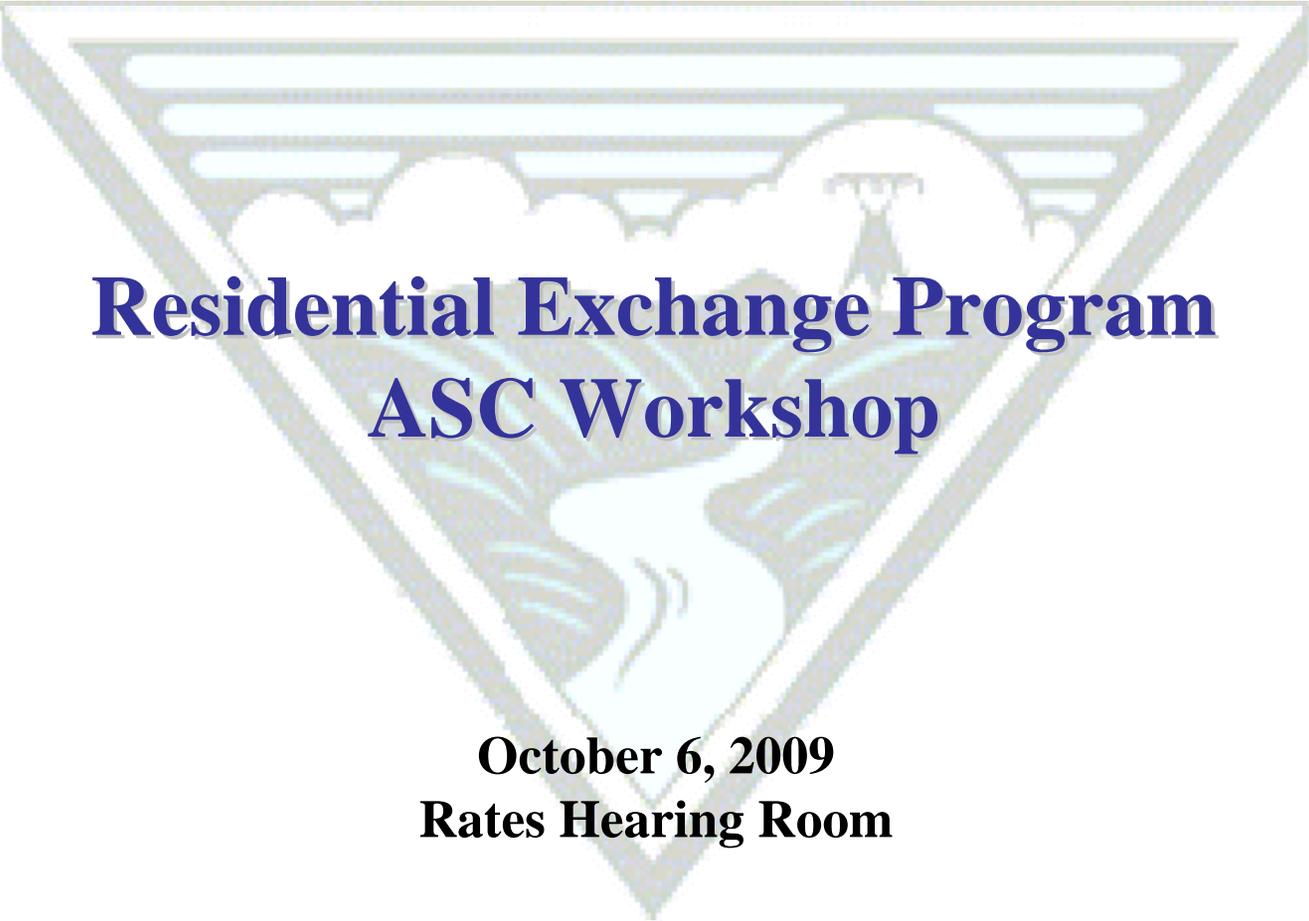


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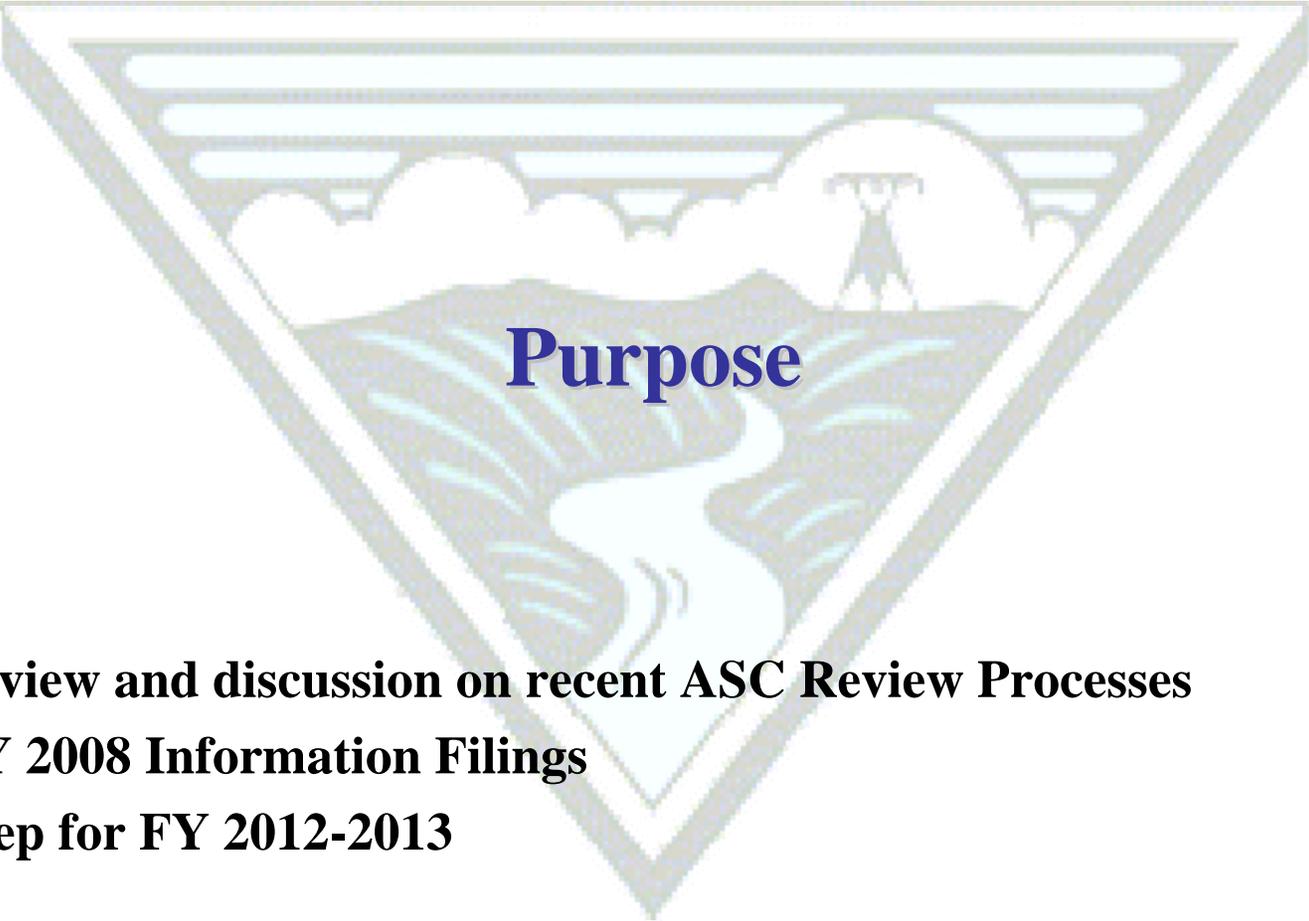


**Residential Exchange Program
ASC Workshop**

**October 6, 2009
Rates Hearing Room**

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Purpose

- **Review and discussion on recent ASC Review Processes**
- **CY 2008 Information Filings**
- **Prep for FY 2012-2013**



