

Tiered Rate Methodology Rate Case

# **Tiered Rate Methodology Supplemental Proposal**

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**Tiered Rate Methodology  
Supplemental Proposal  
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**TIERED RATE METHODOLOGY DEFINITIONS**

1  
2 **7(i) Process** means a public process conducted by BPA to establish rates for the sale of power  
3 and other products pursuant to section 7(i) of the Northwest Power Act or its successor.

4 **Above-RHWM Load** means the amount by which a customer's forecast TRL less Existing  
5 Resources and NLSLs exceeds its RHWM.

6 **Actual Annual Tier 1 Load** means the sum of a customer's Actual Tier 1 Loads for all of the  
7 Monthly/Diurnal periods during a Fiscal Year.

8 **Actual Tier 1 Load** means the actual amount of a customer's electric load (measured in either  
9 megawatthours or kilowatthours, as specified in the applicable use of the term) that was served at  
10 Tier 1 Rates during the relevant Monthly/Diurnal period.

11 **Additional CHWM** means the CHWMs established for DOE-Richland, New Publics formed in  
12 whole or in part out of loads previously served by an entity other than an Existing Public, and  
13 load growth for New Tribal Utilities that is in addition to Initial CHWMs. Additional CHWM  
14 will not include CHWMs for New Publics formed out of Existing Publics.

15 **Annual Net Requirement** means BPA's forecast of a customer's electric load (expressed in  
16 megawatthours) that results from the process established in the customer's CHWM Contract and  
17 is eligible for service from BPA under section 5(b) of the Northwest Power Act.

18 **Augmentation for Additional CHWM** means the amount of annual average firm energy BPA  
19 forecasts, calculated in accordance with sections 3.2.1.1 and 3.2.1.2 during the RWHM Process,  
20 that is equal to the amount of Additional CHWMs used in the calculation of augmentation  
21 included in RWHM Tier 1 System Capability.

22 **Augmentation for Initial CHWM** means the amount of annual average firm energy BPA  
23 forecasts, during the RWHM Process, that will be needed (in addition to the Firm Critical Output  
24 of the Tier 1 System) to meet the Initial CHWM. The amount of energy is restricted by the  
25 Augmentation Limit.

## Definitions

1 **Augmentation Limit** means the amount of augmentation calculated by BPA in accordance with  
2 section 3.2.1, which establishes the maximum level of Augmentation for Initial CHWM.

3 **Balancing Authority** means the responsible entity that integrates resource plans ahead of time,  
4 maintains load-interchange-generation balance within a Balancing Authority Area, and supports  
5 interconnection frequency in real time.

6 **Balancing Authority Area** means the collection of generation, transmission, and loads within  
7 the metered boundaries of the Balancing Authority. The Balancing Authority maintains load-  
8 resource balance within this area.

9 **Balancing Power Purchases** means power purchases or resource acquisitions forecast by BPA  
10 in a 7(i) Process to be made by BPA during a Rate Period for periods within a year during which  
11 the Tier 1 System Capability (which includes RP Augmentation) is insufficient to meet BPA's  
12 Forecast Tier 1 Loads.

13 **Behind-the-Meter Resources** means a customer's generating resources situated so that the  
14 output of such resource is not recorded by a customer's BPA meter.

15 **Billing Determinant** means the unit of measure for sales of that product or service for which a  
16 customer is billed by BPA, as established by this TRM.

17 **Block Product** means a planned amount of BPA firm power service under the Block or  
18 Slice/Block CHWM Contract.

19 **Business Day(s)** means every Monday through Friday except Federal holidays.

20 **CHWM Contract** means the power sales contract between a customer and BPA that contains a  
21 Contract High Water Mark (CHWM), and under which the customer purchases power from BPA  
22 at rates established by BPA in accordance with the TRM.

23 **CHWM Process** means the FY 2011 process, as set forth in section 4.1, through which BPA  
24 establishes CHWMs for Existing Customers.

1 **Competing New Publics** means two or more New Publics that request Additional CHWM for a  
2 particular Rate Period where the requests in total exceed the 50 aMW Rate Period limit  
3 established in section 4.1.6.3.

