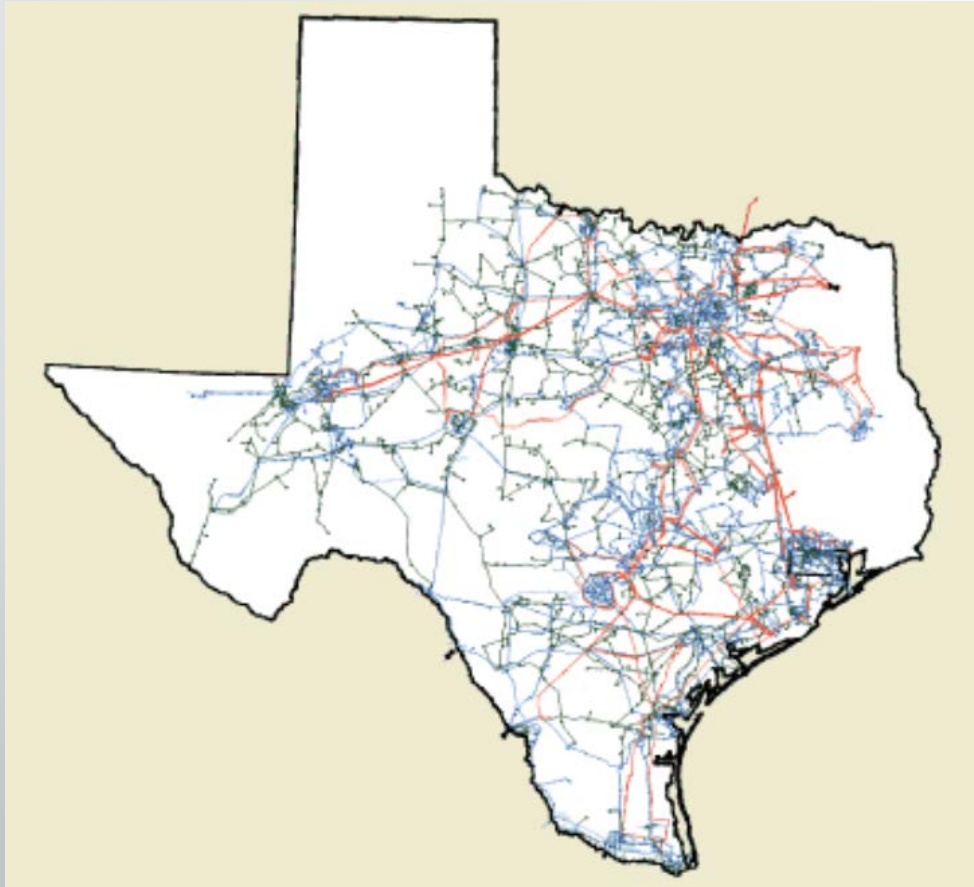




# **BPUB Transmission Costs**

## **Executive Summary**

# Overview



ERCOT transmission facilities allow:

- Generation to reach load
- Instantaneous dynamic power flows across the grid to support reliability as loads and generation fluctuate.
- Transactions between regions to optimize economics and risk.

Charges for transmission are based on PUCT-approved transmission rates multiplied by each entity's proportionate contribution to ERCOT peak load.

# Transmission Cost Reflect Net Payments

- BPUB both *receives* payments and *makes* payments relating to ERCOT transmission facilities.
  - BPUB receives payments for the use of BPUB's transmission facilities by other entities.
    - The payments are based on BPUB's PUCT-approved transmission cost of service (TCOS) multiplied by other entities' proportionate contribution to ERCOT peak load.
  - Similarly, BPUB makes payments for BPUB's use of other entities' transmission facilities.
    - The payments made are based on the PUCT-approved rate for each transmission owner multiplied by BPUB's proportionate contribution to ERCOT peak load.

# Current BPUB Transmission Costs

- BPUB's net transmission costs in 2021 were approximately \$6.8 million, or approximately 2.5% of total operating expenses.

Payments/Receipts Matrix	Amount
Payments Made by BPUB*	\$16.9 million
Payment Received by BPUB	\$10.1 million
<b>Net Total</b>	<b>\$6.8 million</b>

# ERCOT Transmission Investment

- Over the next five (5) years, approximately \$11 billion dollars of transmission projects have been submitted to ERCOT for tracking. Only a portion of these will be completed and impact rates.
- These investments will lead to higher transmission costs for BPUB.
- Assuming BPUB maintains updated TCOS filings with the PUCT, we currently project that by 2027 BPUB net transmission costs will rise to approximately \$10.7 million.
  - However, it is important to note that ERCOT's transmission investments include facilities in South Texas and the Rio Grande Valley. These investments are expected to provide benefits to BPUB relating to grid reliability and increased energy import/export capabilities.

# Risks and Opportunities

- Transmission investments represent both risks and opportunities
  - Risk
    - Because BPUB receives payments for the transmission facilities it owns, reducing or eliminating BPUB transmission assets (e.g. by partial or full divestiture) would expose BPUB and its customers to the risk of much higher transmission charges.
  - Opportunity
    - Some transmission investments may at times receive incentive rates-of-return. To the extent that BPUB can invest in transmission using a lower cost-of-capital than incentive rates, then net gains can be created.



Thank you!