Today's Schedule

START TIME	END TIME	TOPIC DESCRIPTION
09:00 AM	09:15 AM	• WELCOME AND INTRODUCTIONS
09:15 AM	09:45 am	• Lessons Learned from FY 09; FY 10-11 Reviews
09:45 AM	11:15 AM	• Rate Period HWM ASC Calculation • New Resource Additions • Forecast Model Updates • Forecast Model – Forecast Accuracy • Appropriate Escalation of Natural Gas Fuel Costs
11:15 AM	12:00 PM	• Account 303 Software
12:00 PM	1:00 PM	• LUNCH
1:00 PM	2:00 PM	• Preview FY 12 ASC Review • Draft Schedule • Procedural Issues • Confidentiality Issues • Next Workshop
2:00 PM	2:30 PM	• New REP System Update
2:30 PM	3:15 PM	• Exchange Load / Benefit Review (Section 9 of RPSA)
3:15PM	----	• CLOSE & NEXT STEPS

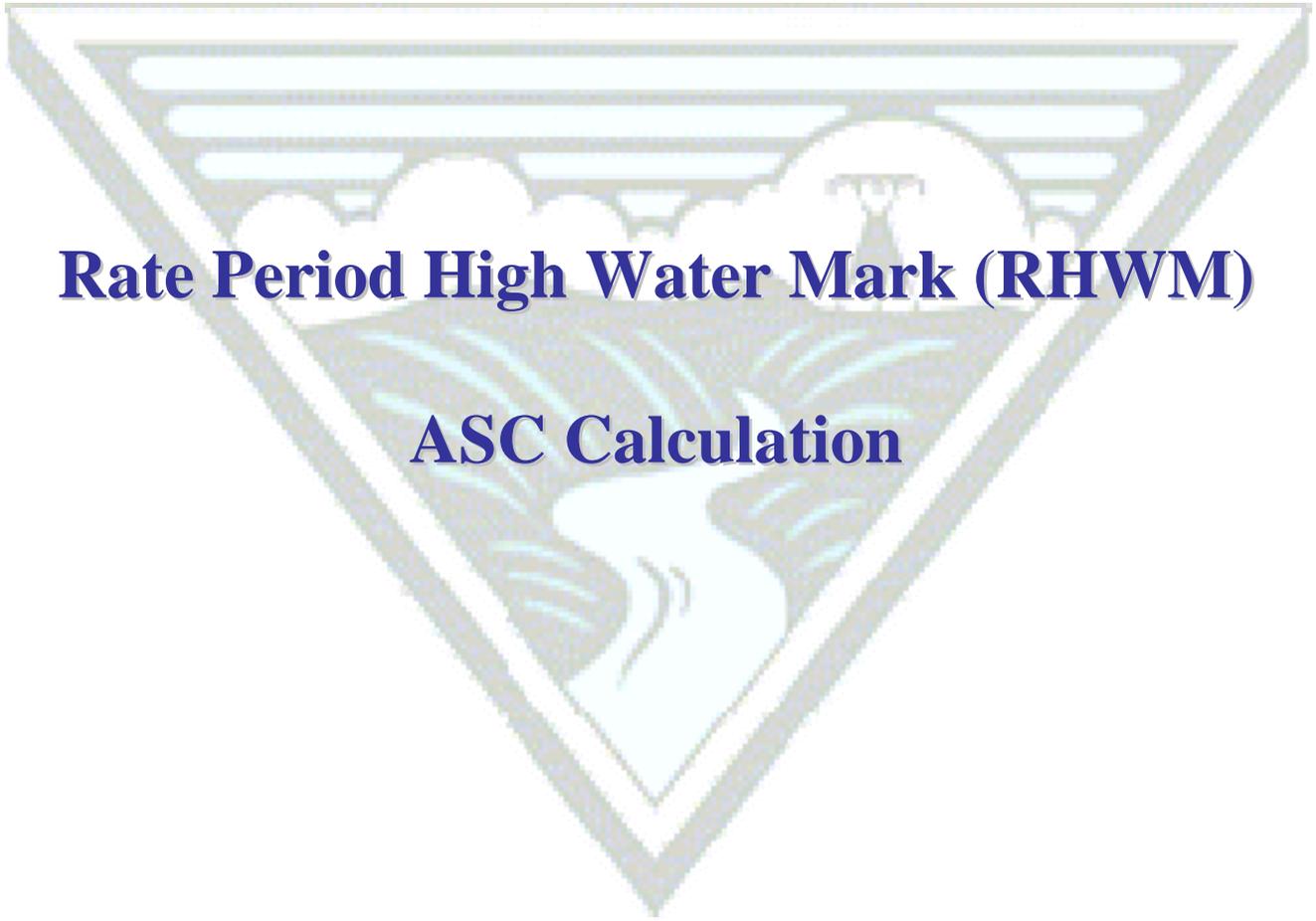
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Lessons Learned

Open Discussion

- **2009 and 2010-2011 ASC Filings**
- **CY 2008 Informational Filings**

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Rate Period High Water Mark (RHWM)