4 **Composite Cost Pool** means the Tier 1 Cost Pool to which expenses and revenue credits are to  
5 be allocated in accordance with sections 2.1 and 2.2.1, and which are set out on Table 2,  
6 section B. The Composite Cost Pool is the basis for the Composite Customer Rate.

7 **Composite Customer Charge** means the product of a customer's TOCA and the Composite  
8 Customer Rate. The Composite Customer Charge applies to purchases of these products under  
9 the CHWM Contract: Load Following, Block, and Slice/Block products.

10 **Composite Customer Rate** means the rate used by BPA in the calculation set forth in  
11 section 5.1.3 that recovers only the costs allocated to the Composite Cost Pool. The Composite  
12 Customer Rate is expressed in dollars per percentage point of TOCA.

13 **Conservation Adjustment** means the adjustment to Scaled Eligible Load performed as a step in  
14 the CHWM Process to adjust for conservation implemented by a customer and credited in  
15 accordance with section 4.1.4.

16 **Contract CSP** means a customer's average Customer System Peak for FY 2005, 2006, and 2007  
17 as described in section 5.3.5.1.

18 **Contract aHLH** means a customer's average Heavy Load Hour energy for FY 2005, 2006, and  
19 2007 as described in section 5.3.5.1.

20 **Contract Demand Quantity (CDQ)** means the monthly quantity of demand (expressed in  
21 kilowatts) included in each customer's CHWM Contract that is subtracted from the Customer  
22 System Peak (CSP) as part of the process of determining the customer's Demand Charge Billing  
23 Determinant, as calculated in accordance with section 5.3.5.

## Definitions

1 **Contract High Water Mark (CHWM)** means the amount (expressed in average megawatts),  
2 computed for each customer in accordance with section 4. For each customer with a CHWM  
3 Contract, the CHWM is used to calculate each customer's RHW in the RHW Process for  
4 each applicable Rate Period. The CHWM Contract specifies the CHWM for each customer.

5 **Cooling Degree Days (CDD)** means a quantitative index that reflects demand for energy to cool  
6 homes and businesses; CDD is the summation of positive differences between the mean daily  
7 temperature and 65 degrees Fahrenheit for a specified unit of time.

8 **Cost Allocation Method** means the ratemaking step of assigning expenses and revenue credits  
9 to Cost Pools in the process of developing rates for BPA products and services in accordance  
10 with the TRM.

11 **Cost Allocation Table** means Table 2, which sets forth the allocation of expenses and revenue  
12 credits to the Cost Pools that BPA will use when implementing the Cost Allocation Method, and  
13 which may be modified in a subsequent 7(i) Process pursuant to sections 2.2 and 2.3.

14 **Cost Pool** means a grouping of expenses and revenue credits allocated to a specific product,  
15 service, or customer type.

16 **Cost Review Public Process** means a public process that will allow customers and interested  
17 parties to review and obtain financial information from BPA; see section 2.7.5.2.

18 **Cost Verification Process** means the two processes that provide customers and interested parties  
19 with an opportunity to review financial information related to Cost Pools; see sections 2.7.5,  
20 2.7.5.1, and 2.7.5.2.

21 **Cost Verification Process for the Slice True-Up Adjustment Charge** means a public process  
22 that will permit Slice customers and other BPA customers to assess whether BPA has correctly  
23 calculated the amount of each expense or revenue credit subject to the Slice True-Up  
24 Adjustment; see section 2.7.5.1.

1 **Critical Period** means the period when the expected regulated and independent hydroelectric  
2 power generation from water available from reservoir releases plus historical natural streamflows  
3 produces the least amount of power to meet system load requirements while taking into account  
4 power and non-power operating constraints, the planned operation of non-hydro resources, and  
5 expected net contract obligations.

6 **Customer Charges** means one or any combination of the following: 1) the Composite Customer  
7 Charge; 2) the Non-Slice Customer Charge; and 3) the Slice Customer Charge.

