

BPA Issues and Clarification List for FY 2010-11 ASC Filing: SNOPUD

Issue No.	Sch	Account	Issue	Discussion
1	Sch-1	Account 303	<p>Should the percentages allocation of Account 303 be changed to 11% transmission and 89% distribution?</p> <p>Does the level of difficulty in functionalizing an account that requires direct analysis allow for a functionalization other than the default functionalization?</p> <p>Given there is no detailed documentation should the asset be functionalized to distribution?</p>	<p>SNOPUD stated in response to DATA REQUEST NUMBER: BPA-SN-3 that the dollars in their account 304 (listed on the appendix 1 as 304) are for intangible software.</p> <p>SNOPUD states that “there are a large number of software items that make up these accounts, it is difficult to functionalize by line item, so we chose to be conservative and use the Transmission 10%/ Distribution (90%) Ratio for the software.”</p> <p>SNOPUD indicated that the final percentages for that ratio are 11%/89% so that may need to be amended.</p> <p>SNOHOMISH RESPONSE TO ISSUE:</p> <p>Snohomish has provided a summary breakout of Account 303/304 to verify the percentage allocation between Production/Transmission and Distribution. Snohomish’s documentation verifies that the final percentages, based on a direct analysis of the account is 30% Production, 2% Transmission and 68% Distribution. See ‘Direct Analysis Account 304’ spreadsheet provided.</p>
2	Sch-3	Account 111	<p>Should the functionalization of Account 111 follow the functionalization of Account 303?</p> <p>Why are the percentages different between the accounts?</p>	<p>SNOPUD stated in response to DATA REQUEST NUMBER: BPA-SN-5 that Account 111 is an amortization of account 303 and 304. Therefore the ratio is based on the same percentages, 20% to production, 10% to transmission and 70% to distribution.</p> <p>The Percentages in Account 111 are different from the percentage allocation in Account 303.</p> <p>BPA believes that the functionalization of Account 111 follow the functionalization of Account 303</p> <p>SNOHOMISH RESPONSE TO ISSUE:</p> <p>Snohomish agrees that the functionalization of Account 111 should</p>

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				follow the functionalization of account 303 and will amend the ASC to make the change, based on the updated percentages as discussed in issue 1.																				
3	Sch-1	Account 310-316	<p>Steam Plant</p> <p>Should the Kimberly Clark in a Co-Generation (Wood Burning) Plant be recorded in the <u>Other Production Plant</u> Accounts?</p>	<p>Accounts 310-316 Steam Plant is used to reflect Gross Steam Plant in-service. These accounts are related to coal fired generation.</p> <p>SNOPUD stated in response to DATA REQUEST NUMBER: BPA-SN-6 and 7 that Snohomish County PUD is partners with Kimberly Clark in a Co-Generation (Wood Burning) Plant. "Since the FERC accounts do not include an account series for cogen energy, we used the most logical" series since the energy is generated by steam (produced by wood waste rather than coal)."</p> <p>BPA believes that the functionalization of Kimberly Clark in a Co-Generation (Wood Burning) Plant to the following plant Accounts.</p> <p><u>Other Production Plant</u></p> <table border="0"> <tr> <td>Other Production</td> <td align="right">340-346</td> </tr> <tr> <td>Fuel Stock</td> <td align="right">151</td> </tr> <tr> <td>Plant Materials and Operating Supplies</td> <td align="right">154</td> </tr> <tr> <td>EPA Allowances</td> <td align="right">158.1-158.2</td> </tr> </table> <p><u>Other Expense</u></p> <table border="0"> <tr> <td>Other Power – Fuel</td> <td align="right">547</td> </tr> <tr> <td>Other Power – Operations (Excluding 547 - Fuel)</td> <td align="right">546-550</td> </tr> <tr> <td>Other Power – Maintenance</td> <td align="right">551-554</td> </tr> <tr> <td>Property Insurance</td> <td align="right">924</td> </tr> <tr> <td>Depreciation</td> <td align="right">403</td> </tr> <tr> <td>Firm Sales for Resale (\$)</td> <td align="right">447</td> </tr> </table>	Other Production	340-346	Fuel Stock	151	Plant Materials and Operating Supplies	154	EPA Allowances	158.1-158.2	Other Power – Fuel	547	Other Power – Operations (Excluding 547 - Fuel)	546-550	Other Power – Maintenance	551-554	Property Insurance	924	Depreciation	403	Firm Sales for Resale (\$)	447
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				<p>SNOHOMISH RESPONSE TO ISSUE:</p> <p>Snohomish responds that FERC accounts do not include an account series for cogen energy. The best FERC account treatment for the Kimberly-Clark cogen plant is therefore Account 310-316 (land, structures, boiler plant equipment used for steam-powered generation). The KC plant differs in this regard from other conventional gas turbine plants since the energy is generated by steam, produced by wood waste rather than coal.</p>
4	Sch-3	Account 555	<p>Should the \$18,000,000 Purchased Power expense - Enron Power Contract Term in the "data for 2007 ASC" be removed in FY 2008 and beyond?</p> <p>Should the Purchased Power expense - Enron Power Contract be assigned to Account 557?</p>	<p>SNOPUD stated in response to DATA REQUEST NUMBER: BPA-SN-14 that Snohomish entered a power purchase and sale agreement with Enron in January 2001 using the EEI-NEMA Master Agreement form, with certain modifications. The major transaction under that agreement was for delivery of a 25 MW flat block of power from April 1, 2001, through December 31, 2009. No generation source was specified. Snohomish took power under that transaction from April 1, 2001, until November 29, 2001, when the contract was terminated due to the downgrade of Enron's credit ratings to below investment-grade. Enron and Snohomish also entered into a number of shorter-term transactions using the same Master Agreement. Snohomish took 145,800 MWh under the long-term transaction.</p> <p>Snohomish initially assigned this cost to Account 555.216, Purchased Power, but requests that BPA modify the account coding for this cost to 557, Other Expenses.</p> <p>In DATA REQUEST NUMBER: BPA-SN-17 BPA asked – "Please describe the nature of the \$18,000,000 Purchased Power expense - Enron Power Contract Term in the "data for 2007 ASC", tab "ELIS". Is this a one-time payment or are there future obligations?"</p> <p>In response SNOPUD responded "(T)he amount listed in the "Data</p>

