities under the OATT. There are separate PTP rates for long-term firm service; short-term firm and non-firm service; and hourly firm and non-firm service. The rate for long-term firm service contains a Short Distance discount. All short-term and hourly PTP rates are downwardly flexible. The billing factor for Hourly Nonfirm Service will change from

scheduled amounts to Reserved Capacity on 60 day notice when changes to TBL systems and business practices have been made that will accommodate the Reserved Capacity billing factor. In addition, the rate schedule is revised to reflect the Settlement Agreement provision to limit additional charges for redirecting long-term service to short-term service.

In addition to the four rates for network use, other proposed transmission rates include:

- *The Southern Intertie (IS-06) and Montana Intertie (IM-06) rates* are contract demand rates that apply to customers taking PTP Transmission Service under the OATT on the Southern Intertie and Montana Intertie, respectively. These rates are structured similarly, and are revised similarly, to the PTP rate for service on network facilities.

- *The Townsend-Garrison Transmission (TGT-06) rate and the Eastern Intertie rate (IE-06)* are developed pursuant to the Montana Intertie agreement.

- *The Use-of-Facilities (UFT-06) rate* establishes a formula for charging for the use of a specific facility based on the annual cost of that facility.

- *The Advance Funding (AF-06) rate* allows TBL to collect the capital and related costs of specific facilities through an advance-funding mechanism. Revisions are proposed to the rate schedule to clarify its availability to implement FERC Order 2003-A.³

2. *Ancillary Services rates.* In addition to the rate level changes specified in Attachment 1 to the Settlement Agreement, TBL proposes to revise other aspects of its Ancillary Services and Control Area Services rates as follows:

- *The rates for Scheduling, System Control, and Dispatch Service and Reactive Supply and Voltage Control from Generation Sources Service* reflect the eventual change in the Hourly Nonfirm billing factor to Reserved Capacity.

- *The Reactive Supply and Voltage Control from Generation Sources Service rate* is a formula rate that is determined quarterly beginning October 1, 2005, to reflect the cost of non-federal reactive rates and self-supply, and to reflect the reactive cost of federal system resources for FY 2007 determined in a BPA power rate case.

- *The rates for Regulation and Frequency Response Service and*

³Standardization of Generator Interconnection Agreements and Procedures, Reg-Preamble, FERC Stats & Regs para. 31,180 (2004).

Operating Reserves—Spinning and Supplemental are formula rates that adjust once on October 1, 2006, to reflect the generation input costs associated with federal system resources for FY 2007 determined in a BPA power rate case.

3. *Other Rates and Charges.* Other charges that may apply to a customer's transmission service include a Delivery Charge for the use of low-voltage delivery substations, a Power Factor Penalty Charge, a Reservation Fee for customers who delay commencement of long-term firm service, Incremental Cost Rates for transmission requests that require new facilities, and an Unauthorized Increase Charge for customers who exceed their contracted amounts.

The proposed Failure to Comply Penalty Charge for failure to comply with TBL's curtailment, redispatch or load shedding orders is revised to clarify that a customer must curtail, or redispatch actual use of the transmission system. Finally, the rate proposal includes the GTA Delivery Charge, set at the same level as the Delivery Charge for federal facilities, for low-voltage delivery service of federal power provided under GTAs and other non-federal transmission service agreements.

Part V—2006 Transmission and Ancillary Service Rate Schedules

BPA's proposed 2006 Transmission Rate Schedules are available for viewing and downloading on TBL's website at http://www.transmission.bpa.gov/Business/Rates_and_Tariff/2006RateCase.cfm. A copy of the proposed rate schedules also is available for viewing in BPA's Public Reference Room at the BPA Headquarters, 1st floor, 905 NE 11th Avenue, Portland, Oregon.

Issued in Portland, Oregon, on January 24, 2005.

Stephen J. Wright,
Administrator and Chief Executive Officer.
[FR Doc. 05-1890 Filed 2-1-05; 8:45 am]
BILLING CODE 6450-01-P

DEPARTMENT OF ENERGY

Federal Energy Regulatory Commission

[Docket No. RP05-106-001]

Algonquin Gas Transmission, LLC; Notice of Compliance Filing

January 25, 2005.

