16450-01-P

DEPARTMENT OF ENERGY

Bonneville Power Administration

[BPA File No. TR-04]

2004 Transmission Rate Case

Public Hearing and Opportunities for Public Review and Comment

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

ACTION: Notice of 2004 Transmission Rate Case.

SUMMARY: BPA File No. TR-04. BPA requests that all comments and documents intended to become part of the Official Record in this proceeding contain the file number designation TR-04.

BPA must establish transmission and ancillary service rates to be effective October 1, 2003, when current transmission and ancillary service rates expire. BPA's Transmission Business Line (TBL) held a public workshop in August 2002 to begin discussing with interested parties issues associated with the upcoming 2004 Transmission Rate Case. At the parties' suggestion, TBL and the parties met often over the next two months to negotiate settlement of the rate case. The resulting Settlement Agreement includes transmission and ancillary service rate levels for the Fiscal Years 2004 and 2005 rate period, and addresses a small set of other issues. The Settlement Agreement was sent to TBL customers and interested parties for signature. TBL signed the Settlement Agreement after receiving signed agreements from most TBL customers. TBL's initial rate proposal reflects the terms of the Settlement Agreement.

By this notice, BPA announces its proposed transmission and ancillary service

rates to be effective on October 1, 2003, and the commencement of the 2004 Transmission Rate Case.

DATES: Persons wishing to become formal parties to the proceeding must notify BPA in writing of their intention to do so by submitting a petition to intervene at the address provided below. Petitions to intervene must be received by BPA by 4:30 p.m., Pacific Time, on January 8, 2003. Petitions to intervene are discussed further below, in Part III.A.

The Rate Case will begin with a pre-hearing conference at 9:00 a.m. on January 13, 2003, in Portland, Oregon.

Written comments by non-party participants must be received by March 21, 2003, to be considered in the Record of Decision (ROD).

ADDRESSES:

1. Petitions to intervene should be directed to George Schaaf, 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 Barry Bennett- LT-7, Office of General Counsel, 905 NE 11th Ave., Portland, Oregon 97232 (see Part III.A for more information).

2. Written comments by participants should be submitted to the Manager, Corporate Communication - DM-7, Bonneville Power Administration, P.O. Box 12999, Portland, Oregon, 97212. You may also e-mail your comments to: comment@bpa.gov.

3. The pre-hearing conference will be held in the BPA Rates Hearing Room, 2nd floor, 911 NE 11th Ave., Portland, Oregon.

FOR FURTHER INFORMATION CONTACT:

Information may also be obtained from Michael Hansen - DM-7, Public Involvement and Information Specialist, Bonneville Power Administration, P.O. Box 3621, Portland, Oregon, 97208-3621; by phone at (503) 230-4328 or toll free at 1-800-622-4519; or via e-mail to mshansen@bpa.gov.

You may also contact Dennis Metcalf, Transmission Rate Case Manager, Bonneville Power Administration, P.O. Box 491, Vancouver, Washington, 98666.

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Part I - Introduction and Procedural Background

Section 7(i) of the Northwest Power Act, 16 U.S.C. Section 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 December 10, 2003.

The Bonneville Project Act, 16 U.S.C. Section 832; the Flood Control Act of 1944, 16 U.S.C. Section 825s; the Federal Columbia River Transmission System Act, 16 U.S.C. Section 838; the Northwest Power Act, 16 U.S.C. Section 839; and the Federal Power Act, 16 U.S.C. Section 212(i)(1)(B)(ii) provide guidance regarding BPA's ratemaking. The Northwest Power Act requires BPA to set rates that are sufficient to recover, in accordance with sound business principles, the costs of the acquisition, conservation, and transmission of 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 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 (Commission) ordered transmission service shall be set to permit the recovery of all costs incurred in connection with the transmission service and necessary associated services. BPA's proposed 2004 Transmission and Ancillary Service Rate Schedules are published in Part V below. The Settlement Agreement, and the rate studies and documentation listed in Part IV will be provided to parties at the pre-hearing conference to be held on January 13, 2003, beginning at 9:00 a.m., at the BPA Rates Hearing Room, 2nd floor, 911 NE 11th Ave., Portland, Oregon.

To request a copy of the Settlement Agreement or any of the studies by telephone,

call BPA's document request line, (503) 230-4328 or call toll-free 1-800-622-4519. Please request the document by its listed title. Also state whether you require the accompanying documentation (these can be quite lengthy); otherwise the study alone will be provided. The Settlement Agreement, studies and documentation will also be available on BPA's website at http://www2.transmission.bpa.gov/ratecase.

A proposed schedule for the formal hearing is provided below. A final schedule will be established by the Hearing Officer at the pre-hearing conference.

January 13, 2003	Pre-hearing Conference and Filing of BPA Direct Case
January 16, 2003	Clarification
January 21, 2003	Objections to Initial Proposal Due
January 23, 2003	Scheduling Conference
July 28, 2003	Final Record of Decision

If no objections to the TBL's Initial Proposal are filed, it will not be necessary to schedule additional dates for the hearing. In such case, the date for the Final Record of Decision can be adjusted. If any party objects to the Initial Proposal, TBL may continue to defend the Initial Proposal or submit a revised proposal. If objections are filed, the TBL proposes to meet with the parties before the scheduling conference to discuss an appropriate schedule that provides sufficient time for parties that have objected to the Initial Proposal to file a direct case, for the TBL to file a revised proposal, if it so chooses, and for all parties to respond to such revised proposal, if any, and to the testimony of the other parties.

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 888[1] and 889[2] directed public utilities to separate their power merchant functions from their transmission 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, to the extent permitted by law BPA has separated its power and transmission operations and unbundled 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 Transmission Business Line (TBL), which performs BPA's transmission system operations and reliability functions.

Beginning with the 2002 rate case, BPA has held separate rate proceedings to set power and transmission rates. In the 2002 Power Rate Case, the PBL established power rates to be effective through September 30, 2006. In the 2002 Transmission Rate Case the TBL established transmission rates to be effective through September 30, 2003. The 2004 Transmission Rate Case proceeding will establish transmission rates for the period

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[1] Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Pubic Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities, FERC Stats. & Regs. sec. 31,036 (1996).

[2] Open Access Same-Time Information System (formerly Real-Time Information Networks) and Standards of Conduct, FERC Stats. & Regs. sec. 31,035 (1996).

October 1, 2003, through September 30, 2005.

2. PBL as a Party to the Rate Case

Because BPA has separated its power and transmission functions and sets its power and transmission rates in separate proceedings, 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.

B. 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 provides for a 1.5% increase for most transmission and ancillary service rates, and a 2.6% increase for the Network Integration (NT) rate. The additional increase in the NT rate is intended to recover $1 million of redispatch costs. The Settlement Agreement also includes the following additional provisions: a revised rate structure for the Energy Imbalance and Generation Imbalance rates; a reduced Unauthorized Increase Charge; the TBL's commitment to hold a series of public meetings to address certain TBL business practices; TBL's commitment to implement systems no later than October 1, 2003, that allow Point-to-Point Service customers to redirect firm transmission service; and payment by TBL to PBL of $3 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, 2003. Such filing will not be part of this rate proceeding. The Settlement Agreement recognizes the possibility that parties to the 2004 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.

C. Cost Increases

Over the past few years there has been increasing focus on the reliability and availability of the transmission system. In 1996, a major transmission outage affected the western United States. From 2000 to 2001, California deregulation, drought in California and the Northwest, and bottlenecks in the transmission system all focused the region on system reliability and availability and their effect on energy costs.

In order to ensure 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 constraints that limit electricity trading and BPA's ability to maintain the system. The TBL capital program increase of about 10 percent in

the FY 2004 - 2005 period over current levels reflects the need for system additions to remove transmission bottlenecks resulting from load growth and the changing generation patterns and uses, and for replacements of older facilities. On the expense side, increased expenses consist primarily of additional interest and depreciation associated with the increased capital program. TBL will hold increases in operating expenses to less than the rate of inflation as decided by the Administrator in the Programs in Review process. The operating expenses include the $3 million per year that the TBL will pay PBL for redispatch services under the OATT, as provided in the Settlement Agreement.

D.Overview of the Public Process

1. Transmission Rate Case Customer Workshops

In preparation for the 2004 Transmission Rate Case, TBL held a public workshop for customers and interested parties on August 14, 2002. At that workshop, parties recommended that a rate case settlement be explored. During September and October of 2002, the TBL met regularly with customers and interested parties to negotiate a settlement of transmission and ancillary service rate levels and resolution of other key issues.

2. Program in Review Workshops

In summer and fall 2002, TBL provided an opportunity for public participation and input on TBL program cost levels through the Programs In Review (PIR) process. PIR opened on June 19, 2002, with a widespread notification by mail to about 3000 TBL customers and interested parties. Notices were also published on TBL's external website. Five public meetings were held around the region during July 2002. 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 2004 - 2006. A total of 130 entities attended the regional meetings. TBL also provided informational materials through direct mailings, e-mailings, and publication on TBL's external website, and through making staff available to answer questions. In response to a request from customers for additional information and discussion of specific program level issues, a technical meeting was held on September 9, 2002.

The PIR workshops 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; and 4) maintaining a skilled and trained workforce. TBL accepted written and oral comments on proposed transmission capital spending and expenses through September 16, 2002.

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.

E. Scope of the Transmission Rate Proceeding

Many of the decisions that determine TBL's costs have been or will be made in public 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 final decision on spending levels. That decision serves as the basis for the transmission capital and expense levels that are reflected in the transmission rate proposal. In addition, decisions may be made by Congress during this proceeding regarding spending levels for transmission investments and expenses. 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, including capital and expense budgets reviewed in the Programs in Review public process. If any re-examination of spending levels is necessary, that re-examination will occur outside of the rate proceeding. However, this direction to the Hearing Officer does not cover the following matters: sources of capital for investments, 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 interim approval to the rates on September 28, 2001. 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 Administrator also established costs for the delivery of Federal power over third party transmission systems pursuant to General Transfer Agreements.

The Initial Proposal is consistent with the results of the Administrator's decision on these and all other issues decided in the power rate proceeding 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.

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 a rate proceeding. BPA will be submitting revised Attachment K to the Commission for approval. A party may raise challenges to revised Attachment K to the Commission at that time, unless it has signed the Settlement Agreement and TBL does not revise its

Initial Proposal.

F. National Environmental Policy Act Evaluation

BPA is in the process of assessing the potential environmental effects of its initial rate proposal, as required by the National Environmental Policy Act (NEPA). In the Business Plan Environmental Impact Statement (Business Plan EIS), BPA has previously evaluated the environmental impacts of a range of business structure alternatives that included, among other things, various rate designs for BPA's transmission products and services. In August 1995, the BPA Administrator issued a Record of Decision (Business Plan ROD) that adopted the Market-Driven Alternative from the Business Plan Final EIS completed in June 1995. 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; and (4) continue to meet BPA's legal mandates.

Because this initial rate proposal would likely 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, and implementation of this rate proposal thus would not be expected to result in significantly different environmental impacts from those examined for the Market-Driven Alternative 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 Final Business Plan EIS and adopted in the Business Plan ROD. In the Administrator's Record of Decision regarding this rate proposal, therefore, BPA may tier its decision under NEPA to the Business Plan ROD.

Alternatively, BPA may 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 21, 2003. Written views, supporting information, questions, and arguments should be submitted to BPA's Manager of Corporate Communications at the address listed in the "ADDRESSES" section of this Notice.

Persons wishing to become a party to this transmission rate adjustment proceeding must petition 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 4:30p.m., Pacific Time, on January 8, 2003. The petition should be directed

to:

George Schaaf, 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 Barry Bennett - 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 TBL, 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. The Hearing Officer will rule on all timely applications. Late interventions are strongly disfavored. Opposition to a petition to intervene filed after the pre-hearing conference 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 will review the record and will certify the record to the Administrator for decision.

The Administrator will develop final 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 Record of Decision on all parties. BPA will file its rates with the Commission for confirmation and approval after issuance of the Record of Decision.

During the rate proceeding, TBL must continue to meet with customers in the ordinary course of business. To comport with the prohibition on *ex parte* communications, TBL will provide 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.

Part IV - Major Analyses and Summary of Proposal

A. Major Analyses in Studies and Testimony

1. Revenue Requirement Study – this Study includes the calculation of transmission revenue requirements for the FY 2004-2005 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 2004 and 2005 revenue forecast at current 2002 transmission and ancillary service rates and at proposed 2004 rate levels based on forecasted loads and sales during the period.

B. Summary of Proposal

1. Transmission Rates

All of the rates are being increased 1.5% unless otherwise noted. TBL is proposing five rate schedules for the use of its Integrated Network. Except for the changes included in the Settlement Agreement, no other changes from the 2002 transmission rates are being proposed. The proposed transmission rate schedules for use of the Integrated Network are as follows:

- Formula Power Transmission (FPT-04.1 and FPT-04.3) 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. Charges for the two required ancillary services, Reactive Supply and Voltage Control from Generation Sources, and Scheduling, System Control and Dispatch, are embedded in the FPT rates. The FPT-04.1 rate is proposed for contracts that allow annual rate adjustments. The FPT-04.3 rate is proposed for contracts that allow a rate change only once every three years. FPT-04.3 customers are given a choice of a 1.5% increase effective October 1, 2003, or a 3% increase effective October 1, 2004. Although TBL is not offering new FPT contracts, a number of FPT contracts continue in place during the rate period.
- Integration of Resources (IR-04) rate – The IR rate is a postage stamp, contract demand rate. Charges for the two required ancillary services, Reactive Supply and Voltage Control from Generation Sources, and Scheduling, System Control and Dispatch, are embedded in 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, a number of IR contracts continue in place during the rate period.

- Network Integration Transmission (NT-04) rate – The NT rate applies to customers taking NT 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 Customer-Served Load, if any. Customer-Served Load is the amount of load that the customer agrees to serve on a firm basis without using its NT service. The NT rate is being increased 2.6%.