8 **Customer System Peak (CSP)** means the sum of 1) the customer's single highest Heavy Load  
9 Hour Tier 1 Load hourly energy purchase from BPA during each month and 2) if the CSP occurs  
10 during the Super Peak Period, the amount of the Super Peak Credit to which the customer is  
11 entitled in that month.

12 **Demand Charge** means the product of the Demand Charge Billing Determinant and the  
13 Demand Rate.

14 **Demand Rate** means the rate charged for demand under Tier 1 Rates established in accordance  
15 with section 5.3.6.

16 **Designated BPA System Obligations** means the set of obligations specified in Table 3.4  
17 imposed on BPA by statutes, treaties, and contracts that require the generation or delivery of  
18 power, forbearance from generating power, or receipt of power, in order to support the operation  
19 of the FCRPS, including any obligations to the BPA Balancing Authority.

20 **Direct-Service Industrial Customers (DSIs)** has the meaning specified in section 3(8) of the  
21 Northwest Power Act.

22 **Discretionary Contracts** means those Designated BPA Contract Purchases and Designated BPA  
23 System Obligations that have resulted from power marketing decisions by Power Services and  
24 are identified on Tables 3.3 and 3.4.

## Definitions

1 **Diurnal Flattening Service** is a service that makes a resource that is variable or intermittent, or  
2 that portion of such resource that is variable or intermittent, equivalent to a resource that is flat  
3 within each Monthly/Diurnal period.

4 **Eligible Load** means the Existing Customer's Measured FY 2010 Load that is used by BPA in  
5 the determination of each Existing Customer's CHWM, as specified in section 4.1.3.

6 **Existing Customer** means a Public that is eligible on December 1, 2008, to take requirements  
7 power at a PF rate or that would be eligible on December 1, 2008, if it was not serving load with  
8 Non-Federal Resources.

9 **Existing Public** means a Public that has a CHWM Contract at the time there is an annexation of  
10 some portion of its service territory.

11 **Existing Resources** means those Specified Resources listed in section 2 of Exhibit A of the  
12 CHWM Contract that were dedicated to the Existing Customer's Total Retail Load prior to  
13 October 1, 2006.

14 **Existing Resources for CHWMs** means Non-Federal Resource amounts, shown in  
15 Attachment C, that are designated for use in FY 2010 in Exhibit C of each Existing Customer's  
16 Subscription Contract, in effect as of September 30, 2006; Existing Resources for CHWMs are  
17 adjusted as follows:

- 18 1) **Renewable Resources.** The output of renewable resources added during the term of  
19 the Subscription Contracts will be excluded from the calculation of CHWMs.
- 20 2) **Centralia Resource.** Contingent on the signing of a CHWM Contract by an Existing  
21 Customer, the output of the Centralia resource will be excluded from BPA's calculation  
22 of such Existing Customer's CHWM.
- 23 3) **Grant PUD.** Grant PUD has indicated that it will be recalling from purchasers  
24 hydropower from the Priest Rapids and Wanapum projects. This action will result in a  
25 redistribution of resources for Grant PUD and the affected BPA customers, for CHWM

1 purposes, as shown in Attachment C. These changes are reflected as a zero FY 2010  
2 resource value for Priest Rapids and Wanapum hydro resource shares for Cowlitz PUD,  
3 Eugene Water and Electric Board, Seattle City Light, and Tacoma Public Utilities.

4 Correspondingly, Grant PUD's Priest Rapids and Wanapum hydro resource shares will  
5 be increased by the amount necessary to result in a zero CHWM for Grant PUD, except  
6 for the town of Grand Coulee load currently served by BPA as full requirements  
7 service.

8 4) **Raft River Annexation.** The Non-Federal Resources associated with the transfer of  
9 Idaho Power's Nevada service territory to Raft River will be excluded by BPA from the  
10 calculation of the Raft River CHWM.

