

Slice/Block Contract Clean-Up Issues

The following clean up revisions to the Final Slice/Block Template are suggested by the Slice Customers.

A. Section 2.7 Actual Tier 1 System Generation (Discussion)

Does the reference to “RP Augmentation,” in this section work correctly in conjunction with Section 5.2, and section 4.1.1 of Exhibit M, or should the reference be to “RHWM Augmentation.” Exhibit I uses the RHWM Tier 1 System Capability to establish the Critical Slice amounts, which is plainly based on the RHWM Augmentation. However, the use of this definition in the Slice Computer Application seems to dictate a tie to later, more accurate augmentation information from the rate case process (RP Augmentation) so that we are using as close to actual generation inventory as possible. On balance, this definition seems to be correct but we want to confirm BPA’s understanding of its use.

B. Section 2.131 Requirements Slice Output

The definition of “Requirements Slice Output” in section 2.131 sup-part (3) is circular and, if taken literally, sub-parts (2) and (3) identify the same amounts. The problem arises from the use of the term “actual Net Requirement” in sub-part (3). Actual Net Requirement is not a defined term in the Slice Contract. Net Requirements is defined as the amount of federal power a customer is entitled to purchase from BPA. As “planned net requirements” customers, Slice customers are entitled to purchase from BPA an annual amount of power defined by their Forecast Net Requirement. Thus, the “actual Net Requirement” of a Slice Customer for any month is the same as its Annual Net Requirement for that same month, an amount that is referred to in sub-part (2) of section 2.131. BPA's practice under the current Slice Contract has been to treat the term “actual Net Requirement” as the amount that the Customer’s Net Requirement would have been for the month if the Customer had been a Load Following Customer, that is, the Customer’s actual Total Retail Load less its Dedicated Resources for the month. Therefore, section 2.131 should be amended to read as follows to reflect the intent of sub-part (3) of the definition:

- 2.131 “Requirements Slice Output” or “RSO” means, for each month, the portion of «Customer Name»’s Slice Output Energy that is equal to the lesser of: (1) «Customer Name»’s Critical Slice Amount for such month; (2) «Customer Name»’s Annual Net Requirement for such month, less monthly amounts purchased under the Block Product, as specified in Exhibit C; or (3) «Customer Name»’s ~~actual Net Requirement for such month, less~~ Total Retail Load for such month less «Customer Name»’s Dedicated Resources shown on Exhibit A for such month and less monthly amounts purchased under the Block Product, as specified in Exhibit C.

C. Section 3.4.1, 3.4.2 and 3.4.3 – Revision of Language Regarding Peak Amounts

Sections 3.4.1, 3.4.2 and 3.4.3 of the final Slice/Block Template were revised in the last round of negotiations. In general, the thrust of these revisions was to acknowledge that values for non-federal resource peak amounts and peaking energy purchased from BPA have not previously been used as a meaningful limit on customer purchase rights, and that before these values are revised in the case of non-federal resources, or entered in the case of peaking energy, BPA would conduct a public process on the matter in question. A number of related sections were not updated in the final Slice/Block Template to reflect these revisions, and now contain statements that conflict with the revised 3.4.1 – 3.4.3. These conflicting provisions create ambiguity on this important topic that should be eliminated.

3.3.1 Specified Resources

3.3.1.2 Determining Specified Resource Amounts

«Customer Name» shall state, for each Specified Resource listed in section 2 of Exhibit A, firm energy amounts for each Diurnal period ~~and peak amounts for each month~~ beginning with the later of the date the resource was dedicated to load or October 1, 2011, through the earlier of the date the resource will be permanently removed or September 30, 2028. BPA in consultation with «Customer Name» shall determine the firm energy amounts for each Diurnal period ~~and peak amounts for each month~~ for each Specified Resource consistent with the 5(b)/9(c) Policy. BPA shall ~~update the determine and incorporate~~ peak amounts ~~listed in for~~ section 2 of Exhibit A pursuant to section 3.4.