Take notice that on January 12, 2005, Algonquin Gas Transmission, LLC

(Algonquin) tendered for filing a compliance filing pursuant to a Commission order issued on December 28, 2004, in Docket No. RP05-106-000. (Algonquin Gas Transmission, LLC, 109 FERC ¶61,371 (2004)).

Algonquin states that, in accordance with paragraph 10 of the December 28 Order, Algonquin is revising section 1.40 of the general terms and conditions of its FERC Gas Tariff to provide that Algonquin may agree, on a not unduly discriminatory basis, that a firm service agreement subject to a negotiated or discounted rate qualifies as a ROFR agreement.

Algonquin states that copies of the filing were served upon all affected customers of Algonquin and interested state commissions, as well as upon all parties on the Commission's official service list in this proceeding.

Any person desiring to protest this filing must file in accordance with Rule 211 of the Commission's Rules of Practice and Procedure (18 CFR 385.211). Protests to this filing will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Such protests must be filed in accordance with the provisions of Section 154.210 of the Commission's regulations (18 CFR 154.210). Anyone filing a protest must serve a copy of that document on all the parties to the proceeding.

The Commission encourages electronic submission of protests in lieu of paper using the "eFiling" link at <http://www.ferc.gov>. Persons unable to file electronically should submit an original and 14 copies of the protest to the Federal Energy Regulatory Commission, 888 First Street, NE., Washington, DC 20426.

This filing is accessible on-line at <http://www.ferc.gov>, using the "eLibrary" link and is available for review in the Commission's Public Reference Room in Washington, DC. There is an "eSubscription" link on the Web site that enables subscribers to receive e-mail notification when a document is added to a subscribed docket(s). For assistance with any FERC Online services, please e-mail FERCOnlineSupport@ferc.gov, or call (866) 208-3676 (toll free). For TTY, call (202) 502-8659.

Magalie R. Salas,
Secretary.

[FR Doc. E5-383 Filed 2-1-05; 8:45 am]
BILLING CODE 6717-01-P

**Attachment D to
PSE's Response to
Commission Bench Request No. 010**

**Formula Rate Proposal
GSR, IR, FPT**

I. Reactive Supply and Voltage Control From Generation Sources (GSR) Service

A. Parameters

Known values:

- t = Average FY 2006 and 2007 transmission cost allocated to GSR service (\$824,000)
- p = FY 2006 PBL Generation Input cost for Generation-Supplied Reactive (GSR) determined in 2002 Power Rate Case (\$25.0 million)
- bd = Annual FY 2006 and 2007 GSR billing determinant (383,064 MW-mo)

Variables:

Re. Payments to PBL:

P = FY 2007 PBL Generation Input cost for GSR determined in next power rate case.
(\$)

Re. Payments to non-federal generators under FERC-approved rates:

- N_q = Non-federal GSR cost required to be paid by BPA under a FERC-approved rate during the relevant quarter, as anticipated prior to the quarter. (\$)
- U_{q-1} = Payments of non-federal GSR cost made in the preceding quarter(s) that were not included in the effective rate for the preceding quarter(s). Any refunds would reduce this cost. That is, U_{q-1} is a true-up for any deviation of non-federal GSR costs from the amount used in a previous quarter's GSR rate calculation. For calculating the GSR rate effective October 1, 2005, U_{q-1} would be zero. (\$)

Re. Self-supply credits to non-federal generators:

- S_q = Reduction in effective billing demand for approved self-supply of reactive during the relevant quarter, as anticipated prior to the quarter (MW-mo)
- Z_{q-1} = A dollar true-up for under- or overstatement of self-supply in rate calculations for the preceding quarter(s). For calculating the GSR rate effective October 1, 2005, Z_{q-1} would be zero. Z_{q-1} will be calculated by multiplying the under- or overstated MWs of self-supply by the GSR rate that was effective during the quarter of self-supply deviation. (\$)

B. Formula Rate

Long-Term Service rate (\$/kW/mo):

$$\frac{t + p + 4(N_q + U_{q-1} + Z_{q-1})}{bd - 4S_q}$$

- For rates beginning October 2006 (FY2007), "P" would be substituted for "p."