11 5) **PURPA Resources.** PURPA resources with a capability of less than 3 aMW will not  
12 be counted for CHWM calculations as a resource; however, any load that the resource  
13 serves in FY 2010 that would otherwise be retail load served by the BPA customer will  
14 be included in the Measured FY 2010 Load for that customer. For PURPA resources  
15 with a capability greater than 3 aMW, amounts used by BPA to calculate a customer's  
16 CHWM will be the smaller of 1) the declared amount of such resource designated for  
17 use to serve a customer's retail load in FY 2010 in Exhibit C of such customer's  
18 Subscription Contract, in effect as of September 30, 2006, or 2) the actual output of  
19 such resource used to serve the customer's load in FY 2010.

20 6) **Consumer-owned Resources.** Consumer-owned generation amounts will be  
21 established by BPA at the time of CHWM Contract signing for each customer.  
22 Customers will identify in their CHWM Contracts what consumer-owned generation  
23 amounts their consumers will apply to serve the customer's Total Retail Load.

24 (7) **Resource Clarifications.** In FY 2008, BPA conducted a public process to establish  
25 amounts for certain customers' Non-Federal Resources for CHWM purposes. This was  
26 done in cases where the declared amount of resources designated for use in FY 2010 in

## Definitions

1 Exhibit C of such customers' Subscription Contracts, in effect as of September 30,  
2 2006, were missing or in error. The amounts established for those resources are  
3 reflected in Attachment C.

4 Attachment C sets out the amounts of Existing Resources for CHWMs.

5 **Federal Base System (FBS)** has the meaning specified in section 3(10) of the Northwest Power  
6 Act.

7 **Federal Columbia River Power System (FCRPS)** means the integrated power system that  
8 includes, but is not limited to, the transmission system constructed and operated by BPA and the  
9 hydroelectric dams constructed and operated by the U.S. Army Corps of Engineers and the  
10 Bureau of Reclamation in the Pacific Northwest.

11 **Firm Critical Output** means the forecast output from Federal system resources that is expected  
12 to be available to serve system load obligations over the Fiscal Year(s) that most encompasses  
13 the Critical Period.

14 **Fiscal Year (FY)** means the period beginning each October 1 and ending the following  
15 September 30.

16 **Forced Outage Reserve Services (FORS)** means the services that provide an agreed-to amount  
17 of capacity and energy to load during the forced outages of a qualifying resource.

18 **Forecast Net Requirement** means the forecast of each customer's Annual Net Requirement that  
19 BPA performs in each RHWM Process.

20 **Forecast Tier 1 Load** means BPA's forecast of each customer's Actual Annual Tier 1 Load that  
21 BPA calculates in each 7(i) Process.

22 **Forecast Year** means the Fiscal Year ending one full year prior to the commencement of a Rate  
23 Period.

1 **Heating Degree Days (HDD)** means a quantitative index that reflects demand for energy to heat  
2 homes and businesses, and the summation of negative differences between the mean daily  
3 temperature and 65 degrees Fahrenheit for a specified unit of time.

4 **Initial CHWM** means the sum of all Existing Customers' CHWMs determined in the CHWM  
5 Process.

6 **Investor-Owned Utility (IOU)** means a privately owned or publicly traded utility organized  
7 under state law as a for-profit corporation to provide electric power service.

8 **Irrigation Rate Mitigation (IRM)** means a fixed percentage rate discount for power purchases  
9 at Tier 1 Rates to qualifying utilities that resell power to irrigators during May through  
10 September. See section 10.3.

11 **Load Following Product** means the BPA firm power service under the Load Following CHWM  
12 Contract that meets the customer's Total Retail Load less its Non-Federal Resources obligation  
13 on a real-time basis.

14 **Load Shaping Billing Determinant** is the difference between a customer's System Shaped  
15 Load and its Actual Tier 1 Load for each Monthly/Diurnal period.

16 **Load Shaping Rate** means a rate established by BPA in a 7(i) Process in accordance with  
17 section 5.2.2.

18 **Low Density Discount (LDD)** means the discount authorized by section 7(d)(1) of the  
19 Northwest Power Act.

20 **Measured FY 2010 Load** is used in the determination of a customer's CHWM; Measured  
21 FY 2010 Load is calculated in accordance with section 4.1.1.

22 **Mini-Trial** means a hearing before the BPA Administrator for the Administrator to resolve a  
23 disputed matter in a 7(i) Process, as described in section 13.8.