Point-to-Point (PTP-04) rate – The PTP rate is a contract demand rate that applies to customers taking PTP Service on BPA's 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. A Short Distance Discount is available for qualified long-term firm service. All short-term PTP rates are downwardly flexible.

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

- Southern Intertie (IS-04) and the Montana Intertie (IM-04) rates are contract demand rates that apply to customers taking PTP Service under the OATT on the Southern Intertie and Montana Intertie. These rates are structured similarly to the PTP rate for service on network facilities.
- The Townsend-Garrison Transmission (TGT-04) rate and the Eastern Intertie rate (IE-02) apply to service under the Montana Intertie agreement.
- The Use-of-Facilities (UFT-04) rate establishes a formula for charging for the use

of specific facilities based on the annual cost of those facilities.

- The Advance Funding (AF-04) rate allows TBL to collect the capital and related costs of specific facilities through an advance-funding mechanism.

Because the TGT, UFT, and AF rates are formula rates, the 1.5% increase does not apply to them.

2. Ancillary Services Rates

In addition to the 1.5% rate increase to the Ancillary Services and Control Area Service Rates, 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 clarify that the Billing Factor for each rate is based on all PTP transmission service purchased under TBL's OATT regardless of whether the Transmission Customer actually uses (schedules) the transmission. This change is only a clarification, not a substantive change.
- The rates for Energy Imbalance Service, an Ancillary Service, and Generation Imbalance Service, a Control Area Service, establish three Deviation Bands for each rate, and eliminate the 100 mills per kilowatthour penalty charge, except for intentional deviations. In addition, wind resources and new generation resources undergoing testing before commercial operation will be exempt from Deviation Band 3 for Generation Imbalance Service.
- Rates for Operating Reserve - Spinning Reserve Service and Operating Reserve -

Supplemental Reserve Service Ancillary Services require generators in the BPA Control Area to pay for or return energy provided by BPA in the event of a contingency involving that generator. The TBL's proposal clarifies that the TBL can direct customers or generators, as applicable, to either purchase operating reserve energy at the applicable market index price, or return the energy at specified times.

- The TBL proposes to revise the definition of Spill Condition to clarify that a Spill Condition, for the purpose of determining a credit or payment for Deviations under the Energy Imbalance or Generation Imbalance rates, exists when spill physically occurs on the BPA system due to lack of load or markets.

3. Other 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 that delay commencement of long-term firm service, Incremental Rates for transmission requests that require new facilities, and a penalty charge for failure to comply with TBL's curtailment, redispatch or load shedding orders. Except for a 1.5% increase in the Delivery Charge, the TBL is not proposing any changes to these charges.

The TBL is proposing to reduce the Unauthorized Increase Charge to two times the rate applicable to the customer's service, capped at two times the monthly charge for Long-Term Service. The rate proposal also includes a 1.5% increase for the General Transfer Agreement (GTA) Delivery Charge for low-voltage delivery service of Federal

power provided under GTA's and other non-Federal transmission service agreements.

C. Issues

The primary issue for the 2004 Transmission Rate Case is whether the Administrator should adopt transmission rates consistent with the Settlement Agreement. Adoption of the Settlement Agreement would avoid a potentially long, expensive, and contentious rate process. It provides certainty to BPA and its customers for two more years, and avoids cost shifts that could result from new cost allocations and rate designs. For TBL, the settlement establishes rates that recover its costs and provide a high probability of making its Treasury payments. For the customers, the transmission rates increase at a pace well below the general rate of inflation.

Part V - 2004 Transmission and Ancillary Service Rate Schedules

Schedule FPT-04.1

Formula Power Transmission Rate

SECTION I. AVAILABILITY

This schedule supersedes Schedule FPT-02.1 for all firm transmission agreements which provide for application of FPT rates that may be adjusted not more frequently than once a year. This schedule is applicable only to such transmission agreements executed prior to October 1, 1996. It is available for firm transmission of non-Federal power using the Main Grid and/or Secondary System of the Federal Columbia River Transmission System. This schedule is for full-year and partial-year service and for either continuous or intermittent service when firm transmission service is required. For facilities at voltages lower than the Secondary System, a different rate schedule may be specified. Service under this schedule is subject to BPA-TBL's General Rate Schedule Provisions (GRSPs).

SECTION II. RATES

The monthly charge per kilowatt shall be one-twelfth of the sum of the Main Grid Charge and the Secondary System Charge, as applicable and as specified in the agreement.

A. MAIN GRID CHARGE

The Main Grid Charge per kilowatt shall be the sum of one or more of the following annual charges as specified in the agreement:

1. Main Grid Distance: $0.0511 per mile
2. Main Grid Interconnection Terminal: $0.53
3. Main Grid Terminal: $0.59
4. Main Grid Miscellaneous Facilities: $2.91

B. SECONDARY SYSTEM CHARGE

The Secondary System Charge per kilowatt shall be the sum of one or more of the following annual charges as specified in the agreement:

1. Secondary System Distance: $0.5021 per mile
2. Secondary System Transformation: $5.49
3. Secondary System Intermediate Terminal: $2.12
4. Secondary System Interconnection Terminal: $1.50

SECTION III. BILLING FACTORS

Unless otherwise stated in the agreement, the Billing Factor for the rates specified in section II shall be the largest of:

1. The Transmission Demand;
2. The highest hourly Scheduled Demand for the month; or
3. The Ratchet Demand.

SECTION IV. ADJUSTMENTS, CHARGES, AND OTHER RATE PROVISIONS

A. ANCILLARY SERVICES

Ancillary Services that may be required to support FPT transmission service are available under the ACS rate schedule. FPT 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 FPT service.

B. 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.

C. 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.

Schedule FPT-04.3

Formula Power Transmission RATE

SECTION I. AVAILABILITY

This schedule supersedes Schedule FPT-02.3 for all firm transmission agreements which provide for application of FPT rates that may be adjusted not more frequently than once every three years, except as provided under Section IV.D. This schedule is applicable only to such transmission agreements executed prior to October 1, 1996. It is available for firm transmission of non-Federal power using the Main Grid and/or Secondary System of the Federal Columbia River Transmission System. This schedule is for full-year and partial-year service and for either continuous or intermittent service when firm transmission service is required. For facilities at voltages lower than the Secondary System, a different rate schedule may be specified. Service under this schedule is subject to BPA-TBL's General Rate Schedule Provisions (GRSPs).

SECTION II. RATES

The monthly charge per kilowatt shall be one-twelfth of the sum of the Main Grid Charge and the Secondary System Charge, as applicable and as specified in the agreement. Fiscal Years run from October through September.

A. FISCAL YEAR 2004 CHARGES

1. MAIN GRID CHARGE

The Main Grid Charge per kilowatt shall be the sum of one or more of the following annual charges as specified in the agreement:

a. Main Grid Distance: $0.0503 per mile

b. Main Grid Interconnection Terminal: $0.52

c. Main Grid Terminal: $0.58

d. Main Grid Miscellaneous Facilities: $2.87

2. SECONDARY SYSTEM CHARGE

The Secondary System Charge per kilowatt shall be the sum of one or more of the following annual charges as specified in the agreement:

a. Secondary System Distance: $0.4947 per mile

b. Secondary System Transformation: $5.41

c. Secondary System Intermediate Terminal: $2.09

d. **Secondary System Interconnection Terminal: $1.48**

B. FISCAL YEAR 2005 CHARGES

1. MAIN GRID CHARGE

The Main Grid Charge per kilowatt shall be the sum of one or more of the following annual charges as specified in the agreement:

a. Main Grid Distance: $0.0518 per mile

b. Main Grid Interconnection Terminal: $0.54

c. Main Grid Terminal: $0.60

d. Main Grid Miscellaneous Facilities: $2.96

2. SECONDARY SYSTEM CHARGE

The Secondary System Charge per kilowatt shall be the sum of one or more of the following annual charges as specified in the agreement:

a. Secondary System Distance: $0.5095 per mile

b. Secondary System Transformation: $5.57

c. Secondary System Intermediate Terminal: $2.15

d. Secondary System Interconnection Terminal: $1.52

SECTION III. BILLING FACTORS

Unless otherwise stated in the agreement, the Billing Factor for the rates specified in section II shall be the largest of:

1. The Transmission Demand;
2. The highest hourly Scheduled Demand for the month; or
3. The Ratchet Demand.

SECTION IV. ADJUSTMENTS, CHARGES, AND OTHER RATE PROVISIONS

A. ANCILLARY SERVICES

Ancillary Services that may be required to support FPT transmission service are available under the ACS rate schedule. FPT 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 FPT service.

B. FAILURE TO COMPLY PENALTY

Customers taking transmission service under FPT agreements are subject to the Failure to Comply Penalty specified in section II.B of the GRSPs.

C. POWER FACTOR PENALTY

Customers taking transmission service under FPT agreements are subject to the Power Factor Penalty Charge specified in section II.C of the GRSPs.

D. CUSTOMER ELECTION OF RATE

Customers may elect to pay the rates specified in the FPT-04.1 rate schedule for the entire FY 2004 and FY 2005 rate period instead of the rates specified in Section II of this FPT-04.3 rate schedule. Customers electing to pay the FPT-04.1 rate must notify BPA-TBL of their election in writing prior to August 1, 2003.

Schedule IR-04

Integration of Resources RATE

SECTION I. AVAILABILITY

This schedule supersedes Schedule IR-02 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 monthly IR rate shall be A or B.

A. BASE RATE

$1.261 per kilowatt.

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 per kilowatt shall be the sum of:

1. $0.233, and
2. (0.6 + (0.4 x transmission distance/75)) x $1.028

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-04) 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. COST CONTRIBUTION

The cost components and their contribution to the IR rate (section II.A) are:

1.	Transmission Service	81.5%
2.	Scheduling, System Control and Dispatch Service	13.2%
3.	Reactive Supply and Voltage Control	5.3%

from Generation Sources Service

G. 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.

SCHEDULE NT-04

NETWORK INTEGRATION RATE

SECTION I. AVAILABILITY

This schedule supersedes Schedule NT-02. It is available to Transmission Customers taking Network Integration Transmission (NT) Service over Federal Columbia River Transmission System Network and Delivery facilities. Terms and conditions of service are specified in the Open Access Transmission Tariff. 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).

SECTION II. RATES

The monthly charge will be the sum of A and B.

A. BASE CHARGE

$1.028 per kilowatt per month

B. LOAD SHAPING CHARGE

$0.425 per kilowatt per month

SECTION III. BILLING FACTORS

A. BASE CHARGE

1. If no Declared Customer-Served Load (CSL) is specified in the customer's NT Service Agreement, the monthly Billing Factor for the Base Charge specified in section II.A shall be the customer's Network Load on the hour of the Monthly Transmission Peak Load.

2. If an amount of Declared CSL is specified in the customer's NT Service Agreement, the monthly Billing Factor for the Base Charge specified in section II.A shall be a or b:

a. For the billing month, if the sum of the Actual CSLs occurring during Heavy Load Hours (HLH) is greater than or equal to 60 percent of the Declared CSL multiplied by the number of HLHs in the billing month, the monthly Billing Factor shall be the customer's Network Load on the hour of the Monthly Transmission Peak Load, less Declared CSL.

b. For the billing month, if the sum of the Actual CSLs occurring during HLH is less than 60 percent of the Declared CSL multiplied by the number of HLHs in the billing month, the monthly Billing Factor shall be the customer's Network Load on the hour of the Monthly Transmission Peak Load. The Billing Factor will be reduced by any megawatts charged the NT Unauthorized Increase Charge under section IV.D. for the month.

Where:

"Declared Customer-Served Load (CSL)" is the monthly amount in megawatts of the Transmission Customer's Network Load that the Transmission Customer elects to serve on a firm basis from sources internal to its system or over non-Federal transmission facilities or pursuant to contracts other than the Network Integration Service Agreement. The customer's Declared CSL is contractually specified for each month.

"Actual Customer-Served Load (CSL)" is the actual hourly amount in megawatts of the Network Load that the customer serves on a firm basis from sources internal to its system or over non-Federal transmission facilities or pursuant to contracts other than the Network Integration Service Agreement.

B. LOAD SHAPING CHARGE

The monthly Billing Factor for the Load Shaping Charge specified in section II.B shall be the Network Load on the hour of the Monthly Transmission Peak Load.

SECTION IV. ADJUSTMENTS, CHARGES, AND OTHER RATE PROVISIONS

A. ANCILLARY SERVICES

Customers taking service under this rate schedule are subject to the ACS Scheduling, System Control and Dispatch Service Rate and the Reactive Supply and Voltage Control from Generation Sources Service Rate. Other Ancillary Services that are required to support NT Service are also available under the ACS rate schedule.

B. DELIVERY CHARGE

Customers taking NT 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 NT Service are subject to the Failure to Comply Penalty specified in section II.B of the GRSPs.

D. METERING ADJUSTMENT

At those Points of Delivery that do not have meters capable of determining the demand on the hour of the Monthly Transmission Peak Load, the Billing Demand shall be calculated by substituting 1) the sum of the highest hourly demand that occurs during the billing month at all Points of Delivery multiplied by 0.79 for 2) Network Load on the hour of the Monthly Transmission Peak Load.

E. POWER FACTOR PENALTY

Customers taking PTP Transmission Service are subject to the Power Factor Penalty Charge specified in section II.C of the GRSPs.

F. UNAUTHORIZED INCREASE CHARGE

If the Network Customer's Actual CSL is less than its Declared CSL, the Unauthorized Increase Charge specified in section II.G of the GRSPs shall be assessed.

G. DIRECT ASSIGNMENT FACILITIES

BPA-TBL shall collect the capital and related costs of a Direct Assignment Facility under the Advance Funding (AF) rate or the Use-of-Facilities (UFT) rate. Other associated costs, including but not limited to operations, maintenance, and general plant costs, also shall be recovered from the Network Customer under an applicable rate schedule.