Short-Term Service (\$/kW/day):

Days 1 – 5:

$$\frac{\text{Long-Term Service rate (\$/kW/mo)} \times 12 \text{ mos}}{52 \times 5}$$

Days 6 and beyond:

$$\frac{\text{Long-Term Service rate (\$/kW/mo)} \times 12 \text{ mos}}{52 \times 7}$$

Hourly Service (mills/kWh):

$$\frac{\text{Short-Term Service rate for Days 1-5 (\$/kW/day)}}{16}$$

II. IR Rate

IR Rate equals sum of:

- 1) Fixed Component – equals \$1.416/kW-mo, the sum of a and b:
 - a) Network Transmission Component (\$1.213/kW/mo)
 - b) Scheduling and Dispatch Component (\$0.203/kW/mo)
- 2) GSR Component – effective quarterly GSR rate.

III. FPT-06.1 Rate

FPT-06.1 Rate equals:

$$\left(1 + \frac{\text{GSR}_q - \$0.068/\text{kW/mo}}{\$1.261/\text{kW/mo}} \right) \times \text{FPT Base Charges}$$

Where:

GSR_q = Effective quarterly GSR rate (\$/kW/mo)

\$0.0068/kWmo = GSR rate specified on Attachment 1 (column C, line 35) to the Settlement Agreement.

\$1.261/kWmo = Overall FPT-06.1 rate specified on Attachment 1 (column C, line 10) to the Settlement Agreement.

FPT Base Charges = FPT-06.1 rates specified on Attachment 1 (column C, lines 1-8) to the Settlement Agreement. (\$/kW/yr; \$/mile/yr)

**Attachment E to
PSE's Response to
Commission Bench Request No. 010**

**Bonneville Power Administration
Transmission Business Line**

**PROPOSED
2006 TRANSMISSION AND ANCILLARY SERVICE
RATE SCHEDULES
AND
GENERAL RATE SCHEDULE PROVISIONS**

February 2005

**BONNEVILLE POWER ADMINISTRATION
TRANSMISSION BUSINESS LINE**

2006 Transmission Rate Case Initial Proposal

**TRANSMISSION and ANCILLARY
SERVICE RATE SCHEDULES**

INDEX

2006 TRANSMISSION AND ANCILLARY SERVICE

RATE SCHEDULES

and

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IR-06
INTEGRATION OF RESOURCES RATE

SECTION I. AVAILABILITY

This schedule supersedes Schedule IR-04 and is available for transmission of non-Federal power for full-year firm transmission service and nonfirm transmission service in amounts not to exceed the customer's total Transmission Demand using Federal Columbia River Transmission System Network and Delivery facilities. This schedule is applicable only to Integration of Resource (IR) agreements executed prior to October 1, 1996. Service under this schedule is subject to BPA-TBL's General Rate Schedule Provisions (GRSPs).

SECTION II. RATES

The IR rates in sections A and B, below, are calculated each quarter beginning October 2005. These rates shall be calculated to three decimal places. The monthly IR rate shall be as provided in section A. or B.

A. BASE RATE

The Base Rate shall be the sum of:

1. \$1.416 per kilowatt per month (\$/kW/mo); and
2. ACS-06 Reactive Supply and Voltage Control From Generation Sources Service Rate for Long-Term Firm PTP Transmission Service and NT Service, section II.B.1.a., effective for the quarter for which the IR rate is being calculated, in \$/kW/mo.

B. SHORT DISTANCE DISCOUNT (SDD) RATE

For Points of Integration (POI) specified in the IR agreement as being short-distance POIs, for which Network facilities are used for a distance of less than 75 circuit miles, the monthly rate shall be the sum of:

1. \$0.203/kW/mo; and
2. ACS-06 Reactive Supply and Voltage Control From Generation Sources Service Rate for Long-Term Firm PTP Transmission Service and NT Service, section II.B.1.a., effective for the quarter for which the IR rate is being calculated, in \$/kW/mo; and

3. $(0.6 + (0.4 \times \text{transmission distance}/75)) \times \$1.213/\text{kW}/\text{mo}$

Where:

The transmission distance is the circuit miles between a designated POI for a generating resource of the customer and a designated Point of Delivery serving load of the customer. Short-distance POIs are determined by BPA-TBL after considering factors in addition to transmission distance.