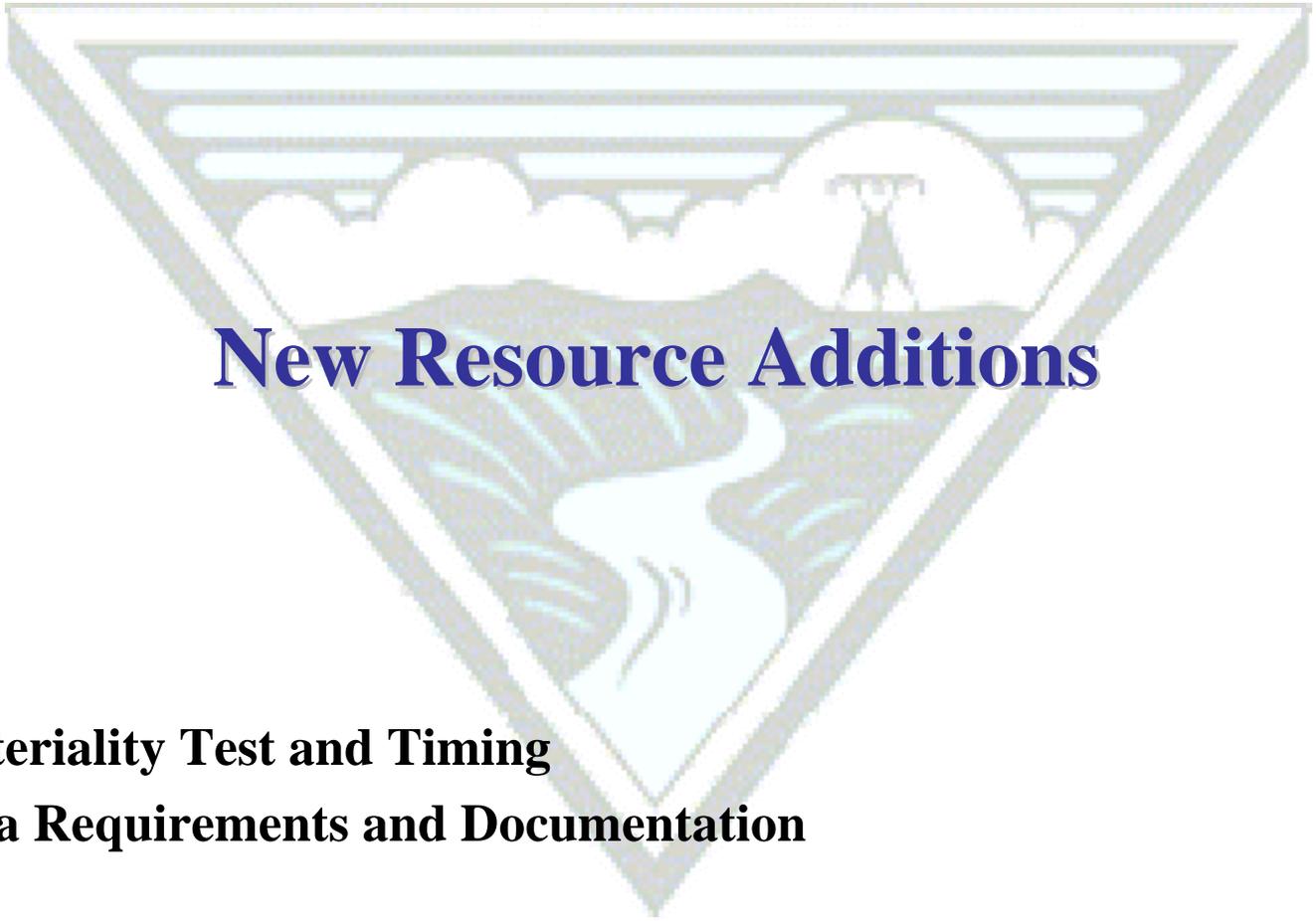
ASC Calculation



Rate Period HWM ASC Calculation

- $$\text{RHWM ASC} = \frac{\text{Contract System Cost} - \text{NewRes\$}}{\text{Contract System Load} - \text{NewResMWh}}$$
- NewRes\$ is the forecast cost of resources used to serve a customer's Above-RHWM Load. The costs included in NewRes\$ will be determined using a methodology similar to Appendix 1 Endnote d of BPA's 2008 ASC Methodology.
- NewResMWh is the forecast generation from resources used to serve a customer's Above-RHWM Load.
- For both NewRes\$ and NewResMWh, Existing Resources for CHWMs specified in Attachment C, Column D of the TRM, and purchases of power at Tier 1 rates from BPA are excluded.

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New Resource Additions

- **Materiality Test and Timing**
- **Data Requirements and Documentation**



Major Resource Additions Allowed in ASC Forecast

➤ Final ASCM -§ 301.4(c)(1)-(3):

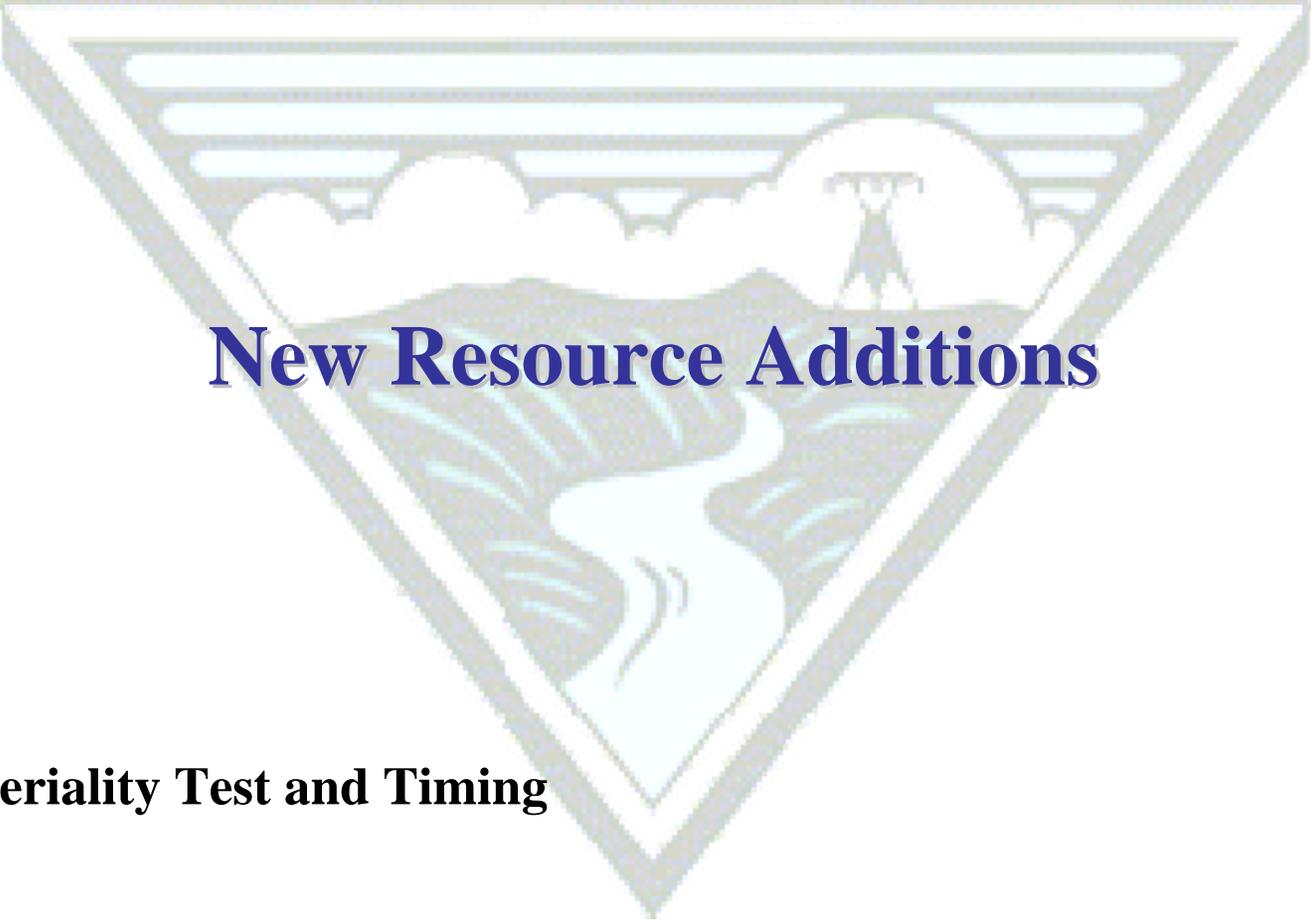
- During the Exchange Period, Bonneville will allow changes to a Utility's ASC to account for major resource additions or reductions that are used to meet a Utility's retail load. These changes, however, must meet the requirements of paragraph (c)(3) of this section and the materiality threshold described in paragraph (c)(4) of this section in order for Bonneville to allow an ASC to change. The ASC reflecting the major resource addition or reduction will be determined by Bonneville in the ASC review process during the Review Period.
- For major resource additions, the change to ASC will become effective when the resource begins commercial operation, or power is received under the purchased power contract. For major resource reductions, the change to ASC will become effective when the resource is sold, retired, or transferred.
- A major resource addition or reduction must be related to one or more of the following categories to be eligible for consideration as a major resource:
 - Production or generating resource investments;
 - Transmission investments;
 - Long-term generating contracts;
 - Pollution control and environmental compliance investments relating to generating resources;
 - Long-term transmission contracts;
 - Hydroelectric relicensing costs and fees; and
 - Plant rehabilitation investments



Major Resource Additions Allowed in ASC Forecast

- ASCM ROD, page 43:
 - The ASCM will include the costs of resource investments (production or generating), transmission investments, long-term generating or transmission contracts, pollution control and environmental compliance investments, plant rehabilitation investments, and hydro relicensing costs and fees in determining an exchanging Utility's Exchange Period ASC, subject to meeting the materiality threshold. Relicensing costs included in intangible plant or regulatory assets and liabilities will be subject to the same functionalization rules and procedures as all other regulatory assets and liabilities. Changes or replacements to existing fuel contracts will not be allowed. The costs of new replacement gas contracts actually incurred will be included in future Base Period costs.

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New Resource Additions

- **Materiality Test and Timing**



Materiality Threshold for Resource Additions

- Final ASCM -§ 301.4(c)(4):
 - Major resource additions or reductions that meet the criteria identified in paragraph (c)(3) of this section will be allowed to change a Utility's ASC within an Exchange Period provided that the major resource addition or reduction results in a 2.5 percent or greater change in a Utility's Base Period ASC. Bonneville will allow a Utility to submit stacks of individual resources that, when combined, meet the 2.5 percent or greater materiality threshold, provided, however, that each resource in the stack must result in a change to the Utility's Base Period ASC of 0.5 percent or more.
- ASCM ROD, page 48:
 - The ASCM will adopt a materiality threshold of a 2.5 percent change in a Utility's Base Period ASC for determining when a change in ASC will be made for resource additions or reductions. BPA will allow utilities to submit stacks of individual resources that, when combined, meet the materiality threshold. However, each resource in the stack must result in an increase of Base Period ASC of 0.5 percent or more.