H. INCREMENTAL COST RATES

The rates specified in section II are applicable to service over available transmission capacity. Network Customers that integrate new Network Resources, new Member Systems, or new native load customers that would require BPA-TBL to construct Network Upgrades shall be subject to the higher of the rates specified in section II or incremental cost rates for service over such facilities. Incremental cost rates would be developed pursuant to section 7(i) of the Northwest Power Act.

I. RATE ADJUSTMENT DUE TO FERC ORDER UNDER FPA sec. 212

Customers taking service under this rate schedule are subject to the Rate Adjustment Due to FERC Order under FPA sec. 212 specified in section II.D of the GRSPs.

SCHEDULE PTP-04

POINT-TO-POINT RATE

SECTION I. AVAILABILITY

This schedule supersedes Schedules PTP-02. It is available to Transmission Customers taking Point-to-Point (PTP) Transmission Service over Federal Columbia River Transmission System (FCRTS) Network and Delivery facilities, and for hourly nonfirm service over such FCRTS facilities for customers with Integration of Resources agreements. Terms and conditions of PTP Transmission Service are specified in the Open Access Transmission Tariff. 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. secs. 824j and 824k). Service under this schedule is subject to BPA-TBL's General Rate Schedule Provisions (GRSPs).

SECTION II. RATES

A. LONG-TERM FIRM PTP TRANSMISSION SERVICE

$1.028 per kilowatt per month

B. SHORT-TERM FIRM AND NON-FIRM PTP TRANSMISSION SERVICE

For each reservation, the rates shall not exceed:

1. Monthly, Weekly, and Daily Firm and Non-Firm Service
   a. Days 1 through 5 $0.047 per kilowatt per day
   b. Day 6 and beyond $0.035 per kilowatt per day
2. Hourly Firm and Non-Firm Service

   2.96 mills per kilowatthour

SECTION III. BILLING FACTORS

A. ALL FIRM SERVICE AND MONTHLY, WEEKLY AND DAILY NON-FIRM SERVICE

The Billing Factor for each rate specified in sections II.A and II.B for all service *except* Hourly Non-Firm Service 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.

B. HOURLY NON-FIRM SERVICE

The Billing Factor for the rate specified in section II.B.2 for Hourly Non-Firm Service shall be the scheduled kilowatthours.

SECTION IV. ADJUSTMENTS, CHARGES, AND OTHER RATE PROVISIONS

A. ANCILLARY SERVICES

Customers taking service under this rate schedule are subject to the ACS-04 Scheduling, System Control and Dispatch Service Rate and the Reactive Supply and Voltage Control from Generation Sources Service Rate. Other Ancillary Services that

are required to support PTP Transmission Service on the Network are available under the ACS rate schedule.

B. DELIVERY CHARGE

Customers taking PTP Transmission 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. INTERRUPTION OF NON-FIRM PTP TRANSMISSION SERVICE

If daily, weekly or monthly Non-Firm PTP Transmission Service is interrupted, the rates charged under section II.B.1 shall be prorated over the total hours in the day to give credit for the hours of such interruption.

E. 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.

F. RESERVATION FEE

Customers who postpone the commencement of Long-Term Firm Point-To-Point Transmission Service by reserving deferred service, or by requesting an extension of the Service Commencement Date, will be subject to the Reservation Fee specified in section II.E of the GRSPs.

G. SHORT-DISTANCE DISCOUNT (SDD)

When a Point of Receipt (POR) and Point of Delivery (POD) use FCRTS

facilities for a distance of less than 75 circuit miles and are designated as being short distance in the PTP Service Agreement, the monthly capacity reservations for the relevant POR and POD shall be adjusted, for the purpose of computing the monthly bill for annual service, by the following factor:

0.6 + (0.4 x transmission distance/75)

Such adjusted monthly POR and POD reservations shall be used to compute the billing factors in section III.A to calculate the monthly bill for Long-Term Firm PTP Transmission Service. The POD capacity reservation eligible for the SDD may be no larger than the POR capacity reservation. The distance used to calculate the SDD will be contractually specified and based upon path(s) identified in power flow studies. If a set of contiguous PODs qualifies for an SDD, the transmission distance used in the calculation of the SDD shall be between the POR and the POD farthest from the POR.

If the customer requests secondary PORs or PODs that use SDD-adjusted capacity reservations for any period of time during a month, the SDD shall not be applied that month.

H. UNAUTHORIZED INCREASE CHARGE

Customers who exceed their capacity reservations at any Point of Receipt (POR) or Point of Delivery (POD) shall be subject to the Unauthorized Increase Charge specified in section II.G of the GRSPs.

I. DIRECT ASSIGNMENT FACILITIES

BPA-TBL shall collect the capital and related costs of a Direct Assignment Facility under the Advance Funding (AF) rate or the Use-of-Facilities (UFT) rate. Other associated costs, including but not limited to operations, maintenance, and general plant costs, also shall be recovered from the PTP Transmission Customer under an applicable rate schedule.

J. INCREMENTAL COST RATES

The rates specified in section II are applicable to service over available transmission capacity. Customers requesting new or increased firm service that would

require BPA-TBL to construct Network Upgrades to alleviate a capacity constraint may be subject to incremental cost rates for such service if incremental cost is higher than embedded cost. Incremental cost rates would be developed pursuant to section 7(i) of the Northwest Power Act.

K. RATE ADJUSTMENT DUE TO FERC ORDER UNDER FPA §212

Customers taking service under this rate schedule are subject to the Rate Adjustment Due to FERC Order under FPA sec.212 specified in section II.D of the GRSPs.

SCHEDULE IS-04

SOUTHERN INTERTIE RATE

SECTION I. AVAILABILITY

This schedule supersedes Schedule IS-02. It is available to Transmission Customers taking Point-to-Point Transmission Service over Federal Columbia River Transmission System (FCRTS) Southern Intertie facilities. Terms and conditions of service are specified in the Open Access Transmission Tariff or, for customers who executed Southern Intertie agreements with BPA before October 1, 1996, will be as provided in the customer's agreement with BPA. 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. secs. 824j and 824k). Service under this schedule is subject to BPA-TBL's General Rate Schedule Provisions (GRSPs).

SECTION II. RATES

A. LONG-TERM FIRM PTP TRANSMISSION SERVICE

$1.176 per kilowatt per month

B. SHORT-TERM FIRM AND NON-FIRM PTP TRANSMISSION SERVICE

For each reservation, the rates shall not exceed:

1. Monthly, Weekly, and Daily Firm and Non-Firm Service

a. Days 1 through 5 $0.054 per kilowatt per day

b. Day 6 and beyond $0.040 per kilowatt per day

2. Hourly Firm and Non-Firm Service

3.39 mills per kilowatthour

SECTION III. BILLING FACTORS

A. ALL FIRM SERVICE AND MONTHLY, WEEKLY AND DAILY NON-FIRM SERVICE

The Billing Factor for each rate specified in sections II.A and II.B for all service *except* Hourly Non-Firm Service 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.

For Southern Intertie transmission agreements executed prior to October 1, 1996, the Billing Factor shall be as specified in the agreement.

B. HOURLY NON-FIRM SERVICE

The Billing Factor for the rate specified in section II.B.2 for Hourly Non-Firm Service shall be the scheduled kilowatthours.

SECTION IV. ADJUSTMENTS, CHARGES, AND OTHER RATE PROVISIONS

A. ANCILLARY SERVICES

Customers taking service under this rate schedule are subject to the ACS-04 Scheduling, System Control and Dispatch Service Rate and the Reactive Supply and Voltage Control from Generation Sources Service Rate. Other Ancillary Services that are required to support PTP Transmission Service on the Southern Intertie are available under the ACS rate schedule.

B. 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.

C. INTERRUPTION OF NON-FIRM PTP TRANSMISSION SERVICE

If daily, weekly, or monthly Non-Firm PTP Transmission Service is interrupted, the rates charged under section II.B.1. shall be prorated over the total hours in the day to

give credit for the hours of such interruption.

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. RESERVATION FEE

Customers who postpone the commencement of Long-Term Firm Point-To-Point Transmission Service by reserving deferred service, or by requesting an extension of their Service Commencement Date, will be subject to the Reservation Fee specified in section II.E of the GRSPs.

F. UNAUTHORIZED INCREASE CHARGE

Customers who exceed their capacity reservations at any Point of Receipt (POR) or Point of Delivery (POD) shall be subject to the Unauthorized Increase Charge specified in section II.G in the GRSPs.

G. DIRECT ASSIGNMENT FACILITIES

BPA-TBL shall collect the capital and related costs of a Direct Assignment Facility under the Advance Funding (AF) rate or the Use-of-Facilities (UFT) rate. Other associated costs, including but not limited to operations, maintenance, and general plant costs, also shall be recovered from the Transmission Customer under an applicable rate schedule.

H. INCREMENTAL COST RATES

The rates specified in section II are applicable to service over available transmission capacity. Customers requesting new or increased firm service that would require BPA-TBL to construct new facilities or upgrades to alleviate a capacity constraint may be subject to incremental cost rates for such service if incremental cost is higher than embedded cost. Incremental cost rates would be developed pursuant to section 7(i) of the Northwest Power Act.

I. RATE ADJUSTMENT DUE TO FERC ORDER UNDER FPA §212

Customers taking service under this rate schedule are subject to the Rate Adjustment Due to FERC Order under FPA sec. 212 specified in section II.D of the

GRSPs.

SCHEDULE IM-04

MONTANA INTERTIE RATE

SECTION I. AVAILABILITY

This schedule supersedes Schedule IM-02. It is available to Transmission Customers taking Point-to-Point (PTP) Transmission Service on BPA's share of Montana Intertie transmission capacity. Terms and conditions of service are specified in the Open Access Transmission Tariff. 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. secs. 824j and 824k). Service under this schedule is subject to BPA-TBL's General Rate Schedule Provisions (GRSPs).

SECTION II. RATES

A. LONG-TERM FIRM PTP TRANSMISSION SERVICE

$1.258 per kilowatt per month

B. SHORT-TERM FIRM AND NON-FIRM PTP TRANSMISSION SERVICE

For each reservation, the rates shall not exceed:

1. Monthly, Weekly, and Daily Short-Term Firm and Non-Firm Service

a. Days 1 through 5 $0.058 per kilowatt per day

b. Day 6 and beyond $0.042 per kilowatt per day

2. Hourly Firm and Non-Firm Service

3.61 mills per kilowatthour

SECTION III. BILLING FACTORS

A. ALL FIRM SERVICE AND MONTHLY, WEEKLY AND DAILY NON-FIRM SERVICE

The Billing Factor for each rate specified in section II.A and II.B for all service *except* Hourly Non-Firm Service 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.

B. HOURLY NON-FIRM SERVICE

The Billing Factor for the rate specified in section II.B.2 for Hourly Non-Firm Service shall be the scheduled kilowatthours.

SECTION IV. ADJUSTMENTS, CHARGES, AND OTHER RATE PROVISIONS

A. ANCILLARY SERVICES

Customers taking service under this rate schedule are subject to the ACS-04 Scheduling, System Control and Dispatch Service Rate and the Reactive Supply and Voltage Control from Generation Sources Service Rate. Other Ancillary Services that are required to support PTP Transmission Service on the Montana Intertie are available under the ACS rate schedule.

B. FAILURE TO COMPLY PENALTY CHARGE

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

C. INTERRUPTION OF NON-FIRM PTP TRANSMISSION SERVICE

If daily, weekly, or monthly Non-Firm PTP Transmission Service is interrupted, the rates charged under section II.B.1. shall be prorated over the total hours in the day to give credit for the hours of such interruption.

D. RESERVATION FEE

Customers who postpone the commencement of Long-Term Firm Point-To-Point Transmission Service by reserving deferred service, or by requesting an extension of their Service Commencement Date, will be subject to the Reservation Fee specified in section II.E of the GRSPs.

E. UNAUTHORIZED INCREASE CHARGE

Customers who exceed their capacity reservations at any Point of Receipt (POR) or Point of Delivery (POD) shall be subject to the Unauthorized Increase Charge specified in section II.G of the GRSPs.

F. DIRECT ASSIGNMENT FACILITIES

BPA-TBL shall collect the capital and related costs of a Direct Assignment Facility under the Advance Funding (AF) rate or the Use-of-Facilities (UFT) rate. Other associated costs, including but not limited to operations, maintenance, and general plant costs, also shall be recovered from the Transmission Customer under an applicable rate schedule.

G. INCREMENTAL COST RATES

The rates specified in section II are applicable to service over available transmission capacity. Customers requesting new or increased firm service that would require BPA-TBL to construct new facilities or upgrades to alleviate a capacity constraint may be subject to incremental cost rates for such service if incremental cost is higher than embedded cost. Incremental cost rates would be developed pursuant to section 7(i) of the Northwest Power Act.

H. RATE ADJUSTMENT DUE TO FERC ORDER UNDER FPA sec. 212

Customers taking service under this rate schedule are subject to the Rate Adjustment Due to FERC Order under FPA sec.212 specified in section II.D of the GRSPs.

SCHEDULE UFT-04

USE-OF-FACILITIES TRANSMISSION RATE

SECTION I. AVAILABILITY

This schedule supersedes Schedule UFT-02 unless otherwise provided in the agreement, and is available for firm transmission over specified Federal Columbia River Transmission System (FCRTS) facilities. Service under this schedule is subject to BPA-TBL's General Rate Schedule Provisions (GRSPs).

SECTION II. RATE

The monthly charge per kilowatt of Transmission Demand/capacity reservations specified in the agreement shall be one-twelfth of the annual cost of capacity of the specified facilities divided by the sum of Transmission Demands/capacity reservations (in kilowatts) using such facilities. Such annual cost shall be determined in accordance with section III.

SECTION III. DETERMINATION OF TRANSMISSION RATE

A. From time to time, but not more often than once a year, BPA-TBL shall determine the following data for the facilities which have been constructed or otherwise acquired by BPA-TBL and which are used to transmit electric power:

1. The annual cost of the specified FCRTS facilities, as determined from the capital cost of such facilities and annual cost ratios developed from the Federal Columbia River Power System financial statement, including interest and amortization, operation and maintenance, administrative and general, and general plant costs.