SECTION III. BILLING FACTORS

The Billing Factor for rates specified in section II shall be the largest of:

1. The annual Transmission Demand, or, if defined in the agreement, the annual Total Transmission Demand;
2. The highest hourly Scheduled Demand for the month; or
3. The Ratchet Demand.

To the extent that the agreement provides for the IR customer to be billed for transmission service in excess of the Transmission Demand or Total Transmission Demand, as defined in the agreement, at an hourly nonfirm rate, such excess transmission service shall not contribute to the Billing Factor for the IR rates in section II; provided that the IR customer requests such treatment and BPA-TBL approves such request in accordance with the prescribed provisions in the agreement. The rate for transmission service in excess of the Transmission Demand will be pursuant to the Point-to-Point Rate (PTP-06) for Hourly Non-Firm Service.

When the Scheduled Demand or Ratchet Demand is the Billing Factor, short-distance POIs shall be charged the Base Rate specified in section II.A. for the amount in excess of Transmission Demand.

SECTION IV. ADJUSTMENTS, CHARGES, AND OTHER RATE PROVISIONS

A. ANCILLARY SERVICES

Ancillary Services that may be required to support IR transmission service are available under the ACS rate schedule. IR customers do not pay the ACS charges for Scheduling, System Control and Dispatch Service and Reactive Supply and Voltage Control from Generation Sources Service, because these services are included in IR service.

B. DELIVERY CHARGE

Customers taking service over Delivery facilities are subject to the Delivery Charge specified in section II.A. of the GRSPs.

C. FAILURE TO COMPLY PENALTY

Customers taking service under this rate schedule are subject to the Failure to Comply Penalty Charge specified in section II.B. of the GRSPs.

D. POWER FACTOR PENALTY

Customers taking service under this rate schedule are subject to the Power Factor Penalty Charge specified in section II.C. of the GRSPs.

E. RATCHET DEMAND RELIEF

Under appropriate circumstances, BPA-TBL may waive or reduce the Ratchet Demand. An IR customer seeking a reduction or waiver must demonstrate good cause for relief, including a demonstration that:

1. The event which resulted in the Ratchet Demand
 - (a) was the result of an equipment failure or outage that could not reasonably have been foreseen by the customer; and
 - (b) did not result in harm to BPA-TBL's transmission system or transmission services, or to any other Transmission Customer; or
2. The event which resulted in the Ratchet Demand
 - (a) was inadvertent;
 - (b) could not have been avoided by the exercise of reasonable care;
 - (c) did not result in harm to BPA-TBL's transmission system or transmission services, or to any other Transmission Customer; and
 - (d) was not part of a recurring pattern of conduct by the IR customer.

If the IR customer causes a Ratchet Demand to be established in a series of months during which the IR customer has not received notice from BPA-TBL of such Ratchet Demands by billing or otherwise, and the Ratchet Demand(s) established after the first Ratchet Demand were due to the lack of notice, then BPA-TBL may establish a Ratchet Demand for the IR customer based on the highest Ratchet Demand in the series. This highest Ratchet Demand will be

charged in the month it is established and the following 11 months. All other Ratchet Demands based on such a series (including the Ratchet Demand established in the first month if it is not the highest Ratchet Demand) will be waived.

F. SELF-SUPPLY OF REACTIVE SUPPLY AND VOLTAGE CONTROL FROM GENERATION SOURCES SERVICE

A credit for self-supply of Reactive Supply and Voltage Control from Generation Sources Service will be available for IR customers on an equivalent basis to the credit for PTP Transmission Customers.

ACS-06
Ancillary Services and Control Area Services Rate

SECTION I. AVAILABILITY

This schedule supersedes Schedule ACS-04. It is available to all Transmission Customers taking service under the Open Access Transmission Tariff and other contractual arrangements. This schedule is available also for transmission service of a similar nature that may be ordered by the Federal Energy Regulatory Commission (FERC) pursuant to sections 211 and 212 of the Federal Power Act (16 U.S.C. §§824j and 824k). Service under this schedule is subject to BPA-TBL's General Rate Schedule Provisions (GRSPs).

Ancillary Services are needed with transmission service to maintain reliability within and among the Control Areas affected by the transmission service. The Transmission Provider is required to provide, and the Transmission Customer is required to purchase, the following Ancillary Services: (a) Scheduling, System Control and Dispatch, and (b) Reactive Supply and Voltage Control from Generation Sources.