Materiality Test and Timing - *Key Issues*

- Base Period Materiality Threshold

- The materiality of a new resource addition may change depending upon changes based on an ASC Review or the forecasted Natural Gas prices:
 - Optimal grouping

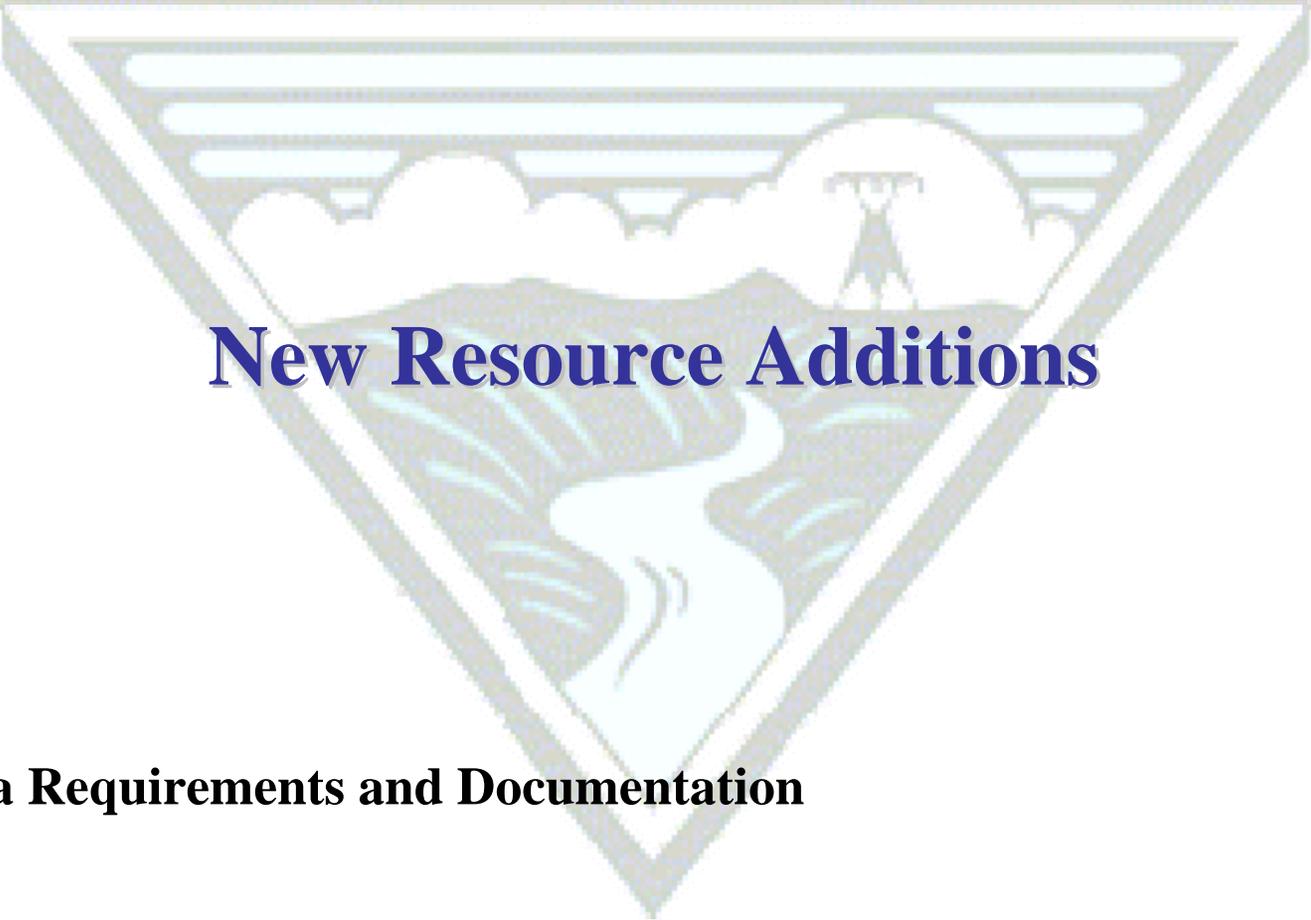
 - Materiality of a resource within a group may change



Materiality Test and Timing - *Options*

- Timing – Grouping/Re-grouping of New Resource Additions:
 - Original Filing
 - Based on Comments to the Draft
 - After Final Gas & Market Prices - Rate Case

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New Resource Additions

- **Data Requirements and Documentation**



New Resource Additions – *Data Requirements ~ Steam*

- Type
- Location
- Plant Size (MW)
- Total Plant Cost
- Annual Depreciation Expense
- Operation Expense
- Maintenance Expense
- Capacity Factor
- Average Heat Rate
- Transmission Costs
- Incidental Costs – Property Taxes
Insurance and Materials and
Supplies
- Expected Generation (MWh)
- Fuel Costs
 - Kind
 - Fuel / Transportation Costs:
 - Fixed
 - Variable
 - Average Heat Content
 - Source (e.g., if natural gas –
Sumas)
 - Quantity Burned
- New Firm Sales for Resale
Revenues and MWhs
- Other Revenue (e.g., sale of carbon
credits)



New Resource Additions – *Data Requirements* **~ *Wind, Solar, Etc.***

- Type
- Location
- Plant Size (MW)
- Total Plant Cost
- Annual Depreciation Expense
- Operation Expense
- Maintenance Expense
- Capacity Factor
- Incidental Costs – Property Taxes
Insurance and Materials and
Supplies
- Expected Generation (MWh)
- Integration Costs (Balancing
Services)
- Transmission Costs
- New Firm Sales for Resale
Revenues and MWhs
- Other Revenue (*e.g.*, sale of RECs)



New Resource Additions – Data Requirement ~ Transmission

- Type (e.g., 230 kV, 500 kV, etc.)
- Line Information (e.g., location, miles, etc.)
- Total Plant Cost
- Annual Depreciation Expense
- Operation Expense
- Maintenance Expense
- Incidental Costs – Property Taxes Insurance and Materials and Supplies
- Revenues from the Transmission of Electricity of Others



New Resource Additions – *Documentation*

- What is the appropriate documentation for New Resource Additions?