The annual cost per kilowatt of facilities listed in the agreement, which are owned by another entity, and used by BPA-TBL for making deliveries to the transferee, shall be determined from the costs specified in the agreement between BPA-TBL and such other entity.

2. The yearly noncoincident peak demands of all users of such facilities or other reasonable measurement of the facilities' peak use.

B. The monthly charge per kilowatt of billing demand shall be one-twelfth of the sum of the annual cost of the FCRTS facilities used divided by the sum of Transmission Demands/capacity reservations. The annual cost per kilowatt of Transmission Demand/capacity reservation for a facility constructed or otherwise acquired by BPA-TBL shall be determined in accordance with the following formula:

$$\frac{A}{D}$$

Where:

A = The annual cost of such facility as determined in accordance with A.1. above.

D = The sum of the yearly noncoincident demands on the facility as determined in accordance with A.2. above.

1. For facilities used solely by one customer, BPA-TBL may charge a monthly amount equal to the annual cost of such sole-use facilities, determined in accordance with section III.A.1, divided by 12.

2. For facilities used by more than one customer, BPA-TBL may charge a monthly amount equal to the annual cost of such facilities prorated based on relative use of the facilities, divided by 12.

SECTION IV. DETERMINATION OF BILLING FACTORS

Unless otherwise stated in the agreement, the Billing Factor shall be the largest of:

A. The Transmission Demand/capacity reservation in kilowatts specified in the agreement;

B. The highest hourly Measured or Scheduled Demand for the month; or

C. The Ratchet Demand.

SECTION V. ADJUSTMENTS, CHARGES, AND OTHER RATE PROVISIONS

A. ANCILLARY SERVICES

Ancillary services that are required to support UFT transmission service are available under the ACS rate schedule.

B. 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.

C. POWER FACTOR PENALTY CHARGE

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

SCHEDULE AF-04

ADVANCE FUNDING RATE

SECTION I. AVAILABILITY

This schedule supersedes Schedule AF-02 and is available to customers who execute an agreement that provides for BPA-TBL to collect capital and related costs through advance funding or other financial arrangement for specified BPA-owned Federal Columbia River Transmission System (FCRTS) facilities used for:

A. Interconnection or integration of resources and loads to the FCRTS;

B. Upgrades, replacements, or reinforcements of the FCRTS for transmission service; or

C. Other transmission service arrangements, as determined by BPA-TBL.

Service under this schedule is subject to BPA-TBL's General Rate Schedule Provisions (GRSPs).

SECTION II. RATE

The charge is the sum of the actual capital and related costs for specified FCRTS facilities, as provided in the agreement. Such actual capital and related costs include, but are not limited to, costs of design, materials, construction, overhead, spare parts, and all incidental costs necessary to provide service as identified in the agreement.

SECTION III. PAYMENT

A. ADVANCE PAYMENT

Payment to BPA-TBL shall be specified in the agreement as either:

1. A lump sum advance payment;

2. Advance payments pursuant to a schedule of progress payments; or

3. Other payment arrangement, as determined by BPA-TBL.

Such advance payment or payments shall be based on an estimate of the capital and related costs for the specified FCRTS facilities as provided in the agreement.

B. ADJUSTMENT TO ADVANCE PAYMENT

BPA-TBL shall determine the actual capital and related costs of the specified FCRTS facilities as soon as practicable after the date of commercial operation, as

determined by BPA-TBL. The customer will either receive a refund from BPA-TBL or be billed for additional payment for the difference between the advance payment and the actual capital and related costs.

SCHEDULE TGT-04

TOWNSEND-GARRISON TRANSMISSION RATE

SECTION I. AVAILABILITY

This schedule supersedes Schedule TGT-02 and is available to Companies that are parties to the Montana Intertie Agreement (Contract No. DE-MS79-81BP90210, as amended) which provides for firm transmission over BPA-TBL's section (Garrison to Townsend) of the Montana Intertie. Service under this schedule is subject to BPA-TBL's General Rate Schedule Provisions (GRSPs).

SECTION II. RATE

The monthly charge shall be one-twelfth of the sum of the annual charges listed below, as applicable and as specified in the agreements for firm transmission. The Townsend-Garrison 500-kV lines and associated terminal, line compensation, and communication facilities are a separately identified portion of the Federal Transmission System. Annual revenues plus credits for government use should equal annual costs of the facilities, but in any given year there may be either a surplus or a deficit. Such surpluses or deficits for any year shall be accounted for in the computation of annual costs for succeeding years. Revenue requirements for firm transmission use will be decreased by any revenues received from nonfirm use and credits for all government use. The general methodology for determining the firm rate is to divide the revenue requirement by the total firm capacity requirements. Therefore, the higher the total capacity requirements, the lower will be the unit rate.

If the government provides firm transmission service in its section of the Montana [Eastern] Intertie in exchange for firm transmission service in a customer's section of the Montana Intertie, the payment by the government for such transmission services provided by such customer will be made in the form of a credit in the calculation of the Intertie Charge for such customer. During an estimated 1- to 3-year period following the commercial operation of the third generating unit at the Colstrip Thermal Generating

Plant at Colstrip, Montana, the capability of the Federal Transmission System west of Garrison Substation may be different from the long-term situation. It may not be possible to complete the extension of the 500-kV portion of the Federal Transmission System to Garrison by such commercial operation date. In such event, the 500/230 kV transformer will be an essential extension of the Townsend-Garrison Intertie facilities, and the annual costs of such transformer will be included in the calculation of the Intertie Charge.

However, starting 1 month after extension to Garrison of the 500-kV portion of the Federal Transmission System, the annual costs of such transformer will no longer be included in the calculation of the Intertie Charge.

A. NONFIRM TRANSMISSION CHARGE:

This charge will be filed as a separate rate schedule, the Eastern Intertie (IE) rate, and revenues received thereunder will reduce the amount of revenue to be collected under the Intertie Charge below.

B. INTERTIE CHARGE FOR FIRM TRANSMISSION SERVICE:

$$\text{Intertie Charge} = \left[((TAC/12)-NFR) \times \frac{(CR-EC)}{TCR}\right]$$

SECTION III. DEFINITIONS

A. TAC = Total Annual Costs of facilities associated with the Townsend-Garrison 500-kV Transmission line including terminals, and prior to extension of the 500-kV portion of the Federal Transmission System to Garrison, the 500/230 kV transformer at Garrison. Such annual costs are the total of: (1) interest and amortization of associated Federal investment and the appropriate allocation of general plant costs; (2) operation and maintenance costs; (3) allowance for BPA's general administrative costs which are appropriately allocable to such facilities, and (4) payments made pursuant to section 7(m) of Public Law 96-501 with respect to these facilities. Total Annual Costs shall be adjusted to reflect reductions to unpaid total costs as a result of any amounts received, under agreements for firm transmission service over the Montana Intertie, by the government on account of any reduction in Transmission Demand, termination or partial

termination of any such agreement or otherwise to compensate BPA for the unamortized investment, annual cost, removal, salvage, or other cost related to such facilities.

B. NFR = Nonfirm Revenues, which are equal to: (1) the product of the Nonfirm Transmission Charge described in II(A) above, and the total nonfirm energy transmitted over the Townsend-Garrison line segment under such charge for such month; plus (2) the product of the Nonfirm Transmission Charge and the total nonfirm energy transmitted in either direction by the Government over the Townsend-Garrison line segment for such month.

C. CR = Capacity Requirement of a customer on the Townsend-Garrison 500-kV transmission facilities as specified in its firm transmission agreement.

D. TCR = Total Capacity Requirement on the Townsend-Garrison 500-kV transmission facilities as calculated by adding (1) the sum of all Capacity Requirements (CR) specified in transmission agreements described in section I; and (2) the Government's firm capacity requirement. The Government's firm capacity requirement shall be no less than the total of the amounts, if any, specified in firm transmission agreements for use of the Montana Intertie.

E. EC = Exchange Credit for each customer which is the product of: (1) the ratio of investment in the Townsend-Broadview 500-kV transmission line to the investment in the Townsend-Garrison 500-kV transmission line; and (2) the capacity which the Government obtains in the Townsend-Broadview 500-kV transmission line through exchange with such customer. If no exchange is in effect with a customer, the value of EC for such customer shall be zero.

SCHEDULE IE-04

EASTERN INTERTIE RATE

SECTION I. AVAILABILITY

This schedule supersedes IE-02 and is available to Companies that are parties to

the Montana Intertie Agreement (Contract No. DE-MS79-81BP90210, as amended), for nonfirm transmission service on the portion of Eastern Intertie capacity above BPA-TBL's firm transmission rights. Service under this schedule is subject to BPA-TBL's General Rate Schedule Provisions (GRSPs).

SECTION II. RATE

The rate shall not exceed 1.38 mills per kilowatthour.

SECTION III. BILLING FACTORS

The Billing Factor shall be the scheduled kilowatthours, unless otherwise specified in the agreement.

SECTION IV. ADJUSTMENTS, CHARGES, AND OTHER RATE PROVISIONS

A. ANCILLARY SERVICES

Ancillary services that may be required to support IE transmission service are available under the ACS rate schedule.

B. FAILURE TO COMPLY PENALTY

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

SCHEDULE ACS-04
ANCILLARY SERVICES AND
CONTROL AREA SERVICES RATE

SECTION I. AVAILABILITY

This schedule supersedes Schedule ACS-02. 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

A. SCHEDULING, SYSTEM CONTROL AND DISPATCH SERVICE

The rates below apply to Transmission Customers taking Scheduling, System Control and Dispatch 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 Scheduling, System Control and Dispatch Service.

1. RATES

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

The rate shall not exceed $0.166 per kilowatt per month.

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

For each reservation, the rates shall not exceed:

(1) Monthly, Weekly, and Daily Firm and Non-Firm Service

(a) Days 1 through 5 $0.008 per kilowatt per day

(b) Day 6 and beyond $0.005 per kilowatt per day

(2) Hourly Firm and Non-Firm Service

The rate shall not exceed 0.48 mills per kilowatthour.

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 Discounts or for any modifications on a non-firm basis in determining the Scheduling, System Control and Dispatch 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.

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-04).

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 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

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

The rate shall not exceed $0.067 per kilowatt per month.

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

For each reservation, the rates shall not exceed:

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

(a) Days 1 through 5 $0.003 per kilowatt per day

(b) Day 6 and beyond $0.002 per kilowatt per day

(2) Hourly Firm and Non-Firm Service

The rate shall not exceed 0.19 mills per kilowatthour.

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.

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-04).

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.

SECTION II. ANCILLARY SERVICE RATES

C. REGULATION AND FREQUENCY RESPONSE SERVICE

The rate below for Regulation and Frequency Response Service applies to Transmission Customers serving loads in the BPA Control Area. Regulation and Frequency Response Service provides the generation capability to follow the moment-to-moment variations of loads in the BPA Control Area and maintain the power system frequency at 60 Hz in conformance with NERC and WECC reliability standards.

1. RATE

The rate shall not exceed 0.30 mills per kilowatthour.

2. BILLING FACTOR

The Billing Factor is the customer's total load in the BPA Control Area, in kilowatthours.

SECTION II. ANCILLARY SERVICE RATES

D. ENERGY IMBALANCE SERVICE

The rates below apply to Transmission Customers taking Energy Imbalance Service from BPA-TBL. Energy Imbalance Service is taken when there is a difference between scheduled and actual energy delivered to a load in the BPA Control Area during a schedule hour.

1. RATES

a. Imbalances Within Deviation Band 1

Deviation Band 1 applies to deviations that are less than or equal to: i) ± 1.5% of the scheduled amount of energy, or ii) ± 2 MW, whichever is larger in absolute value. BPA-TBL will maintain deviation accounts showing the net Energy Imbalance (the sum of positive and negative deviations from schedule for each hour) for Heavy Load Hour (HLH) and Light Load Hour (LLH) periods. Return energy may be scheduled at any time during the month to bring the deviation account balances to zero at the end of each month. BPA-TBL will approve the hourly schedules of return energy. The customer shall make the arrangements and submit the schedule for the balancing transaction.

The following rates will be applied when a deviation balance remains at the end of the month:

(i) When the monthly net energy (determined for HLH and LLH periods) taken by the Transmission Customer is greater than the energy scheduled, the charge is BPA's incremental cost based on the applicable average HLH and average LLH incremental cost for the month.

(ii) When the monthly net energy (determined for HLH and LLH periods) taken by the Transmission Customer is less than the energy scheduled, the credit is BPA's incremental cost based on the applicable average HLH and LLH incremental cost for the month.

b. Imbalances Within Deviation Band 2

Deviation Band 2 applies to the portion of the deviation i) greater than ± 1.5% of the scheduled amount of energy or ± 2 MW, whichever is larger in absolute value, ii) up to and including ± 7.5% of the scheduled amount of energy or ± 10 MW, whichever is larger in absolute value.

(i) When energy taken by the Transmission Customer in a schedule hour is greater than the energy scheduled, the

charge is 110% of BPA's incremental cost.

(ii) When energy taken by the Transmission Customer in a schedule hour is less than the scheduled amount, the credit is 90% of BPA's incremental cost.

c. Imbalances Within Deviation Band 3

Deviation Band 3 applies to the portion of the deviation i) greater than ± 7.5% of the scheduled amount of energy, or ii) greater than ± 10 MW of the scheduled amount of energy, whichever is larger in absolute value.

(i) When energy taken by the Transmission Customer in a schedule hour is greater than the energy scheduled, the charge is 125% of BPA's highest incremental cost that occurs during the that day. The highest daily incremental cost shall be determined separately for HLH and LLH.

(ii) When energy taken by the Transmission Customer in a schedule hour is less than the scheduled amount, the credit is 75% of BPA's lowest incremental cost that occurs during that day. The lowest daily incremental cost shall be determined separately for HLH and LLH.