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				<p>for 2007 ASC” in tab “ELIS” is a power purchase contract termination payment made in 2007. This is a one-time payment and completes the contractual relationship between Enron and Snohomish. There are no future obligations.</p> <p>SNOHOMISH RESPONSE TO ISSUE:</p> <p>Snohomish clarifies that this contract payment was a one-time payment and completes the Enron/Snohomish contractual relationship. Snohomish originally accounted for the cost with Account 555, then asked for the change to Account 557 to identify this as a one-time “other” payment as a close-out of the contract.</p>
5	Sch-1	Account 186	<p align="center">Miscellaneous Deferred Debits</p> <p>Does Snohomish correctly functionalize the following accounts?</p> <p>Account 186.107 “Misc Def Deb Est Jackson Pwr” Account 186.108 “Misc Def Debit Oth Gen. Account 186.110 “Misc Def Debit Everett Cogen”</p> <p>Should Snohomish functionalize these costs using a method to eliminate the receivable and payables?</p>	<p>Snohomish functionalizes these accounts to production.</p> <p>Snohomish responded to Data Request 18, stating “The Electric System and Generation System are two separate legal entities owned by Snohomish County PUD; therefore any accounting between the two entities must be at ‘arms length’ transaction that is why there payable and receivables.”</p> <p>Snohomish has consolidated the Electric System entity with the Generation System entity for this filing. BPA does not have sufficient information to determine if the functionalization of the account should be to Production.</p> <p>SNOHOMISH RESPONSE TO ISSUE:</p> <p>Snohomish clarifies that these Accounts are offset by off-set by 253.XXX accounts and have minimal impact upon the ASC.</p>
6	Sch-1	Account 253	<p align="center">Miscellaneous Deferred Credits</p> <p>Does Snohomish correctly functionalize the following accounts?</p>	