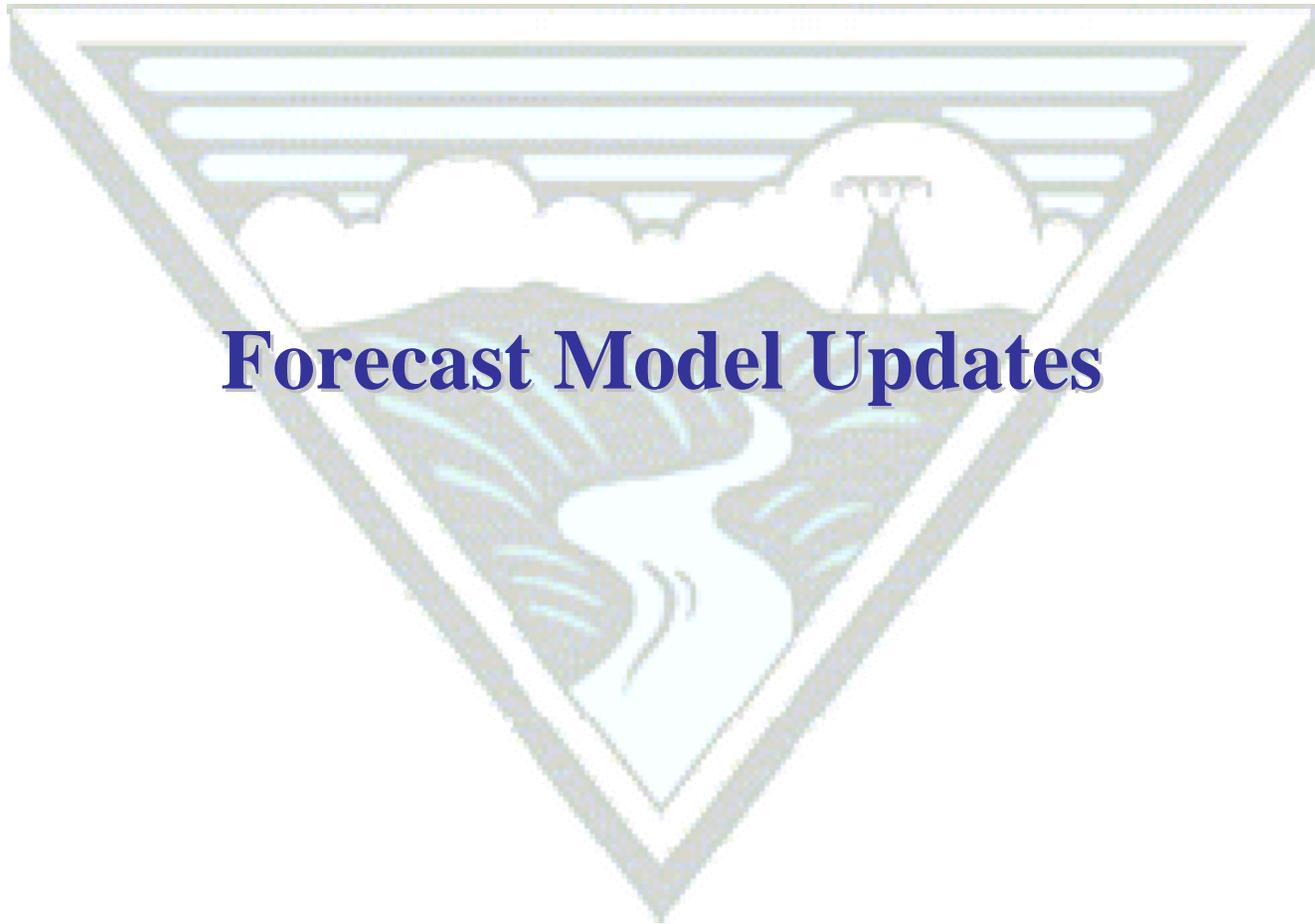
- Possible Types of Documentation:
 - Contracts

 - Comparables

 - Feasibility Studies

 - Regulatory Approved Costs

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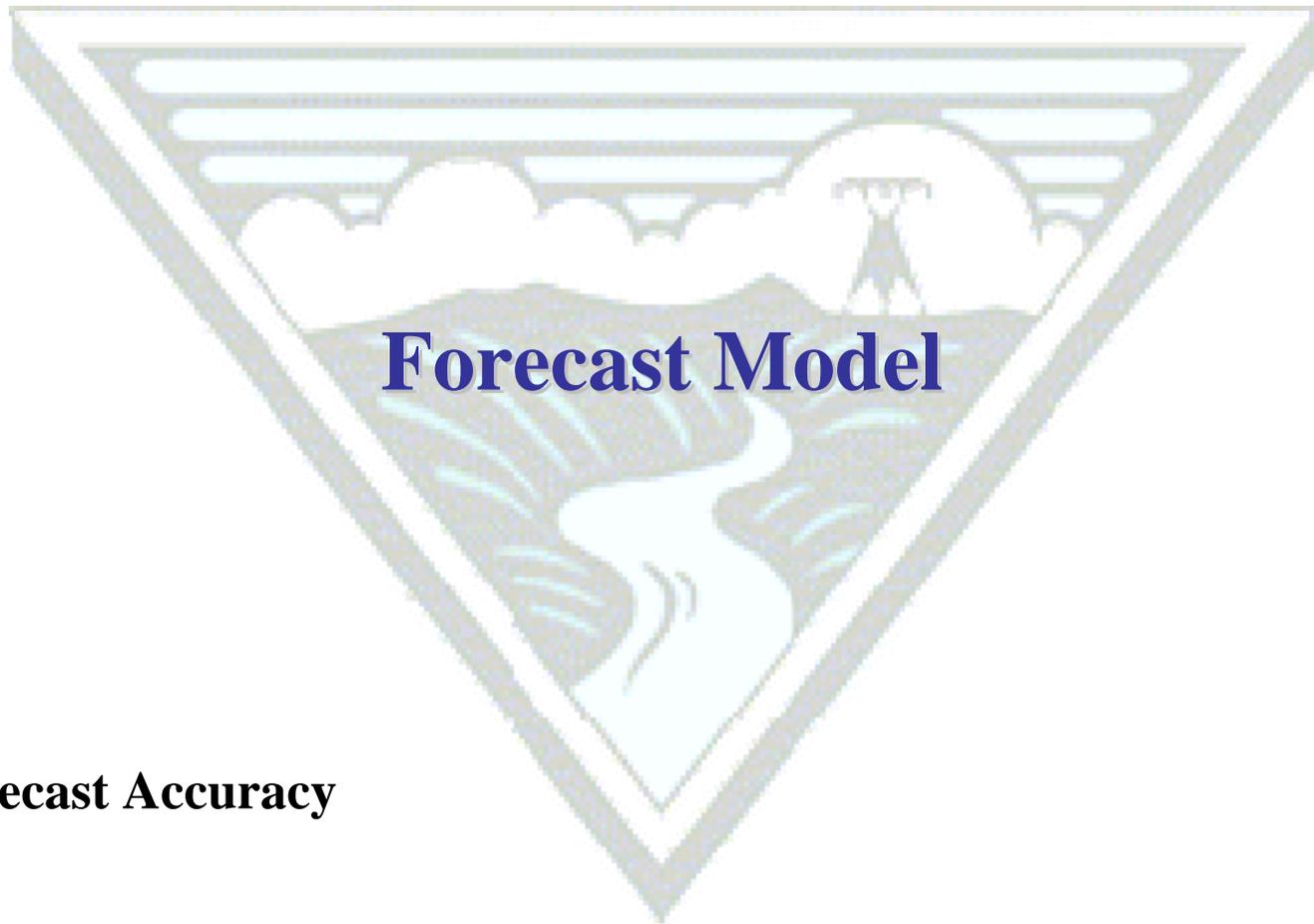
Forecast Model Updates



Forecast Model Updates

- New NLSL Logic
- New RHWM ASC Logic for CHWM Customers
- New Materiality Calculation
- Revised Purchased Power and Off-System Sales Worksheet
- Revised New Resources Tabs in Appendix 1:
 - Individual Resources Tab Allows Group Number Assignment
 - Grouped Resources Tab Feeds into Forecast Model