2. OTHER RATE PROVISIONS

a. BPA Incremental Cost

BPA's incremental cost will be based on an hourly energy index in the PNW. If no adequate hourly index exists, an alternative index will be used. The index to be used will be posted on the OASIS at least 30 days prior to use for determining the BPA incremental cost and will not be changed more often than once per year unless BPA-TBL determines that the existing index is no longer a reliable price index.

b. Spill Conditions

For any day that the Federal System is in a Spill Condition, no credit is given for negative deviations (actual energy delivered is less than scheduled) for any hour of that

day.

c. Intentional Deviation

For any hour(s) that an imbalance is determined by BPA-TBL to be an Intentional Deviation:

(1) No credit is given when energy taken is less than the scheduled energy.

(2) When energy taken exceeds the scheduled energy, the charge is the greater of: i) 125% of BPA's highest incremental cost that occurs during that day, or ii) 100 mills per kilowatthour.

SECTION II. ANCILLARY SERVICE RATES

E. OPERATING RESERVE -- SPINNING RESERVE SERVICE

The rates below apply to Transmission Customers taking Operating Reserve -- Spinning Reserve Service from BPA-TBL and to generators in the BPA Control Area for settlement of energy deliveries. Spinning Reserve Service is needed to serve load immediately in the event of a system contingency. For a Transmission Customer's load (located inside or outside of the BPA Control Area) served by generation located in the BPA Control Area, the Transmission Customer's Spinning Reserve Requirement shall be determined consistent with applicable NERC, WECC and NWPP standards.

1. RATES

a. The rate shall not exceed 8.39 mills per kilowatthour of the Transmission Customer's Spinning Reserve Requirement.

b. For energy delivered, the generator shall, as directed by BPA-TBL, either:

(i) Purchase the energy at the hourly market index price applicable at the time of occurrence, or

(ii) Return the energy at the times specified by BPA-TBL.

2. BILLING FACTORS

a. The Billing Factor for Spinning Reserve Service is determined in accordance with applicable WECC and NWPP standards. Application of current

standards establish a minimum Spinning Reserve Requirement equal to the sum of:

(i) Two and a half percent (2.5%) of the hydroelectric generation dedicated to the Transmission Customer's firm load responsibility; and

(ii) Three and a half percent (3.5%) of non-hydroelectric generation dedicated to the Transmission Customer's firm load responsibility.

b. The Billing Factor for energy delivered when Spinning Reserve Service is called upon is the energy delivered, in kilowatthours.

SECTION II. ANCILLARY SERVICE RATES

F. OPERATING RESERVE -- SUPPLEMENTAL RESERVE SERVICE

The rates below apply to Transmission Customers taking Operating Reserve -- Supplemental Reserve Service from BPA-TBL and to generators in the BPA Control Area for settlement of energy deliveries. Supplemental Reserve Service is available within a short period of time to serve load in the event of a system contingency. For a Transmission Customer's load (located inside or outside the BPA Control Area) served by generation located in the BPA Control Area, the Transmission Customer's Supplemental Reserve Requirement shall be determined consistent with applicable NERC, WECC and NWPP standards.

1. RATES

a. The rate shall not exceed 8.39 mills per kilowatthour of Supplemental Reserve Requirement.

b. For energy delivered, the Transmission Customer (for interruptible imports only) or the generator shall, as directed by BPA-TBL, either :

(i) Purchase the energy at the hourly market index price applicable at the time of occurrence, or

(ii) Return the energy at the times specified by BPA-TBL.

The Transmission Customer shall be responsible for the settlement of delivered energy associated with interruptible imports (see section 2.a(iii)). The generator shall be

responsible for the settlement of delivered energy associated with generation in the BPA Control Area.

2. BILLING FACTORS

a. The Billing Factor for Supplemental Reserve Service is determined in accordance with applicable WECC and NWPP standards. Application of current standards establish a minimum Supplemental Reserve Requirement equal to the sum of:

(i) Two and one half percent (2.5%) of the hydroelectric generation dedicated to the Transmission Customer's firm load responsibility, plus

(ii) Three and one half percent (3.5%) of non-hydroelectric generation dedicated to the Transmission Customer's firm load responsibility, plus

(iii) Any power scheduled into the BPA Control Area that can be interrupted on ten (10) minutes' notice.

b. The Billing Factor for energy delivered when Supplemental Reserve Service is called upon is the energy delivered, in kilowatthours.

SECTION III. CONTROL AREA SERVICE RATES

A. REGULATION AND FREQUENCY RESPONSE SERVICE

The rate below applies to all loads in the BPA Control Area that are receiving Regulation and Frequency Response Service from the BPA Control Area, and such Regulation and Frequency Response Service is not provided for under a BPA-TBL transmission agreement. Regulation and Frequency Response Service provides the generation capability to follow the moment-to-moment variations of loads in the BPA Control Area and maintain the power system frequency at 60 Hz in conformance with NERC and WECC reliability standards.

1. RATE

The rate shall not exceed 0.30 mills per kilowatthour.

2. BILLING FACTOR

The Billing Factor is the customer's total load in the BPA Control Area, in

kilowatthours.

SECTION III. CONTROL AREA SERVICE RATES

B. GENERATION IMBALANCE SERVICE

The rates below apply to generation resources in the BPA Control Area if Generation Imbalance Service is provided for in an interconnection agreement or other arrangement. Generation Imbalance Service is taken when there is a difference between scheduled and actual energy delivered from generation resources in the BPA Control Area during a schedule hour.

1. RATES

a. Imbalances Within Deviation Band 1

Deviation Band 1 applies to deviations that are less than or equal to: i) ± 1.5% of the scheduled amount of energy, or ii) ± 2 MW, whichever is larger in absolute value. BPA-TBL will maintain deviation accounts showing the net Generation Imbalance (the sum of positive and negative deviations from schedule for each hour) for Heavy Load Hour (HLH) and Light Load Hour (LLH) periods. Return energy may be scheduled at any time during the month to bring the deviation account balances to zero at the end of each month. BPA-TBL will approve the hourly schedules of return energy. The customer shall make the arrangements and submit the schedule for the balancing transaction.

The following rates will be applied when a deviation balance remains at the end of the month:

(i) When the monthly net energy (determined for HLH and LLH periods) delivered from a generation resource is less than the energy scheduled, the charge is BPA's incremental cost based on the applicable average HLH and average LLH incremental cost for the month.

(ii) When the monthly net energy (determined for HLH and LLH periods) delivered from a generation resource is greater than the energy scheduled, the credit is BPA's incremental cost based on the applicable average HLH and

LLH incremental cost for the month.

b. Imbalances Within Deviation Band 2

Deviation Band 2 applies to the portion of the deviation i) greater than ± 1.5% of the scheduled amount of energy or ± 2 MW, whichever is larger in absolute value, ii) up to and including ± 7.5% of the scheduled amount of energy or ± 10 MW, whichever is larger in absolute value.

(i) When energy delivered in a schedule hour from the generation resource is less than the energy scheduled, the charge is 110% of BPA's incremental cost.

(ii) When energy delivered from the generation resource is greater than the scheduled amount, the credit is 90% of BPA's incremental cost.

c. Imbalances Within Deviation Band 3

Deviation Band 3 applies to the portion of the deviation i) greater than ± 7.5% of the scheduled amount of energy, or ii) greater than ± 10 MW of the scheduled amount of energy, whichever is larger in absolute value.

(i) When energy delivered in a schedule hour from the generation resource is less than the energy scheduled, the charge is 125% of BPA's highest incremental cost that occurs during that day. The highest daily incremental cost shall be determined separately for HLH and LLH.

(ii) When energy delivered from the generation resource is greater than the scheduled amount, the credit is 75% of BPA's lowest incremental cost that occurs during that day. The lowest daily incremental cost shall be determined separately for HLH and LLH.

2. OTHER RATE PROVISIONS

a. BPA Incremental Cost

BPA's incremental cost will be based on an hourly energy index in the PNW. If no adequate hourly index exists, an alternative index will be used. The index to be used

will be posted on the OASIS at least 30 days prior to use for determining the BPA incremental cost and will not be changed more often than once per year unless BPA-TBL determines that the existing index is no longer a reliable price index.

b. Spill Conditions

For any day that the Federal System is in a Spill Condition, no credit is given for negative deviations (actual generation greater than schedules) for any hour of that day.

c. Intentional Deviation

No credit is given for negative deviations (actual generation greater than schedules) for any hour(s) that the imbalance is an Intentional Deviation (as determined by BPA-TBL).

For positive deviations (actual generation less than schedules) which are determined by BPA-TBL to be Intentional Deviations, the charge is the greater of: i) 125% of BPA's highest incremental cost that occurs during that day, or ii) 100 mills per kilowatthour.

d. Exemptions from Deviation Band 3

The following resources are not subject to Deviation Band 3:

i) wind resources; and

ii) new generation resources undergoing testing before commercial operation for up to 90 days.

All such deviations greater than ± 1.5% or ± 2 MW will be charged consistent with section 1.b., Imbalances Within Deviation Band 2.

SECTION III. CONTROL AREA SERVICE RATES

C. OPERATING RESERVE -- SPINNING RESERVE SERVICE

Operating Reserve -- Spinning Reserve Service must be purchased by a party with generation in the BPA Control Area that is receiving this service from BPA-TBL, and such Spinning Reserve Service is not provided for under a BPA-TBL transmission agreement. Service is being received if there are no other qualifying resources providing this required reserve service in conformance with NERC, WECC and NWPP standards.

1. RATES

a. The rate shall not exceed 8.39 mills per kilowatthour of Spinning

Reserve Requirement

b. For energy delivered, the customer shall, as directed by BPA-TBL, either:

(i) Purchase the energy at the hourly market index price applicable at the time of occurrence, or

(ii) Return the energy at the times specified by BPA-TBL.

2. BILLING FACTORS

a. The Billing Factor for Spinning Reserve Service is determined in accordance with applicable WECC and NWPP standards. Application of current standards establish a minimum Spinning Reserve Requirement equal to the sum of:

(i) Two and one half percent (2.5%) of the hydroelectric generation dedicated to the customer's firm load responsibility, plus

(ii) Three and one half percent (3.5%) of non-hydroelectric generation dedicated to the customer's firm load responsibility.

b. The Billing Factor for energy delivered when Spinning Reserve Service is called upon is the energy delivered, in kilowatthours.

SECTION III. CONTROL AREA SERVICE RATES

D. OPERATING RESERVE -- SUPPLEMENTAL RESERVE SERVICE

Operating Reserve -- Supplemental Reserve Service must be purchased by a party with generation in the BPA Control Area that is receiving this service from BPA-TBL, and such Supplemental Reserve Service is not provided for under a BPA-TBL transmission agreement. Service is being received if there are no other qualifying resources providing this required reserve service in conformance with NERC, WECC and NWPP standards.

1. RATES

a. The rate shall not exceed 8.39 mills per kilowatthour of

Supplemental Reserve Requirement

b. For energy delivered, the customer shall, as directed by BPA-TBL, either:

(i) Purchase the energy at the hourly market index price applicable at the time of occurrence, or

(ii) Return the energy at the times specified by BPA-TBL.

2. BILLING FACTORS

a. The Billing Factor for Supplemental Reserve Service is determined in accordance with applicable WECC and NWPP guidelines. Application of current guidelines establish a minimum Supplemental Reserve Requirement equal to the sum of:

(i) Two and one half percent (2.5%) of the hydroelectric generation dedicated to the customer's firm load Responsibility, plus

(ii) Three and one half percent (3.5%) of non-hydroelectric generation dedicated to the customer's firm load responsibility, plus

(iii) Any power scheduled into the BPA Control Area that can be interrupted on ten (10) minutes' notice.

b. The Billing Factor for energy delivered when Supplemental Reserve Service is called upon is the energy delivered, in kilowatthours.

SECTION IV. ADJUSTMENTS, CHARGES, AND OTHER RATE PROVISIONS

A. RATE ADJUSTMENT DUE TO FERC ORDER UNDER FPA §212

Customers taking service under this rate schedule are subject to the Rate Adjustment Due to FERC Order under FPA §212 specified in section II.D of the GRSPs.

RATES

SECTION I. GENERALLY APPLICABLE PROVISIONS

A. Approval of Rates

These 2004 rate schedules and General Rate Schedule Provisions (GRSPs) for Transmission and Ancillary Service Rates shall become effective upon interim approval or upon final confirmation and approval by the Federal Energy Regulatory Commission (FERC). Bonneville Power Administration (BPA) has requested that FERC make these rates and GRSPs effective on October 1, 2003. All rate schedules shall remain in effect until they are replaced or expire on their own terms.

B. General Provisions

These 2004 rate schedules and the GRSPs associated with these schedules supersede BPA's 2002 rate schedules (which became effective October 1, 2002) to the extent stated in the Availability section of each rate schedule. These schedules and GRSPs shall be applicable to all BPA-TBL contracts, including contracts executed both prior to, and subsequent to, enactment of the Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act). All sales under these rate schedules are subject to the following acts as amended: the Bonneville Project Act (P.L. 75-329), 16 U.S.C.§ 832, the Pacific Northwest Consumer Power Preference Act (P.L. 88-552), 16 U.S.C.§ 837, the Federal Columbia River Transmission System Act (P.L. 93-454), 16 U.S.C.§ 838, the Northwest Power Act (P.L. 96-501), 16 U.S.C.§ 839, and the Energy Policy Act of 1992 (P.L. 102-486), 16 U.S.C.§ 824(i) – (l).

These 2004 rate schedules do not supersede any previously established rate schedule that is required, by agreement, to remain in effect.

If a provision in an executed agreement is in conflict with a provision contained herein, the former shall prevail.

C. Notices

For the purpose of determining elapsed time from receipt of a notice applicable to rate schedule and GRSP administration, a notice shall be deemed to have been received at 0000 hours on the first calendar day following actual receipt of the notice.