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			<p>Account 253.116, Oth Def. Cr Adv Rev EC Account 253.118, Oth Def. Cr Adv Rev JK Account 253.119, Oth Def. Cr Adv Rev OG</p> <p>Should Snohomish functionalize these costs using a method to eliminate the receivable and payables?</p>	<p>Snohomish functionalizes these accounts to production.</p> <p>Snohomish responded to Data Request 20, stating “The Electric System and Generation System are two separate legal entities owned by Snohomish County PUD, therefore any accounting between the two entities must be at ‘arms length’ transaction that is why there payable and receivables.”</p> <p>Snohomish has consolidated the Electric System entity with the Generation System entity for this filing. BPA does not have sufficient information to determine if the functionalization of the account should be to Production.</p> <p>Should Snohomish functionalize using a method to eliminate the receivable and payables?</p> <p>SNOHOMISH RESPONSE TO ISSUE:</p> <p>Snohomish clarifies that these Accounts are offset by off-set by 186.XXX accounts and have minimal impact upon the ASC.</p>
7	Sch-4		<p>Should the loss factor be changed to reflect the five (5) year average of actual losses?</p>	<p>The original Appendix 1 filing contained a 5% distribution loss factor.</p> <p>In response to DATA REQUEST NUMBER: BPA-SN-16 SNOPUD provided the utility specific loss factor of 3.59% based on the five (5) year average of actual losses.</p> <p>SNOHOMISH RESPONSE TO ISSUE:</p> <p>Snohomish’s ASC calculation originally defaulted to the BPA distribution loss rate (5%). During the data request process, Snohomish provided five-years of documentation to verify that its specific loss factor is 3.59%.</p>

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8	Sch-1	Account 303	<p align="center">Generic Direct Analysis Issue</p> <p>Should BPA adopt common functionalization for similar types of software assets?</p> <p>Should the functionalization of Account 303 follow the functionalization of the Account where the expense is recorded?</p>	<p>Inconsistency between how the IOUs functionalize certain types of software, i.e. metering, customer information systems, work management, etc.</p> <p>The issue is whether BPA should maintain consistency in the functionalization of these common types of programs amongst utilities when calculating ASC.</p> <p>SNOHOMISH RESPONSE TO ISSUE:</p> <p>BPA should maintain consistency in the functionalization of these common types of software assets, with costs greater than an identified threshold value, amongst utilities when calculating ASC.</p> <p>Snohomish supports a consistent treatment for the accounting of similar types of software assets, but suggests that BPA also maintain direct assignment as an alternative.</p>
9	Sch-1	Account 182.3 and Account 254	<p align="center">Generic Direct Analysis Issue</p> <p>Should BPA adopt common functionalization for similar types of regulatory assets and liabilities?</p> <p>Should the functionalization of Regulatory Assets and Liabilities follow the functionalization of the Account where the expense, revenue, or amortization is recorded?</p>	<p>Inconsistency in the way the IOUs functionalize Deferred Pension, Pay and other labor related Assets and Liabilities.</p> <p>PGE and Avista and NW use the Labor Ratio. IPC uses PTD. PSE and PAC functionalize these assets to Distribution.</p> <p>The issue is whether BPA should maintain consistency in the functionalization of deferred pension, pay and other labor related assets and liabilities amongst utilities when calculating ASC.</p> <p>SNOHOMISH RESPONSE TO ISSUE:</p> <p>Snohomish agrees that BPA should require that accounts that have a corresponding asset and liability account have a common functionalization for determination of ASC.</p>