The Transmission Provider is required to offer to provide the following Ancillary Services only to the Transmission Customer serving load within the Transmission Provider's Control Area: (a) Regulation and Frequency Response and (b) Energy Imbalance. The Transmission Customer serving load within the Transmission Provider's Control Area is required to acquire these Ancillary Services, whether from the Transmission Provider, from a third party, or by self-supply. The Transmission Provider is required to offer to provide (a) Operating Reserve – Spinning, and (b) Operating Reserve – Supplemental to the Transmission Customer serving load with generation located in the Transmission Provider's Control Area. The Transmission Customer serving load with generation located in the Transmission Provider's Control Area is required to acquire these Ancillary Services, whether from the Transmission Provider, from a third party, or by self-supply. The Transmission Customer may not decline the Transmission Provider's offer of Ancillary Services unless it demonstrates that it has acquired the Ancillary Services from another source. The Transmission Customer must list in its Application which Ancillary Services it will purchase from the Transmission Provider.

Ancillary Service rates available under this rate schedule are:

1. Scheduling, System Control, and Dispatch Service
2. Reactive Supply and Voltage Control from Generation Sources Service
3. Regulation and Frequency Response Service
4. Energy Imbalance Service
5. Operating Reserve -- Spinning Reserve Service
6. Operating Reserve -- Supplemental Reserve Service

Control Area Services are available to meet the Reliability Obligations of a party with resources or loads in the BPA Control Area. A party that is not satisfying all of its Reliability Obligations through the purchase or self-provision of Ancillary Services must purchase Control Area Services to meet its Reliability Obligations. Control Area Services are also available to parties with resources or loads in the BPA Control Area that have Reliability Obligations, but do not have a transmission agreement with BPA. Reliability Obligations for resources or loads in the BPA Control Area shall be determined consistent with the applicable North American Electric Reliability Council (NERC), Western Electricity Coordinating Council (WECC), and Northwest Power Pool (NWPP) criteria.

Control Area Service rates available under this rate schedule are:

1. Regulation and Frequency Response Service
2. Generation Imbalance Service
3. Operating Reserve -- Spinning Reserve Service
4. Operating Reserve -- Supplemental Reserve Service

SECTION II. ANCILLARY SERVICE RATES

B. REACTIVE SUPPLY AND VOLTAGE CONTROL FROM GENERATION SOURCES SERVICE

The rates below apply to Transmission Customers taking Reactive Supply and Voltage Control from Generation Sources (GSR) Service from BPA-TBL. These rates apply to both firm and non-firm transmission service. Transmission arrangements on the Network, on the Southern Intertie, and on the Montana Intertie are each charged separately for Reactive Supply and Voltage Control from Generation Sources Service.

1. RATES

The rates for GSR Service will be set on a quarterly basis, beginning October 2005, according to the formulas below. Rates for Long-Term PTP and NT Service and for Short-Term Monthly, Weekly and Daily Service (sections a. and b.(1), below) shall be calculated to three decimal places. Rates for Hourly Service (section b.(2), below) shall be calculated to two decimal places.

a. Long-Term Firm PTP Transmission Service and NT Service

The rate, in dollars per kilowatt per month (\$/kW/mo), shall not exceed:

$$\frac{t + P + 4(N_q + U_{q-1} + Z_{q-1})}{bd - 4S_q}$$

Where:

- t = \$824,000 = Average FY 2006 and 2007 transmission cost allocated to GSR service.
- bd = 383,064 MW-mo = Average of forecasted FY 2006 and FY 2007 GSR Service billing determinants. Each annual billing determinant is the sum of the 12 monthly billing determinants.
- P = a) \$25,000,000, for GSR rates effective in FY 2006 (October 2005 through September 2006). This amount is the BPA-PBL generation input cost determined in the 2002 Power Rate Case.
b) For GSR rates effective in FY 2007 (October 2006 through September 2007), the FY 2007 BPA-PBL generation input cost for GSR that is determined in the next BPA power rate case in which power rates are developed for a period beginning FY 2007. (\$)