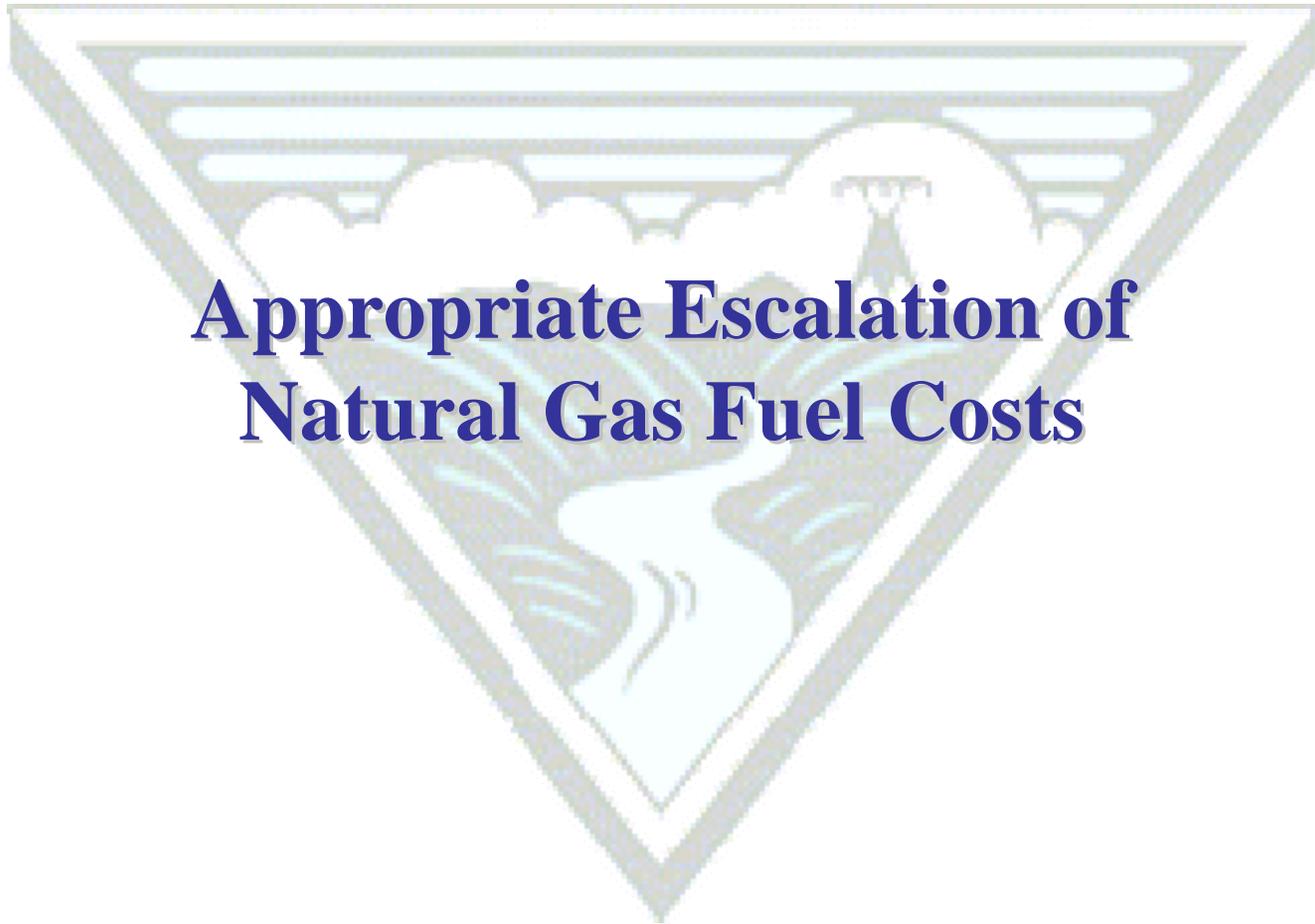
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Forecast Model

- **Forecast Accuracy**

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**Appropriate Escalation of
Natural Gas Fuel Costs**



ASC Forecast Escalators

- Final ASCM - § 301.4(a)(4):
 - Table 1 identifies which codes from paragraph (a)(3) of this section apply to the line items and associated FERC Accounts in the Appendix 1. Bonneville will use Global Insight as the source of data for the escalation codes indentified in paragraph (a)(3) of this section, except for the NATGAS and CONSTANT codes. For the NATGAS code identified in paragraph (a)(3)(xiii) of this section, Bonneville will calculate the escalation rate using Bonneville's most current forecast of natural gas prices. The code CONSTANT in paragraph (a)(3)(iv) of this section indicates that no escalation to the Account will be made.
- ASCM ROD, page 39:
 - The ASCM will use Global Insight's (or its successor's) forecast of cost increases for capital costs and fuel (except natural gas), O&M, and G&A expenses; BPA's forecast of market prices for IOU purchases to meet load growth and to estimate short-term and non-firm power purchase costs and sales revenues; *BPA's forecast of natural gas prices*; and BPA's estimates of the rates it will charge for its PF and other products. These are the most accurate escalators available to BPA at this time, and use of these escalators will ensure parity in the forecast of costs included in BPA rates and costs included in ASCs during the rate period and Exchange Period.



Escalation of Natural Gas Fuel Costs - *Issues*

- The forecast of the Natural Gas (NG) Price is based on BPA's Rate Case NG Forecast.
- The forecasted change in NG price when applied to a utility's NG fuel expense (FERC Account 547) can over or under state future NG costs.



Escalation of Natural Gas Fuel Costs - *Issues*

- The magnitude of the over or under statement will depend upon the relative mix of fixed (fuel & transportation) and variable costs, cost changes allowed in individual fuel contracts, and the direction of the NG price forecast.
- Should fixed NG costs be escalated at a rate different than variable NG costs? Is this necessary or desirable?



Escalation of Natural Gas Fuel Costs - *Implications*

- Utilities would be required to file a Direct Analysis for FERC Account 547.

- Utilities would need to provide detailed information for:
 - Fixed and variable fuel costs
 - Fixed and variable pipeline costs

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Software Allocation

- **Account 303**



Account 303: Software

- Should BPA adopt a common functionalization for similar types of software assets?
- During review of ASC filings, BPA noticed that different functionalizations were used for similar types of software assets.
- For several Final ASC Reports, BPA developed a software functionalization framework for software assets.
- The basic principle of the framework is that software should be based on the operations supported, or the labor expense reduced by, use of the software.
- ASC Final Reports contained detailed but not complete functionalized list of software typically used by utilities.



Account 303: Software (Continued)

- Utilities generally support a common functionalization for similar types of software assets.

- Functionalization of software can be difficult because of how software is recorded in Utility systems:
 - Asset type – Customer Information System

 - Vendor name – Oracle, Harris, SAP

 - Application name – Xcellant, Peace, ConsumerLinX



Account 303: Software (Continued)

- Concerns about BPA's framework were raised by utilities:
 - Implementation of framework in future filings
 - Is framework an alternative to Direct Analysis?
 - Documentation requirements for framework
 - Application of 1% threshold
 - Application of framework for utilities with software assets in Common Plant
 - Use of software 'name' in framework may not be accurate
 - Commercial software is often modified or customized which may change functionalization

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Preview of FY 2012 – 2013 ASC Review

- **Draft Schedule**
- **Procedural Issues**
- **Confidentiality Issues**
- **Next Workshop**

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New REP System Update



New REP System Update:

Overview of REP Website (RPSA) for External Customers

- Scope: New REP System will replace current invoicing and document submittal/posting methods.

- Timeline:
 - Fall 2009 – System Design and Development
 - Winter 2010 – Testing
 - Spring 2010 – Training
 - May 2010 – System goes Live

- Features:
 - The exact implementation of features will likely change during the rest of design and during development, but the main concepts will remain.



New REP System Update: *Overview of REP Website (RPSA) for External Customers* (Continued)

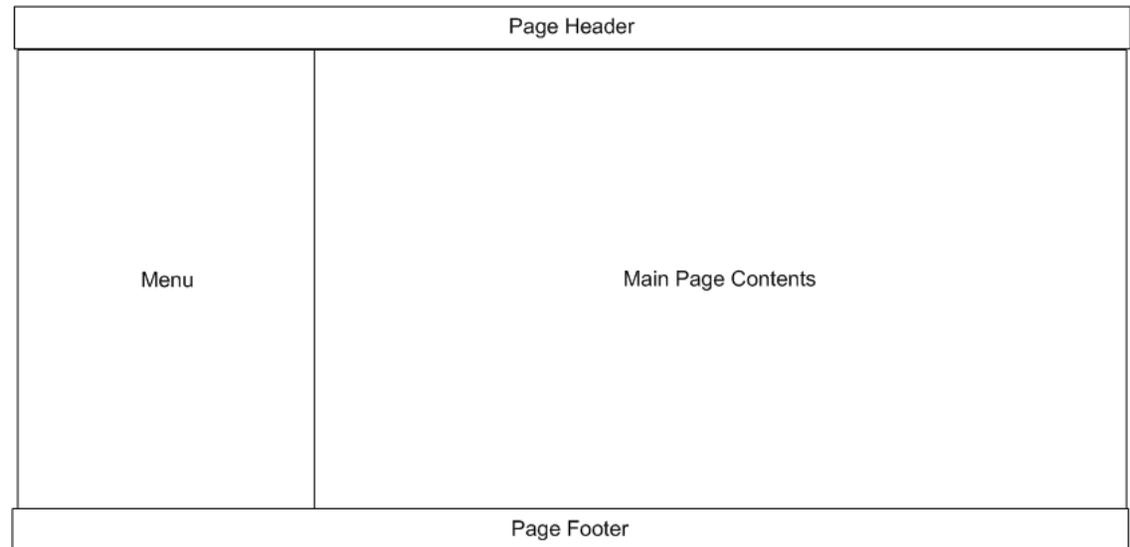
- What will the general website look like?
- How would I submit a load?
- How do I search for a document and make comments?
- How would I submit a document for review?