D. Billing and Payment

1. Billing Procedure

Within a reasonable time after the first day of each month, the BPA-TBL shall submit an invoice to the Transmission Customer for the charges for all services furnished under the Tariff and other agreements during the preceding month. The invoice shall be paid by the Transmission Customer within twenty (20) days of receipt. All payments shall be made in immediately available funds payable to the BPA-TBL, or by wire transfer to a bank named by the BPA-TBL.

2. Interest on Unpaid Balances

Interest on any unpaid amounts (including amounts placed in escrow) shall be calculated in accordance with the methodology specified for interest on refunds in the Commission's regulations at 18 C.F.R. § 35.19a(a)(2)(iii). Interest on delinquent amounts shall be calculated from the due date of the bill to the date of payment. When payments are made by mail, bills shall be considered as having been paid on the date of receipt by the BPA-TBL.

3. Customer Default

In the event the Transmission Customer fails, for any reason other than a billing dispute as described below, to make payment to the BPA-TBL on or before the due date as described above, and such failure of payment is not corrected within thirty (30) calendar days after the BPA-TBL notifies the Transmission Customer to cure such failure, a default by the Transmission Customer shall be deemed to exist. Upon the occurrence of a default, the BPA-TBL may notify the Transmission Customer that it plans to terminate services in sixty (60) days. The Transmission Customer may use the dispute resolution procedures to contest such termination. In the event of a billing dispute between the BPA-TBL and the Transmission Customer, the BPA-TBL will continue to provide service under the Service Agreement as long as the Transmission Customer (i) continues to make all payments not in dispute, and (ii) pays into an independent escrow account the portion of the invoice in dispute, pending resolution of such dispute. If the Transmission Customer fails to meet these two requirements for continuation of service, then the BPA-TBL may provide notice to the Transmission Customer of its intention to suspend service in sixty (60) days, in accordance with

Commission policy.

SECTION II. ADJUSTMENTS, CHARGES, AND SPECIAL RATE PROVISIONS

A. DELIVERY CHARGE

Transmission Customers shall pay a Delivery Charge for service over DSI Delivery facilities and Utility Delivery facilities.

1. Rates

a. DSI Delivery

Use-of-Facilities (UFT-04) Rate, section III.B.1 or III.B.2

b. Utility Delivery

$0.946 per kilowatt per month

2. Billing Factor

a. Utility Delivery

The monthly Billing Factor for the Utility Delivery rate in section 1.b. shall be the total load on the hour of the Monthly Transmission Peak Load at the Points of Delivery specified as Utility Delivery facilities.

The monthly Utility Delivery Billing Factor shall be adjusted for customers who pay for Utility Delivery facilities under the Use-of-Facilities (UFT) rate schedule. The kilowatt credit shall equal the transmission service over the Delivery facilities used to calculate the UFT charge. This adjustment shall not reduce the Utility Delivery Charge billing factor below zero.

b. Metering Adjustment

At those Points of Delivery that do not have meters capable of determining the demand on the hour of the Monthly Transmission Peak Load, the Billing Factor under section 2.a. shall equal the highest hourly demand that occurs during the billing month at the Point of Delivery multiplied by 0.79.

B. FAILURE TO COMPLY PENALTY CHARGE

If a party fails to comply with the BPA-TBL's curtailment, redispatch, or load shedding orders, the party will be assessed the Failure to Comply Penalty Charge.

Parties who are unable to comply with a curtailment, load shedding, or redispatch order due to a force majeure on their system will not be subject to this penalty provided

that they immediately notify the BPA-TBL of the situation upon occurrence of the force majeure.

1. RATE

The rate shall be the highest of:

a. 100 mills per kilowatthour;

b. any costs incurred by the BPA-TBL in order to manage the reliability of the FCRTS due to the failure to comply;

c. an hourly market price index plus 10%.

The hourly market price index will be the larger of the California ISO Ex-Post Supplemental Energy Price or the Dow Jones Mid-Columbia Firm Index Price for the hour(s) when the failure to comply occurred.

2. BILLING FACTORS

The Billing Factor shall be the kilowatthours that were not curtailed or redispatched in any of the following situations:

a. Failure to shed load when required as specified by the Load Shedding provisions of the Open Access Transmission Tariff or any other applicable agreement between the parties. This includes failure to respond within the time period specified by the North American Electric Reliability Council (NERC), Western Electricity Coordinating Council (WECC), or Northwest Power Pool (NWPP) criteria.

b. Failure of a generator in the BPA Control Area or which directly interconnects to the FCRTS to change generation levels when directed to do so by the BPA-TBL. This includes failure to respond within the time period specified by NERC, WECC, or NWPP criteria.

c. Failure to curtail a schedule in the time period specified by NERC, WECC, or NWPP criteria when directed to do so by the BPA-TBL.

C. POWER FACTOR PENALTY CHARGE

1. Description of the Power Factor Penalty Charge

Any party that is interconnected with the Federal Columbia River Transmission System (FCRTS) shall be charged for its reactive power requirements as described in this

section, unless otherwise specified in an agreement existing prior to October 1, 1995.

Each point of interconnection or point of delivery shall be monitored and billed independently for determining the party's total reactive power requirements and all associated billing factors, including the Reactive Deadband. If a party is taking transmission service under multiple rate schedules, the party will pay for its reactive power requirements as if it is taking delivery under only one rate schedule.

2. Conditions for Application of the Power Factor Penalty Charge

a. Measured Data

The Power Factor Penalty Charge will apply to only the party's reactive power requirements for which measured data exist.

b. Party's Generating Resource Connected to the FCRTS

Irrespective of the direction of real power flow, the Power Factor Penalty Charge shall apply to points of interconnection where a party's generating resource is directly connected to the FCRTS, *unless* the party's generating resource is either:

i. a synchronous generator equipped with a voltage regulator, or

ii. equipped with reactive power control devices that comply with BPA-TBL's applicable interconnection standards.

Such resource must actively support the voltage schedule at the point of integration at all times when the resource is in service, as determined by BPA Transmission Business Line, for this exemption to apply. Generating resources that do not satisfy the above criteria shall not be exempt from the Power Factor Penalty Charge.

c. Bi-directional Real Power Flow

For points other than those specified in section 2(b), the Power Factor Penalty Charge will *not* be applied, and no new Ratchet Demand for reactive power will be established, at a specific point if the metered real power (on an hourly integrated basis) flows from the party's system to the FCRTS at that point for as little as one hour during the billing period. However, the party will still pay any previously incurred demand ratchet charges. The direction of the real power flow will be determined based on

metered quantities, not on scheduled quantities.

d. Service by Transfer

Points of delivery that are served by transfer over another utility's transmission system will *not* be subject to the Power Factor Penalty Charge *unless* there are significant BPA-TBL Network facilities between the party's points of delivery and the transferor's system.

e. Specific Points Exempt from the Power Factor Penalty Charge

The Power Factor Penalty Charge will *not* apply to the following points:

Nevada-Oregon Border (NOB)

Big Eddy 500 kV

Big Eddy 230 kV

John Day 500 kV

Malin 500 kV

Captain Jack 500 kV

Garrison 500 kV

Townsend 500 kV

f. Special Circumstances

The party may submit requests to BPA Transmission Business Line for consideration of unique circumstances. BPA Transmission Business Line will evaluate the request and may make arrangements with the party to address the special circumstances.

3. Rates

BPA-TBL will bill the party for reactive power at each point each month as follows:

<u>Reactive Demand</u>

$0.28 per kVAr of lagging reactive demand in excess of the Reactive Deadband during HLH in all months of the year.

$0.24 per kVAr of leading reactive demand in excess of the Reactive Deadband during LLH in all months of the year.

No charge for leading reactive demand during HLH.

No charge for lagging reactive demand during LLH.

4. Billing Factors

a. Reactive Deadband

The Reactive Deadband (measured in kVAr) is used to determine the Reactive Billing Demand and Ratchet Demand for the Power Factor Penalty Charge.

The Reactive Deadband for each billing period is the maximum hourly integrated metered real power demand (measured in kW) at each point during the billing period multiplied by 25 percent.

The Reactive Deadband for either HLH or LLH:

(i) is computed once per billing period (the same quantity is used for both HLH and LLH),

(ii) does not vary during the billing period, and

(iii) is based on the maximum hourly integrated metered real power demand during that billing period.

b. Reactive Billing Demand

The party's Reactive Billing Demand shall be calculated independently for lagging reactive power and leading reactive power at each point for which a Power Factor Penalty Charge is assessed.

All reactive demands shall be established in the particular HLH or LLH at each point during which the party's maximum applicable reactive demand is placed on BPA-TBL, regardless of the time of the real power peak at each point.

All reactive demand at each point shall be established on a non-coincidental basis, regardless of whether the party is billed for real power or transmission at such point on a coincidental or non-coincidental basis, *unless* otherwise specified in the agreement between BPA-TBL and the party, *or* coincidental billing is, in BPA-TBL's sole determination, more practical for BPA-TBL.

There will be separate reactive demands for lagging (HLH) and leading (LLH) demands. The party's Reactive Billing Demand for each point for the billing month shall be the *larger* of:

(i) the largest measured reactive demand in excess of the Reactive Deadband during the billing period, *or*

(ii) the Ratchet Demand for reactive power.

The Ratchet Demand for reactive power is equal to 100 percent of the largest measured reactive demand in excess of the Reactive Deadband during the preceding 11-month period. Each point shall have a separate Ratchet Demand for lagging (HLH) and leading (LLH) reactive demand.

5. Adjustments for Reactive Losses

Measured data shall be adjusted for reactive losses, if applicable, before determination of the Reactive Billing Demand.

D. RATE ADJUSTMENT DUE TO FERC ORDER UNDER FPA §212

If, after review by FERC, the NT, PTP, IS, or IM rate schedule, as initially submitted to FERC, is modified to satisfy the standards of section 212(i)(1)(B)(ii) of the Federal Power Act (16 U.S.C. §824k(i)(1)(B)(ii)) for FERC-ordered transmission service, then such modifications shall automatically apply to the rate schedule for non-section 212(i)(1)(B)(ii) transmission service. The modifications for non-section 212(i)(1)(B)(ii) transmission service, as described above, shall be effective, however, only prospectively from the date of the final FERC order granting final approval of the rate schedule for FERC-ordered transmission service pursuant to section 212(i)(1)(B)(ii). No refunds shall be made or additional costs charged as a consequence of this prospective modification for any non-section 212(i)(1)(B)(ii) transmission service that occurred under the rate schedule prior to the effective date of such prospective modification.

E. RESERVATION FEE

The Reservation Fee is a nonrefundable fee that shall be charged to any PTP Transmission Service customer who postpones the commencement of service by:

a. reserving "deferred" service for Long-Term Firm Point-to-Point Transmission Service through an advanced reservation; or

b. requesting an extension of the Service Commencement Date specified in the executed Service Agreement.

For requests beginning October 1, 2001, "deferred" service is any advance reservation of Long-Term Firm Point-to-Point Transmission Service with a Service Commencement Date greater than one (1) year from the request date.

The Reservation Fee shall be specified in the executed agreement for transmission service.

1. Fee

The Reservation Fee shall be a nonrefundable fee equal to one month's charge for the requested Long-Term Firm Point-to-Point Transmission Service for each year or fraction of a year for which the customer chooses to defer service or extend the Service Commencement Date. The Reservation Fee shall be paid annually until transmission service begins or the reservation period ends, whichever occurs first.

2. PAYMENT

a. For deferred service, the Reservation Fee for the first year shall be paid in a lump sum within 30 days of the date the first year service deferral begins. For subsequent years, the Reservation Fee shall be paid in a lump sum within 30 days of the anniversary date of deferred service. The Reservation Fee shall be assessed annually until transmission service begins or the reservation period ends, whichever occurs first.

b. For extensions of the Service Commencement Date, the Reservation Fee for the first extension of the Service Commencement Date shall be paid in a lump sum within 30 days of the original Service Commencement Date. For subsequent extensions, the Reservation Fee shall be paid in a lump sum within 30 days of the anniversary date of the original Service Commencement Date.

F. TRANSMISSION AND ANCILLARY SERVICES RATE DISCOUNTS

BPA-TBL may offer discounted rates for transmission and ancillary services available under the Open Access Transmission Tariff and to the extent provided for in the PTP, IS, IM and ACS rate schedules.

Three principal requirements apply to discounts for transmission service, and for Ancillary Services provided by the Transmission Provider in conjunction with its provision of transmission service, as follows:

a. any offer of a discount made by the Transmission Provider must be

announced to all Eligible Customers solely by posting on the OASIS;

b. any customer-initiated requests for discounts (including requests for use by one's wholesale merchant or an affiliate's use) must occur solely by posting on the OASIS; and

c. once a discount is negotiated, details must be immediately posted on the OASIS.

For any discount agreed upon for transmission service on a path, from point(s) of receipt to point(s) of delivery, the Transmission Provider must offer the same discounted transmission service rate for the same time period to all Eligible Customers on all unconstrained transmission paths that go to the same point(s) of delivery on the Transmission System.

A discount agreed upon for an Ancillary Service must be offered for the same period to all Eligible Customers on the Transmission Provider's System.

G. UNAUTHORIZED INCREASE CHARGE (UIC)

Transmission Customers taking Point-to-Point Transmission Service under the PTP, IS, and IM Rate Schedules shall be assessed the UIC when they exceed their capacity reservations at any Point of Receipt (POR) or Point of Delivery (POD). Transmission Customers taking Network Integration Transmission Service under the NT Rate Schedule shall be assessed the UIC if their Actual Customer-Served Load (CSL) is less than their Declared CSL.

1. RATE

a. Point-To-Point Transmission Service (PTP, IS, and IM Rate Schedules)

(1) Long-Term Transmission Service

The UIC rate shall be two (2) times the PTP, IS, or IM rate per kilowatt per month for Long-Term Firm PTP Transmission Service as specified in section II.A. of the applicable rate schedule.