3.4 Peak Amount Methodologies

3.4.3 Process for Modifying Peak Amounts

Any methodology for determining the peak energy capability of Specified Resources as described in section 3.4.1, or «Customer Name»’s peak energy amounts available from BPA under this Agreement, as described in section 3.4.2, will be developed by BPA in a public process, including consultation with «Customer Name» and other interested parties, a formal public comment process, and a record of decision. Except as otherwise agreed by «Customer Name» and BPA, any such methodology shall not require ~~modification of the~~ peak energy amounts of for any Specified Resource, ~~or the peak energy amounts to be~~ listed in Exhibit A, until the first Fiscal Year of the Rate Period following BPA’s written notice to implement the ~~revised~~ peaking capability standard, which shall be given to «Customer Name» at least 180 days before the start of such Fiscal Year.

17.7 **Transparency of Net Requirements Process**

17.7.1 **Data Made Publicly Available**

By July 31, 2011, and by July 31 every year thereafter, BPA shall make the following information publicly available to «Customer Name» and all other BPA regional utility customers with a CHWM:

- (3) «Customer Name»’s Dedicated Resource energy and peak amounts for the upcoming Fiscal Year and the previous Fiscal Year; provided, however, that BPA shall not make publicly available any information concerning peak amounts determined for «Customer Name»’s Dedicated Resources until the completion of the process specified in section 3.4 of this Agreement.

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EXHIBIT A:

1.2 **Forecast of Net Requirements**

By September 15, 2011, and by each September 15 thereafter, BPA shall calculate, and fill in the table below with, «Customer Name»’s Net Requirement forecast for the upcoming Fiscal Year by month. «Customer Name»’s Net Requirement forecast equals «Customer Name»’s Total Retail Load forecast, shown in section 1.1 above, minus «Customer Name»’s Dedicated Resource amounts, shown in section 5 below. Notwithstanding the foregoing, the inclusion in the table below of rows labeled “Peak (MW)” shall neither (1) require the inclusion of peak amounts for «Customer Name»’s Dedicated Resources before the completion of the process specified in section 3.4 of the body of this Agreement nor (2) permit or require BPA to determine «Customer Name»’s net requirement peak in accordance with the preceding sentence. Rather, section 3.4 of the body of this Agreement shall in all respects govern determination of the peaking capability of «Customer Name»’s Dedicated Resources and any related determinations derived from the peaking capability of «Customer Name»’s Dedicated Resources.

D. Section 8.1 Priority Firm Power (PF) Rates

The amount of Block power to be purchased, as set forth section 1 of Exhibit C, does provide information relevant to a Slice customer’s Tier 1 purchases. However, the reference to Critical Slice Amounts in section 2 of Exhibit I does not provide any such relevant information. What the Slice customer is entitled to purchase from BPA under the Tier 1 Rate under Slice is the product of the customer’s Slice Percentage and the Slice Output during a given period. It has nothing to do with the projected critical output of the Tier 1 System. This inconsistency can be resolved by changing the reference from Critical Slice Output to Slice Output and tying it into the Slice Percentage specified in section 2 of Exhibit K, as set forth below.

8.1 **Priority Firm Power (PF) Rates**

BPA shall establish its PF power rates that apply to purchases under this Agreement pursuant to section 7 of the Northwest Power Act, and in accordance with the TRM. BPA shall establish PF power rates that include rate schedules for purchase amounts at Tier 1 Rates and purchase amounts at Tier 2 Rates. «Customer Name»'s purchases of: (1) Tier 1 Block Amounts, as specified in section 1 of Exhibit C, and (2) the product of the ~~Critical~~ Slice Amounts Output and «Customer Name»'s Slice Percentage, as specified in section 2 of Exhibit ~~KI~~, shall be at Tier 1 Rates. «Customer Name»'s purchases of Tier 2 Block Amounts, if any, shall be at the applicable Tier 2 Rates and in accordance with the terms of section 2 of Exhibit C.

E. Exhibit M, Section 3.1.1 General Description

This section creates an ambiguity regarding the ability of BPA to manage, update and maintain the Simulator because it does not cross-reference the limitations contained in section 5.12.2 of the body of the Slice Agreement.

3. Slice Water Routing Simulator

3.1.1 The Simulator will be managed, updated and maintained by BPA in accordance with section 5.12.2 of the body of this Agreement. «Customer Name» shall have access to the Simulator for the purpose of running various Simulated Operating Scenarios.