What Will the General Website Look Like?

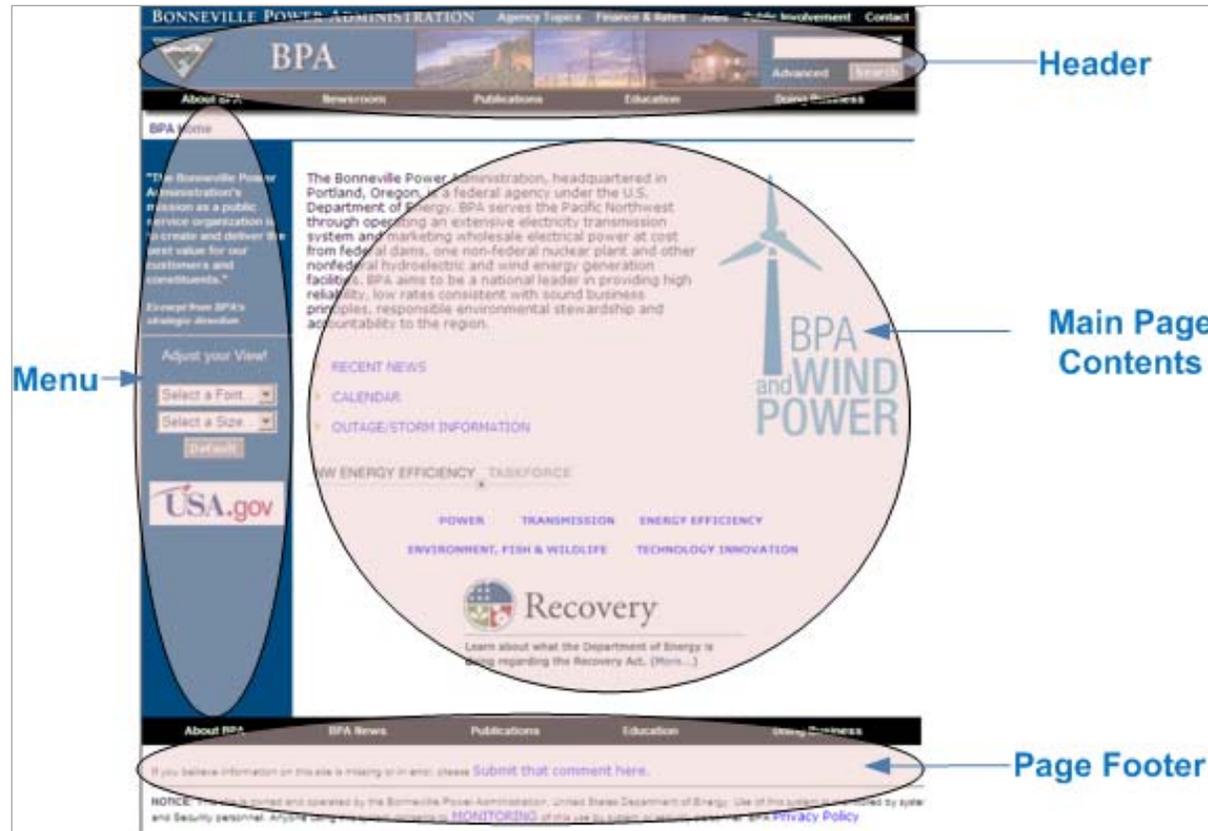
- The website will likely look similar to the existing BPA website. Every page will have 4 main components:

- Page Header
- Menu
- Main Page Contents
- Page Footer





To Illustrate Using the BPA External Website



- Every user will need to log into the REP website.
- After you login, we expect that the initial main page contents will include calendar and news items.



To Illustrate Using the BPA External Website (Continued)

Page Header

Menu

New

Month/Year	Revision #	Status	Submitter	Benefits Report
January 2009	1	Received	User Name	
December 2008	0	Paid	User Name	View

[Show All](#)

Page Footer

Link. When clicked, shows detail of when you had previously entered

View Benefits Report

Show all, not just current fiscal year

Enter new set of load. Brings up this page

Page Header

ASC

Current Rate Table

Utility	Oct	Nov	Dec	Jan 09	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Avista	\$ 30.25	\$ 30.25	\$ 30.25	\$ 30.25	\$ 30.25	\$ 30.25	\$ 30.25	\$ 30.25	\$ 30.25	\$ 30.25	\$ 30.25	\$ 30.25
North Western Energy	\$ 52.04	\$ 52.04	\$ 52.04	\$ 52.04	\$ 52.04	\$ 52.04	\$ 52.04	\$ 52.04	\$ 52.04	\$ 52.04	\$ 52.04	\$ 52.04
Pacific Corp	\$ 49.72	\$ 49.72	\$ 49.72	\$ 49.72	\$ 49.72	\$ 49.72	\$ 49.72	\$ 49.72	\$ 49.72	\$ 49.72	\$ 49.72	\$ 49.72
Portland General Electric	\$ 55.99	\$ 55.99	\$ 55.99	\$ 55.99	\$ 55.99	\$ 55.99	\$ 55.99	\$ 55.99	\$ 55.99	\$ 55.99	\$ 55.99	\$ 55.99
Puget Sound Energy	\$ 63.26	\$ 63.26	\$ 63.26	\$ 63.26	\$ 63.26	\$ 63.26	\$ 63.26	\$ 63.26	\$ 63.26	\$ 63.26	\$ 63.26	\$ 63.26
Traskline TUB	\$ 45.74	\$ 45.74	\$ 45.74	\$ 45.74	\$ 45.74	\$ 45.74	\$ 45.74	\$ 45.74	\$ 45.74	\$ 45.74	\$ 45.74	\$ 45.74

PF Exchange

Utility	Oct	Nov	Dec	Jan 09	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Avista	\$ 45.32	\$ 45.32	\$ 45.32	\$ 45.32	\$ 45.32	\$ 45.32	\$ 45.32	\$ 45.32	\$ 45.32	\$ 45.32	\$ 45.32	\$ 45.32
North Western Energy	\$ 46.31	\$ 46.31	\$ 46.31	\$ 46.31	\$ 46.31	\$ 46.31	\$ 46.31	\$ 46.31	\$ 46.31	\$ 46.31	\$ 46.31	\$ 46.31
Pacific Corp	\$ 48.94	\$ 48.94	\$ 48.94	\$ 48.94	\$ 48.94	\$ 48.94	\$ 48.94	\$ 48.94	\$ 48.94	\$ 48.94	\$ 48.94	\$ 48.94
Portland General Electric	\$ 47.74	\$ 47.74	\$ 47.74	\$ 47.74	\$ 47.74	\$ 47.74	\$ 47.74	\$ 47.74	\$ 47.74	\$ 47.74	\$ 47.74	\$ 47.74
Puget Sound Energy	\$ 52.30	\$ 52.30	\$ 52.30	\$ 52.30	\$ 52.30	\$ 52.30	\$ 52.30	\$ 52.30	\$ 52.30	\$ 52.30	\$ 52.30	\$ 52.30
Traskline TUB	\$ 42.62	\$ 42.62	\$ 42.62	\$ 42.62	\$ 42.62	\$ 42.62	\$ 42.62	\$ 42.62	\$ 42.62	\$ 42.62	\$ 42.62	\$ 42.62