(2) Monthly, Weekly, and Daily Transmission Service

The UIC rate shall be two (2) times the rate per kilowatt for transmission service,

calculated by applying the rates per kilowatt per day specified in section II.B.1 of the applicable rate schedule to the total number of days of the transmission reservation.

The UIC rate shall not exceed two (2) times the PTP, IS, or IM rate per kilowatt per month for Long-Term Firm Transmission Service.

(3) Hourly Transmission Service

The UIC rate shall be two (2) times the rate per kilowatt for transmission service, calculated by applying the rate per kilowatthour specified in section II.B.2 of the applicable rate schedule to the total number of hours of the transmission reservation.

b. Network Integration Transmission Service (NT Rate Schedule)

$2.056 per kilowatt per month

2. BILLING FACTORS

a. Point-To-Point Transmission Service (PTP, IS, and IM Rate Schedules

For each hour of the monthly billing period, BPA-TBL shall determine the amount by which the Transmission Customer exceeds its capacity reservation at each POD and POR, to the extent practicable. BPA-TBL shall use hourly measurements based on a 10-minute moving average to calculate actual demands at PODs associated with loads that are one-way dynamically scheduled and at PORs associated with resources that are one-way dynamically scheduled. To calculate actual demands at PODs and PORs that are associated with two-way dynamic schedules, BPA-TBL shall use instantaneous peak demands for each hour. Actual demands at all other PODs and PORs will be based on 60-minute integrated demands or transmission schedules.

For each hour, BPA-TBL will sum these amounts that exceed capacity

reservations: 1) for all PODs, and 2) for all PORs. The Billing Factor for the monthly billing period shall be the greater of the highest one-hour POD sum or highest one-hour POR sum.

b. Network Integration Transmission Service (NT Rate Schedule)

In each billing month on the hour of the Monthly Transmission Peak Load, the Billing Factor shall equal the Declared CSL minus the Actual CSL.

3. UIC Relief

Under appropriate circumstances, BPA-TBL may waive or reduce the UIC to a Transmission Customer on a non-discriminatory basis. A Transmission Customer seeking a reduction or waiver must demonstrate good cause for relief, including a demonstration that:

1. The event which resulted in the UIC

   (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 UIC

   (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 Transmission

Customer.

If a waiver or reduction is granted to a Transmission Customer, notice of such waiver or reduction will be posted on the BPA-TBL's OASIS.

If the Transmission Customer is subject to a UIC in a month, but has not received notice from the BPA-TBL of such UIC by billing or otherwise, and the Transmission Customer is also subject to UIC(s) in following month(s) due to the lack of notice, then BPA-TBL may bill the Transmission Customer for the highest UIC in the series. The UIC for all other months (including the first month(s) if it does not have the highest UIC) in such a series will be waived.

H. GTA DELIVERY CHARGE

Customers who purchase Federal power that is delivered over non-Federal low voltage transmission facilities shall pay a GTA Delivery Charge. The GTA Delivery Charge is a BPA Power Business Line charge for low voltage delivery service of Federal power provided under General Transfer Agreements (GTAs) and other non-Federal transmission service agreements.

1. Rate

$0.946 per kilowatt per month

2. Billing Factor

The monthly Billing Factor for the GTA Delivery rate shall be the total amount of Federal power delivered on the hour of the Monthly Transmission Peak Load at the low voltage Points of Delivery provided for in GTA and other non-Federal transmission service agreements.

At those Points of Delivery that do not have meters capable of determining the

demand on the hour of the Monthly Transmission Peak Load, the Billing Factor shall equal the highest hourly demand that occurs during the billing month at the Point of Delivery multiplied by 0.79.

SECTION III. DEFINITIONS

1. Ancillary Services

Ancillary Services are those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of BPA-TBL's Transmission System in accordance with Good Utility Practice. Ancillary Services include: Scheduling, System Control and Dispatch; Reactive Supply and Voltage Control from Generation Sources; Regulation and Frequency Response; Energy Imbalance; Operating Reserve – Spinning; and Operating Reserve -- Supplemental. Ancillary Services are available under the ACS rate schedule.

2. Billing Factor

The *Billing Factor* is the quantity to which the charge specified in the rate schedule is applied. When the rate schedule includes charges for several products, there may be a Billing Factor for each product.

3. Control Area

A *Control Area* is an electric power system or combination of electric power systems to which a common automatic generation control scheme is applied in order to:

1. match, at all times, the power output of the generators within the electric power system(s) and capacity and energy purchased from entities outside the electric power system(s), with the load within the electric power system(s);

2. maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice;

3. maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice; and

4. provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

4. Control Area Services

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 may 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-TBL. Reliability Obligations for resources or loads in the BPA Control Area are determined by applying the North American Electric Reliability Council (NERC), Western Electricity Coordinating Council (WECC), and the Northwest Power Pool (NWPP) reliability criteria. Control Area Services, include, without limitation:

a. Regulation and Frequency Response Service

b. Generation Imbalance Service

c. Operating Reserve – Spinning Reserve Service

d. Operating Reserve – Supplemental Reserve Service

e. Other Control Area services.

5. Daily Service

Daily Service is Short-Term Firm and Non-Firm PTP Transmission Service that starts at 00:00 of any date and stops at 00:00 at least one (1) day later, but less than or equal to six (6) days later.

6. Direct Assignment Facilities

Facilities or portions of facilities that are constructed by the BPA-TBL for the sole use/benefit of a particular Transmission Customer requesting service under the Open Access Transmission Tariff, the costs of which may be directly assigned to the Transmission Customer in accordance with applicable Federal Energy Regulatory Commission policy. Direct Assignment Facilities shall be specified in the service agreement that governs service to the Transmission Customer.

7. Direct Service Industry (DSI) Delivery

The *DSI Delivery* segment is the segment of the FCRTS that provides service to DSI customers at voltages of 34.5 kV and below.

8. Dynamic Schedule

A *Dynamic Schedule* is a telemeter reading or value which is updated in real time and which is used as a schedule in the Automatic Generation Control (AGC) and Area Control Error (ACE) equation of the BPA-TBL and the integrated value of which is treated as a schedule for interchange accounting purposes. One-way Dynamic Schedules are commonly used for scheduling remote generation or remote load to or from another Control Area. Two-way Dynamic Schedules are commonly used to provide supplemental regulation or operating reserve support from one entity to another, usually between Control Areas. The Receiving Party sends the Delivering Party a requested Dynamic Schedule (the first part of the two-way schedule). The Delivering Party then

responds with the official Dynamic Schedule of what actually is delivered to the Receiving Party (the second part of the two-way schedule).

9. Dynamic Transfer

Dynamic Transfer is the provision of real-time monitoring, telemetering, computer software, hardware, communications, engineering, transmission capacity and energy accounting (including inadvertent interchange), and administration, including transmission scheduling, required to electronically move all or a portion of the real energy services associated with a generator or load out of one Control Area into another Control Area.

10. Eastern Intertie

The *Eastern Intertie* is the segment of the Federal Columbia River Transmission System (FCRTS) for which the transmission facilities consist of the Townsend-Garrison double-circuit 500 kV transmission line segment, including related terminals at Garrison.

11. Energy Imbalance Service

Energy Imbalance Service is provided when a difference occurs between the scheduled and the actual delivery of energy to a load located within a Control Area over a single hour. The BPA-TBL must offer this service when the transmission service is used to serve load within its Control Area. The Transmission Customer must either purchase this service from the BPA-TBL or make alternative comparable arrangements specified in the Transmission Customer's Service Agreement to satisfy its Energy Imbalance Service obligation.

12. Federal Columbia River Transmission System

The *Federal Columbia River Transmission System* (FCRTS) is the transmission

facilities of the Federal Columbia River Power System, which include all transmission facilities owned by the government and operated by BPA, and other facilities over which BPA has obtained transmission rights.

13. Federal System

The *Federal System* is the generating facilities of the Federal Columbia River Power System, including the Federal generating facilities for which BPA is designated as marketing agent; the Federal facilities under the jurisdiction of BPA; and any other facilities:

a. from which BPA receives all or a portion of the generating capability (other than station service) for use in meeting BPA's loads to the extent BPA has the right to receive such capability. "BPA's loads" do not include any of the loads of any BPA customer that are served by a non-Federal generating resource purchased or owned directly by such customer which may be scheduled by BPA;

b. which BPA may use under contract or license; or

c. to the extent of the rights acquired by BPA pursuant to the 1961 U.S.-Canada Treaty relating to the cooperative development of water resources of the Columbia River Basin.

14. Generation Imbalance

Generation Imbalance is the difference between the hourly scheduled amount and actual delivered amount of energy from a generation resource in the BPA Control Area.

15. Generation Imbalance Service

Generation Imbalance Service is taken when there is a difference between scheduled and actual energy delivered from generation resources in the BPA Control Area during a schedule hour.

16. Heavy Load Hours (HLH)

Heavy Load Hours (HLH) are all those hours in the peak period hour ending 7 a.m. to the hour ending 10 p.m., Monday through Saturday, Pacific Prevailing Time (Pacific Standard Time or Pacific Daylight Time, as applicable). There are no exceptions to this definition; that is, it does not matter whether the day is a normal working day or a holiday.

17. Hourly Firm Point-To-Point (PTP) Transmission Service

Hourly Firm Point-To-Point (PTP) Service, or Hourly Firm Service, is firm transmission service under Part II of the Open Access Transmission Tariff in hourly increments.

18. Hourly Nonfirm Service

Hourly Nonfirm Service is nonfirm transmission service under Part II of the Open Access Transmission Tariff in hourly increments.

19. Integrated Demand

Integrated Demand is the quantity derived by mathematically "integrating" kilowatthour deliveries over a 60-minute period. For one-way dynamic schedules, demand is integrated on a rolling ten-minute basis.

20. Intentional Deviation

BPA, in its sole determination, may find that an *Intentional Deviation* exists if:

a) a deviation is persistent during multiple consecutive hours or at

specific times of the day;

b) a pattern of under-delivery or over-use of energy occurs; or

c) persistent over-generation or under-use during Light Load Hours, particularly when the customer does not respond by adjusting schedules for future days to correct these patterns.

21. Light Load Hours (LLH)

Light Load Hours (LLH) are all those hours in the offpeak period hour ending 11 p.m. to hour ending 6 a.m., Monday through Saturday and all hours Sunday, Pacific Prevailing Time (Pacific Standard Time or Pacific Daylight Time, as applicable).

22. Long-Term Firm Point-To-Point (PTP) Transmission Service

Long-Term Firm Point-to-Point Transmission Service is Firm Point-To-Point Transmission Service under Part II of the Open Access Transmission Tariff with a term of one year or more.

23. Main Grid

As used in the FPT rate schedule, the *Main Grid* is that portion of the Network facilities with an operating voltage of 230 kV or more.

24. Main Grid Distance

As used in the FPT rate schedules, *Main Grid Distance* is the distance in airline miles on the Main Grid between the Point of Integration (POI) and the Point of Delivery (POD), multiplied by 1.15.

25. Main Grid Interconnection Terminal

As used in the FPT rate schedules, *Main Grid Interconnection Terminal* refers to

Main Grid terminal facilities that interconnect the FCRTS with non-BPA facilities.

26. Main Grid Miscellaneous Facilities

As used in the FPT rate schedules, *Main Grid Miscellaneous Facilities* refers to switching, transformation, and other facilities of the Main Grid not included in other components.

27. Main Grid Terminal

As used in the FPT rate schedules, *Main Grid Terminal* refers to the Main Grid terminal facilities located at the sending and/or receiving end of a line, exclusive of the Interconnection terminals.

28. Measured Demand

The *Measured Demand* is that portion of the customer's Metered or Scheduled Demand for transmission service from BPA-TBL under the applicable transmission rate schedule. If transmission service to a point of delivery, or from a point of receipt, is provided under more than one rate schedule, the portion of the measured quantities assigned to any rate schedule shall be as specified by contract. The portion of the total Measured Demand so assigned shall be the Measured Demand for transmission service for each transmission rate schedule.

29. Metered Demand

Except for dynamic schedules, the *Metered Demand* in kilowatts shall be the largest of the 60-minute clock-hour Integrated Demands at which electric energy is delivered (received) for a transmission customer:

a. at each point of delivery (receipt) for which the Metered Demand is the basis for the determination of the Measured Demand;

b. during each time period specified in the applicable rate schedule; and

c. during any billing period.

Such largest Integrated Demand shall be determined from measurements made in accord with the provisions of the applicable contract and these GRSPs. This amount shall be adjusted as provided herein and in the applicable agreement between BPA-TBL and the customer.

For one-way Dynamic Schedules, the Metered Demand in kilowatts shall be the largest 10 minute moving average of the load (generation) at the point of delivery (receipt). The 10-minute moving average shall be assigned to the hour in which the 10 minute period ends. For two-way Dynamic Schedules, the Metered Demand in kilowatts shall be the largest instantaneous value of the Dynamic Schedule during the hour.

30. Montana Intertie

The *Montana Intertie* is the double-circuit 500 kV transmission line and associated substation facilities from Broadview Substation to Garrison Substation.

31. Monthly Firm Service

Monthly Firm Service is Short-Term Firm PTP Transmission Service that starts at 00:00 of any date and stops at 00:00 at least 28 days later, but less than or equal to 364 days later.

32. Monthly Non-Firm Service

Monthly Non-Firm Service is Non-Firm PTP Transmission Service that starts at 00:00 of any date and stops at 00:00 at least 28 days later, but less than or equal to 31 days later.

33. Monthly Transmission Peak Load

Monthly Transmission Peak Load is the peak loading on the Federal transmission system during any hour of the designated billing month, determined by the largest hourly integrated demand produced from the sum of Federal and non-Federal generating plants in BPA's Control Area and metered flow into BPA's Control Area.

34. Network (or Integrated Network)

The *Network* is the segment of the Federal Columbia River Transmission System (FCRTS) for which the transmission facilities provide the bulk of transmission of electric power within the Pacific Northwest.

35. Network Integration Transmission (NT) Service

Network Integration Transmission (NT) Service is the transmission service provided under Part III of the Open Access Transmission Tariff.