- N_q = Non-federal GSR cost to be paid by BPA-TBL under a FERC-approved rate during the relevant quarter, as anticipated prior to the quarter. (\$)
- U_{q-1} = Payments of non-federal GSR cost made in the preceding quarter(s) that were not included in the effective rate for the preceding quarter(s). Any refunds received by BPA-TBL would reduce this cost. U_{q-1} is a true-up for any deviation of non-federal GSR costs from the amount used in a previous quarter's GSR rate calculation. For calculating the GSR rate effective October 1, 2005, U_{q-1} is zero. (\$)
- S_q = Reduction in effective billing demand for approved self-supply of reactive during the relevant quarter, as anticipated prior to the quarter. (MW-mo)
- Z_{q-1} = A dollar true-up for under- or overstatement of reactive self-supply in rate calculations for the preceding quarter(s). For calculating the GSR rate effective October 1, 2005, Z_{q-1} is zero. Z_{q-1} will be calculated by multiplying the under- or overstated megawatt amount of self-supply by the GSR rate that was effective during the quarter of self-supply deviation. (\$)

"Relevant quarter" refers to the 3-month period for which the rate is being determined.

b. Short-Term Firm and Non-Firm PTP Transmission Service

(1) Monthly, Weekly, and Daily Firm and Nonfirm Service

For each reservation, the rates shall not exceed:

(a) Days 1 through 5 (\$/kW/day)

$$\text{Long-Term Service Rate} * \frac{12 \text{ months}}{52 \text{ weeks} * 5 \text{ days}}$$

(b) Day 6 and beyond (\$/kW/day)

$$\text{Long-Term Service Rate} * \frac{12 \text{ months}}{52 \text{ weeks} * 7 \text{ days}}$$

**(2) Hourly Firm and Non-Firm Service
(mills/kilowatthour)**

The rate shall not exceed:

$$\text{Long-Term Service Rate} * \frac{12 \text{ months}}{52 \text{ weeks} * 5 \text{ days} * 16 \text{ hours}}$$

Where:

The "Long-Term Service Rate" specified in the formulas in sections 1.b.(1)(a) and (b), and 1.b.(2), above, is the rate determined in section 1.a., Long-Term Firm PTP Transmission Service and NT Service, in \$/kW/mo.

2. BILLING FACTORS

a. Point-To-Point Transmission Service

For Transmission Customers taking Point-to-Point Transmission Service (PTP, IS, and IM rates), the Billing Factor for each rate specified in section 1.a., 1.b.(1) and for Hourly Firm PTP Transmission Service specified in 1.b.(2) shall be the Reserved Capacity, which is the greater of:

1. the sum of the capacity reservations at the Point(s) of Receipt, or
2. the sum of the capacity reservations at the Point(s) of Delivery.

The Reserved Capacity for Firm PTP Transmission Service shall not be adjusted for any Short-Distance Discount or for any modifications on a non-firm basis in determining the Reactive Supply and Voltage Control from Generation Sources Service Billing Factor.

The Billing Factor for the rate specified in section 1.b.(2) for Hourly Non-Firm Service shall be the scheduled kilowatthours. Upon 60 day's notice by BPA-TBL, the Billing Factor for the rate specified in section 1.b.(2) for Hourly Non-Firm Service shall become the Reserved Capacity.

When Reserved Capacity becomes the Billing Factor for Hourly Non-Firm Service, the following shall apply:

If Hourly Non-Firm PTP Transmission Service is Curtailed or Interrupted, the Transmission Customer will be charged for actual use during the hour, and not Reserved Capacity. If the Curtailment originates from conditions on another Transmission Provider's Transmission System, no adjustment will be made to the Reserved Capacity billing factor.

These Billing Factors apply to all PTP transmission service under the Open Access Transmission Tariff regardless of whether the Transmission Customer actually uses (schedules) the transmission.

b. Network Integration Transmission Service

For Transmission Customers taking Network Integration Transmission Service, the Billing Factor for the rate specified in section 1.a. shall equal the NT Base Charge Billing Factor determined pursuant to section III.A. of the Network Integration Rate Schedule (NT-06).

c. Adjustment for Self-Supply

The Billing Factors in sections 2.a. and 2.b. above may be reduced as specified in the Transmission Customer's Service Agreement to the extent the Transmission Customer demonstrates to BPA-TBL's satisfaction that it can self-provide Reactive Supply and Voltage Control from Generation Sources Service.