Lookback Amortization

Utility	Oct	Nov	Dec	Jan 09	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Avista	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.73	\$ 0.73
North Western Energy	n/a											
Pacific Corp	\$ 1.30	\$ 2.01	\$ 2.46	\$ 2.71	\$ 1.99	\$ 1.83	\$ 1.63	\$ 1.47	\$ 1.34	\$ 1.22	\$ 1.14	\$ 1.61
Portland General Electric	\$ 1.36	\$ 1.30	\$ 1.30	\$ 1.99	\$ 1.61	\$ 1.57	\$ 1.36	\$ 1.26	\$ 1.20	\$ 1.34	\$ 1.32	\$ 1.16
Puget Sound Energy	\$ 1.92	\$ 2.45	\$ 3.06	\$ 3.30	\$ 3.00	\$ 2.79	\$ 2.38	\$ 2.04	\$ 1.88	\$ 1.79	\$ 1.80	\$ 1.81
Traskline TUB	n/a											

Menu

February 2009

Line Item Value

Line Item 1

Line Item 2

Line Item N

Total: Estimated Benefit:

File:

Page Footer

Current Rate Table

You'll enter your loads here

You'll click submit to enter the load

Your line items will be listed here

You'll be able to add supporting documents



To Illustrate Using the BPA External Website (Continued)

Page Header

Search Add

You can enter a word to search for here

Search Advanced Search

There will also be an advanced search page

Menu

Topic	Customer	Docket	Invoice #	Submit Date	Comment Deadline	# of Comments	Last Comment Date

Show: 10

Data stored about the topic

Page Footer

You'll select a topic which will bring up this page

Search Add

Topic: Enter Text

Last Comment Date: To

Customer: Multi Select from Available Values

Submit Date: To

Docket #: Multi Select from Available Values

Comment Deadline: To

Invoice #: Enter Text

Document Type: Multi Select from Available Values

Monthly Annual

Keyword:

Search

Page Header

Comment

You add a comment for the topic

Menu

You can click link view the document(s)

Topic: Invoice #: Issue #: Document Type: Keywords: Submitted By: Submit Date: Customer Name:

Allow Comments

Comments Allowed: To

Monthly Annual

Confidential Show list of selected customers and/or interest parties

Data stored about the topic

+ 05/29/09:Customer X: User Name: Comment Text: Comment Document

- 05/29/09:Customer X: : User name: Comment Comment

05/29/09:Customer X: : User name: Comment Text: Comment Document

05/29/09:Customer X: : User name: Comment Text: Comment Document

You add a comment for the comment (and add a supporting document for your comment)



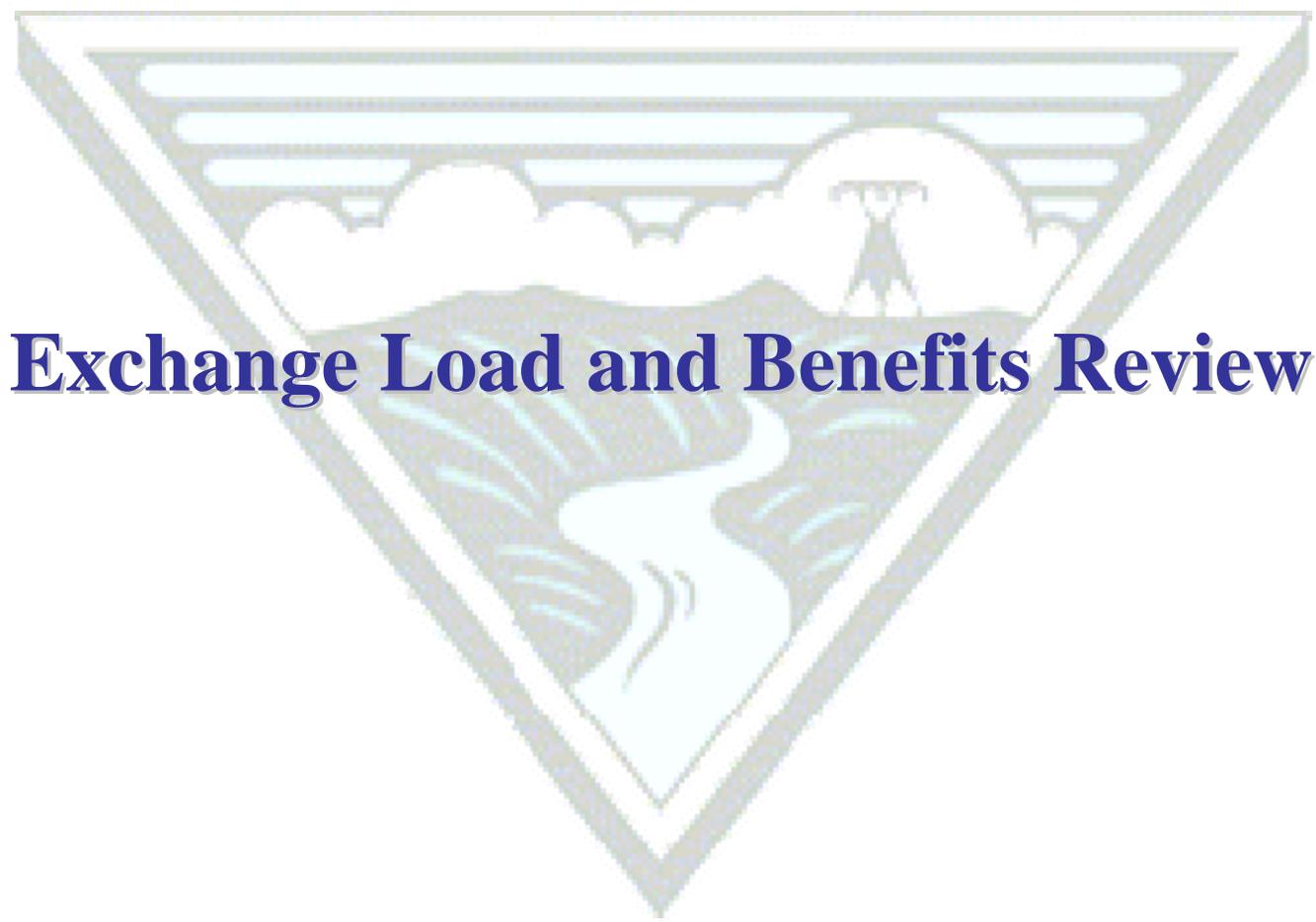
To Illustrate Using the BPA External Website (Continued)

The screenshot shows a web interface for adding documents. It includes a 'Page Header', a 'Menu' on the left, and a 'Page Footer'. The main content area contains an 'Add' form with fields for Topic, Docket #, Invoice #, Keywords, File, and Document Type. There are also checkboxes for 'Allow Comments', 'Monthly', 'Annual', and 'Confidential', along with a 'Multi Select from Available Values' dropdown. A 'Save' button is present. Below the form is a table with columns: Topic, Customer, Docket, Invoice #, Submit Date, Comment Deadline, # of Comments, Last Comment Date, and Indicators. A 'Show: 10' dropdown is above the table. Navigation arrows are at the bottom of the table.

Annotations:

- You'll be in the "add tab"
- You can designate to allow comments
- You can designate the document(s) as confidential and select who can view it
- You can add multiple documents
- If you have search results, they would be here. When you add a document it would show at the top

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Exchange Load and Benefits Review



Exchange Load/ASC Benefit Review

- Section 9. Accounting, Review, and Budgeting of the Residential Purchase and Sale Agreement
- Overview of BPA's Compliance Oversight Efforts
- Residential Exchange Program - Customer Load Eligibility Guidelines
- Annual REP Accounting Report submittals to BPA by participating REP Utilities



Next Steps

- Open for final questions and comments

THANK YOU!

Contact Information

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tgko@bpa.gov