36. Network Load

Network Load is the load that a Network Customer designates for Network Integration Transmission Service under Part III of the Open Access Transmission Tariff. The Network Customer's Network Load shall include all load served by the output of any Network Resources designated by the Network Customer. A Network Customer may elect to designate less than its total load as Network Load but may not designate only part of the load at a discrete Point of Delivery. Where an Eligible Customer has elected not to designate a particular load at discrete Points of Delivery as Network Load, the Eligible Customer is responsible for making separate arrangements under Part II of the Tariff for any Point-to-Point Transmission Service that may be necessary for such non-designated load.

37. Network Upgrades

Network Upgrades are modifications or additions to transmission-related facilities that are integrated with and support the BPA-TBL's overall Transmission System for the general benefit of all users of such Transmission System.

38. Non-Firm Point-To-Point (PTP) Transmission Service

Non-Firm Point-To-Point Transmission Service is Point-To-Point Transmission Service under the Open Access Transmission Tariff that is reserved and scheduled on an as-available basis and is subject to Curtailment or Interruption as set forth in Section 14.7 under Part II of the Tariff. Non-Firm PTP Transmission Service is available on a stand-alone basis for periods ranging from one hour to one month.

39. Operating Reserve -- Spinning Reserve Service

Operating Reserve -- Spinning Reserve Service is needed to serve load immediately in the event of a system contingency. Spinning Reserve Service may be provided by generating units that are on-line and loaded at less than maximum output. The BPA-TBL must offer this service when the transmission service is provided to load served by generation located in the BPA Control Area. The Transmission or Control Area Service Customer must either purchase this service from the BPA-TBL or make alternative comparable arrangements to satisfy its Spinning Reserve Service obligation. The Transmission or Control Area Service Customer's obligation is determined consistent with North American Electric Reliability Council (NERC), Western Systems Coordinating Council (WECC) and Northwest Power Pool (NWPP) criteria.

40. Operating Reserve – Supplemental Reserve Service

Operating Reserve – Supplemental Reserve Service is needed to serve load in the

event of a system contingency; however, it is not available immediately to serve load but rather within a short period of time. Supplemental Reserve Service may be provided by generating units that are on-line but unloaded, by quick-start generation or by interruptible load. The BPA-TBL must offer this service when the transmission service is provided to load served by generation located in the BPA Control Area. The Transmission or Control Area Service Customer must either purchase this service from the BPA-TBL or make alternative comparable arrangements to satisfy its Supplemental Reserve Service obligation. The Transmission Customer's obligation is determined consistent with North American Electric Reliability Council (NERC), Western Electricity Coordinating Council (WECC) and Northwest Power Pool criteria.

41. Operating Reserve Requirement

Operating Reserve Requirement is a party's total reserve obligation to the BPA Control Area. A party is responsible for purchasing or otherwise providing Operating Reserves associated with its transactions which impose a reserve obligation on the BPA Control Area. Operating Reserve Requirement is composed of two parts: regulating reserve obligation and contingency reserve obligation.

A party's regulating reserve obligation is met by purchasing Regulation and Frequency Response Service. The contingency reserve obligation is satisfied by purchasing or otherwise providing Operating Reserve - Spinning Reserve Service and Operating Reserve - Supplemental Reserve Service.

The specific amounts required are determined consistent with North American Electric Reliability Council (NERC) Policies, the Northwest Power Pool (NWPP) Operating Manual, "Contingency Reserve Sharing Procedure," and the Western

Electricity Coordinating Council (WECC) "Minimum Operating Reliability Criteria" (MORC).

42. Point(s) of Delivery (POD)

Point(s) on the BPA-TBL's Transmission System, or transfer points on other utility systems pursuant to Section 36 of the Open Access Transmission Tariff (Tariff), where capacity and energy transmitted by the BPA-TBL will be made available to the Receiving Party under Parts II and III of the Tariff or to the Transmission Customer under other BPA transmission service agreements. The Point(s) of Delivery shall be specified in the Service Agreement for Long-Term Firm Point-to-Point Service, Network Integration Transmission Service, and other BPA-TBL transmission services.

43. Point of Integration (POI)

A *Point of Integration* is the contractual interconnection point where power is received from the customer. Typically, a point of integration is located at a resource site, but it could be located at some other interconnection point.

44. Point of Interconnection (POI)

A *Point of Interconnection* is a point where the facilities of two entities are interconnected. This term has the same meaning as "Point of Integration" and "Point of Receipt" in certain pre-Open Access Transmission Tariff service agreements.

45. Point(s) of Receipt (POR)

Point(s) of Receipt are the point(s) of interconnection on the BPA-TBL's Transmission System where capacity and energy will be made available to the BPA-TBL by the Delivering Party under Parts II and III of the Open Access Transmission Tariff. The Point(s) of Receipt shall be specified in the Service Agreement for Long-Term Firm

Point-to-Point Service, Network Integration Transmission Service, and other BPA-TBL transmission services.

46. Ratchet Demand

The *Ratchet Demand* in kilowatts or kilovars is the maximum demand established during a specified period of time either during, or prior to, the current billing period. The Ratchet Demand shall be the maximum demand established during the previous 11 billing months. If a Transmission Demand has been decreased pursuant to the terms of the transmission agreement during the previous 11 billing months, such decrease will be reflected in determining the Ratchet Demand. The Ratchet Demand for reactive power is defined in the Power Factor Penalty Charge at section II.D of these GRSPs.

47. Reactive Power

Reactive Power is the out-of-phase component of the total volt-amperes in an electric circuit. Reactive Power has two components: reactive demand (expressed in kilovars or kVAr) and reactive energy (expressed in kilovarhours or kVArh).

48. Reactive Supply and Voltage Control from Generation Sources Service

Reactive Supply and Voltage Control from Generation Sources Service is required to maintain voltage levels on the BPA-TBL's transmission facilities within acceptable limits. In order to maintain transmission voltages on the BPA-TBL's transmission facilities within acceptable limits, generation facilities (in the Control Area where the BPA-TBL's transmission facilities are located) are operated to produce (or absorb) reactive power. Thus, Reactive Supply and Voltage Control from Generation Sources Service must be provided for each transaction on the BPA-TBL's transmission facilities.

The amount of Reactive Supply and Voltage Control from Generation Sources Service that must be supplied with respect to the Transmission Customer's transaction will be determined based on the reactive power support necessary to maintain transmission voltages within limits that are generally accepted in the region and consistently adhered to by the BPA-TBL. The Transmission Customer must purchase this service from the BPA-TBL.

49. Regulation and Frequency Response Service

Regulation and Frequency Response Service is necessary to provide for the continuous balancing of resources (generation and interchange) with load and for maintaining scheduled Interconnection frequency at sixty cycles per second (60 Hz). Regulation and Frequency Response Service is accomplished by committing on-line generation whose output is raised or lowered (predominantly through the use of automatic generating control equipment) as necessary to follow the moment-by-moment changes in load. The obligation to maintain this balance between resources and load lies with the BPA-TBL. The BPA-TBL must offer this service when the transmission service is used to serve load within its Control Area. The Transmission Customer must either purchase this service from the BPA-TBL or make alternative comparable arrangements to satisfy its Regulation and Frequency Response Service obligation.

50. Reliability Obligations

Reliability Obligations are the obligations that a party with resources or loads in the BPA Control Area must provide in order to meet minimum reliability standards. Reliability Obligations shall be determined consistent with applicable North American Electric Reliability Council (NERC), Western Electricity Coordinating Council (WECC),

and Northwest Power Pool (NWPP) standards. BPA-TBL offers Ancillary Services and Control Area Services to allow resources or loads to meet their Reliability Obligations.

51. Capacity Reserved

The maximum amount of capacity and energy that BPA-TBL agrees to transmit for the Transmission Customer over the BPA-TBL's Transmission System between the Point(s) of Receipt and the Point(s) of Delivery under Part II of the Open Access Transmission Tariff. Reserved Capacity shall be expressed in terms of whole megawatts on a sixty (60) minute interval (commencing on the clock hour) basis. In cases where Dynamic Schedules are involved, the Reserved Capacity must be set at a level to accommodate (a) a demand equal to the largest ten-minute (10) moving average of the load or generation expected to occur during the contract period for one-way Dynamic Schedules used to transfer generation or load from one Control Area to another Control Area; or (b) a demand equal to the instantaneous peak demand, for each direction, of the supplemental Control Area service request expected to occur during the contract period for two-way Dynamic Transfers, used to provide supplemental Control Area services. The supplemental Control Area service response shall always be the lesser of the Control Area service request or the Reserved Capacity associated with the supplemental Control Area service.

52. Scheduled Demand

Scheduled Demand is the hourly demand at which electric energy is scheduled for transmission on the FCRTS.

53. Scheduling, System Control and Dispatch Service

Scheduling, System Control and Dispatch Service is required to schedule the

movement of power through, out of, within, or into a Control Area. This service can be provided only by the operator of the Control Area in which the transmission facilities used for transmission service are located. The Transmission Customer must purchase this service from the BPA-TBL.

54. Secondary System

As used in the FPT rate schedules, *Secondary System* is that portion of the Network facilities with an operating voltage between 69 kV to less than 230 kV.

55. Secondary System Distance

As used in the FPT rate schedules, *Secondary System Distance* is the number of circuit miles of Secondary System transmission lines between the secondary Point of Integration and either the Main Grid or the secondary Point of Delivery (POD), or between the Main Grid and the secondary POD.

56. Secondary System Interconnection Terminal

As used in the FPT rate schedules, *Secondary System Interconnection Terminal* refers to the terminal facilities on the Secondary System that interconnect the FCRTS with non-BPA-TBL facilities.

57. Secondary System Intermediate Terminal

As used in the FPT rate schedules, *Secondary System Intermediate Terminal* refers to the first and final terminal facilities in the Secondary System transmission path, exclusive of the Secondary System Interconnection terminals.

58. Secondary Transformation

As used in the FPT rate schedules, *Secondary Transformation* refers to transformation from Main Grid to Secondary System facilities.

59. Short-Term Firm Point-To-Point (PTP) Transmission Service

Short-Term Firm Point-To-Point Transmission Service is Firm Point-To-Point Transmission Service under Part II of the Open Access Transmission Tariff with a term of less than one year. Short-Term Firm Point-To-Point Transmission Service of duration of less than one calendar day is sometimes referred to as Hourly Firm Point-To-Point Transmission Service.

60. Southern Intertie

The *Southern Intertie* is the segment of the FCRTS that includes, but is not limited to, the major transmission facilities consisting of two 500 kV AC lines from John Day Substation to the Oregon-California border; a portion of the 500 kV AC line from Buckley Substation to Summer Lake Substation; and the 500 kV AC Intertie facilities, which include Captain Jack Substation, the Alvey-Meridian AC line, one 1,000 kV DC line between the Celilo Substation and the Oregon-Nevada border, and associated substation facilities.

61. Spill Condition

Spill Condition, for the purpose of determining credit or payment for Deviations under the Energy Imbalance and Generation Imbalance rates, exists when spill physically occurs on the BPA system due to lack of load or market. Spill due to lack of load or market typically occurs during periods of high flows or flood control implementation, but can also occur at other times. Discretionary spill, where BPA may choose whether to spill, does not constitute a Spill Condition. Spill for fish is included in discretionary spill and is not a Spill Condition.

62. Spinning Reserve Requirement

Spinning Reserve Requirement is a portion of a party's Operating Reserve Requirement to the BPA Control Area. A party is responsible for purchasing or otherwise providing Operating Reserve - Spinning Reserve Service associated with its transactions which impose a reserve obligation on the BPA Control Area.

The specific amounts required are determined consistent with North American Electric Reliability Council (NERC) Policies, the Northwest Power Pool (NWPP) Operating Manual, "Contingency Reserve Sharing Procedure," and the Western Electricity Coordinating Council (WECC) "Minimum Operating Reliability Criteria" (MORC).

63. Supplemental Reserve Requirement

Supplemental Reserve Requirement is a portion of a party's Operating Reserve Requirement to the BPA Control Area. A party is responsible for purchasing or otherwise providing Operating Reserve – Supplemental Reserve Service associated with its transactions which impose a reserve obligation on the BPA Control Area.

The specific amounts required are determined consistent with North American Electric Reliability Council (NERC) Policies, the Northwest Power Pool (NWPP) Operating Manual, "Contingency Reserve Sharing Procedure," and the Western Electricity Coordinating Council (WECC) "Minimum Operating Reliability Criteria" (MORC).

64. Total Transmission Demand

Total Transmission Demand is the sum of all the transmission demands as defined in the applicable agreement.

65. Transmission Customer

A *Transmission Customer* is any Eligible Customer (or its Designated Agent) under the Open Access Transmission Tariff that (a) executes a Service Agreement, or (b) requests in writing that the BPA-TBL file with the Commission, a proposed unexecuted Service Agreement to receive transmission service under Part II of the Tariff. In addition, a Transmission Customer is an entity that has executed any other transmission service agreement with the BPA-TBL.

66. Transmission Demand

Transmission Demand is the maximum amount of capacity and energy that the BPA-TBL agrees to transmit for the Transmission Customer over the BPA-TBL's Transmission System between the Point(s) of Integration/Interconnection/Receipt and the Point(s) of Delivery.

67. Transmission Provider

The Bonneville Power Administration's Transmission Business Line (BPA-TBL) that owns, controls, or operates facilities used for the transmission of electric energy in interstate commerce and provides transmission service under the Open Access Transmission Tariff and other agreements.

68. Utility Delivery

The *Utility Delivery* segment is that segment of the FCRTS that provides service to utility customers at voltages below 34.5 kV.

69. Weekly Service

Weekly Service is Short-Term Firm and Non-Firm PTP Transmission Service that starts at 00:00 of any date and stops at 00:00 at least seven (7) days later, but less than or equal to 27 days later.

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Stephen J. Wright

Administrator and

Chief Executive Officer