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10	Sch-1 and Sch-3	Accounts 182.3, 186, 253, and 254	<p style="text-align: center;">Generic Direct Analysis Issue</p> <p>Should BPA require that asset accounts that have a corresponding liability account have a common functionalization? For example, should pension costs in Accounts 182.3 and 254 have the same functionalization?</p> <p>Should the functionalization of the amortization match the functionalization of the corresponding assets and liabilities?</p>	<p>Direct analysis is required in the functionalization of Other Regulatory Assets (Account 182.3), Miscellaneous Deferred Debits (Account 186), Other Deferred Credits (Account 253), and Other Regulatory Liabilities (Account 254).</p> <p>Direct analysis should include maintaining a consistency in functionalization where there is an asset in either Account 182.3 or 186 and offsetting liabilities in either Account 253 or 254.</p> <p>Direct analysis also requires showing how the assets and liabilities flow through the Income Statement</p> <p style="text-align: center;">SNOHOMISH RESPONSE TO ISSUE:</p> <p>BPA should maintain consistency in the functionalization of deferred pension, pay and other labor related assets and liabilities amongst utilities when calculating ASC. Snohomish agrees that it is appropriate for purposes of determining a utility's ASC to functionalize these accounts by the LABOR ratio.</p>
11	Sch 3, Sch 3B, 3-yr pp & OSS	555 & 447	<p style="text-align: center;">Generic Issue - Purchased Power Expense, Sales for Resale, and Price Spread</p> <p>How should book-outs and trading adjustments be treated for calculations of purchased power expense and sales for resale revenue and the price spread calculation?</p> <p>Should the treatment be consistent across utilities?</p>	<p>PacifiCorp is reducing the amount of its purchased power expense and sales for resale revenue by book-outs and trading adjustments. It appears that the other utilities do not.</p> <p>The inclusion or exclusion of book-outs and trading adjustments in purchased power and sales for resale numbers affects the price spread calculation. BPA is considering whether it is appropriate to remove these adjustments when performing the price spread calculation and the ASCs.</p> <p style="text-align: center;">SNOHOMISH RESPONSE TO ISSUE:</p> <p>The treatment of bookouts should be consistent across utilities. Snohomish expects that most utilities employ common bookout</p>

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				<p>practices and account for their activity in similar ways.</p> <p>Snohomish supports consistent reporting of purchase power expenses and sales for resale among the exchanging utilities for the determination of price spread. If Bonneville determines the amounts used to calculate each company's price spread as reported in the FERC Form 1, it should be without bookouts.</p>
12	ASC Forecast Model		<p style="text-align: center;">Generic Issue - New Plant Additions – Natural Gas Prices</p> <p>Should BPA adopt a common natural gas price forecast in the ASC Forecast Model for all <i>new</i> natural gas-fired plant additions?</p>	<p>Forecasted natural gas prices vary significantly between utilities forecasting natural gas burning new additions. None of the utilities submitted documentation on long term firm natural gas supply contracts, so it is assumed that the differences are a result of different natural gas price forecasting techniques.</p> <p style="text-align: center;">SNOHOMISH RESPONSE TO ISSUE:</p> <p>Snohomish supports a common natural price forecast that is used in the ASC Forecast Model. Snohomish would support the use (by BPA) of third-party forecasting for natural gas prices, rather than BPA internal staff.</p>
13	ASC Forecast Model		<p style="text-align: center;">Generic Issue - New Plant Additions - Capacity Factor</p> <p>Should BPA use common representative capacity factors in the ASC Forecast model for estimating the operating costs and expected energy output for plant additions of similar type?</p>	<p>Projected capacity factors vary significantly between utilities for similar types of new resources.</p> <p style="text-align: center;">SNOHOMISH RESPONSE TO ISSUE:</p> <p>If BPA decides to utilize common capacity factors, the Agency should develop bookends for the low and high ranges for each type of generating plant. As an example, for wind generation, BPA could establish a range for acceptable capacity factors, from 26% to 34%.</p>

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14	Sch. 1, Income Statement	Various	<p align="center">Generic Issue – Inclusion - Other Regulatory Assets and Liabilities</p> <p>What should be the functionalization of Other Regulatory Assets and Liabilities that are not included in rate base by the regulatory authority?</p> <p>What should be the functionalization of the corresponding income statement accounts for the Regulatory Assets and Liabilities that are not included in rate base by the regulatory authority?</p>	<p>There is inconsistency between utilities in the functionalization of Regulatory Assets and Liabilities when not included in rate base.</p> <p>For example, PAC functionalized all Other Regulatory Assets and Liabilities that are not in its retail rate base to distribution. Idaho functionalized several items in these same accounts, also not included in its retail rate base, to PTD.</p> <p>Many of these accounts are included in working capital for ratemaking purposes.</p> <p>There is concern that the treatment of the income statement accounts for Other Regulatory Assets and Liabilities are not consistent with the asset and liability treatment for ASC purposes.</p> <p>SNOHOMISH RESPONSE TO ISSUE:</p> <p>Snohomish agrees that there should be consistency between utilities in the functionalization of Regulatory Assets and Liabilities when not included in rate base. Regulatory Assets and Liabilities not included in Rate Base have no effect on the Company's income statement. All entries affect only the balance sheet.</p>