## Definitions

- 1 **Monthly/Diurnal** refers to the 24 periods of the year, consisting of 12 Heavy Load Hour (HLH)  
2 periods (one for each month) and 12 Light Load Hour (LLH) periods (one for each month).
- 3 **New Expense** means an expense allocable to the applicable Cost Pool under this TRM but for  
4 which no expense category exists on Table 2.
- 5 **New Large Single Load (NLSL)** has the meaning specified in section 3(13) of the Northwest  
6 Power Act and in BPA's NLSL policy.
- 7 **New Public** means a Public that is not an Existing Customer.
- 8 **New Credit** means an amount of revenue credited to the applicable Cost Pool under this TRM  
9 but for which no credit category exists on Table 2.
- 10 **New Tribal Utility** means a Public formed by a tribal government to which service by BPA  
11 commenced after FY 2000.
- 12 **Non-Federal Resource** means a generating facility or other source of electric power or  
13 capability not obtained from BPA.
- 14 **Non-Slice Cost Pool** means the Tier 1 Cost Pool to which expenses and revenue credits are to be  
15 allocated by BPA in accordance with sections 2.1 and 2.2.3, and which are set out on Table 2,  
16 section D. The Non-Slice Cost Pool is the basis for the Non-Slice Customer Rate.
- 17 **Non-Slice Customer Charge** means the product of a customer's Non-Slice TOCA and the Non-  
18 Slice Customer Rate. The Non-Slice Customer Charge applies to purchases of the Load  
19 Following or Block products, including the Block portion of the Slice/Block product, under the  
20 CHWM Contract.
- 21 **Non-Slice Customer Rate** means the rate used in the calculation set forth in section 5.1.4 that  
22 recovers only the costs allocated by BPA to the Non-Slice Cost Pool. The Non-Slice Customer  
23 Rate is expressed in dollars per percentage point of TOCA.

1 **Northwest Power Act** means the Pacific Northwest Electric Power Planning and Conservation  
2 Act, 16 U.S.C. § 839, Public Law No. 96-501.

3 **Notice or notify or similar term** as used throughout this TRM includes communications posted  
4 electronically.

5 **Obligations to Balancing Authority** means the obligations, if any, of Power Services to provide  
6 to the Balancing Authority generation inputs that are required by the Balancing Authority to  
7 reliably operate the transmission facilities of the FCRPS. These generation inputs may include,  
8 but shall not be limited to, the energy and/or capacity utilized or reserved to provide spinning  
9 and non-spinning reserves, reactive power and voltage control, regulation and frequency  
10 response, remedial action schemes, substation service, and energy imbalance.

11 **Overhead Cost Adder** means a uniform adder, set by BPA in each 7(i) Process in accordance  
12 with section 6.3.3, designed to compensate the Composite Cost Pool for the general and  
13 administrative (overhead) costs associated with BPA's provision of power at Tier 2 Rates.

14 **Phase-In Amount** means the CHWM during a Rate Period for Competing New Publics that is  
15 calculated by BPA as set out in section 4.1.6.5.

16 **Planned Net Revenues for Risk** means the amount of net revenues to be included in rates for  
17 financial risk mitigation.

18 **Point of Delivery (POD)** means the point where power is transferred from a transmission  
19 provider to a customer.

20 **Policy** means BPA's Long-Term Regional Dialogue Final Policy, published July 2007, as  
21 amended.

22 **Potential CHWM Eligibility** is a value calculated by BPA, as set out in section 4.1.6.2, to  
23 determine the potential CHWM for a New Public.

## Definitions

1 **Power Services** is the organization, or its successor organization, within BPA that is responsible  
2 for the management and sale of Federal power.

3 **Public** means a public body or cooperative utility or Federal agency eligible to purchase  
4 requirements power from BPA pursuant to section 5(b) of the Northwest Power Act.

5 **Rate Period** means the period of time during which a specific set of rates established by BPA  
6 pursuant to this TRM is intended to remain in effect.

7 **Rate Period High Water Mark (RHWM)** means the amount, calculated by BPA in each  
8 RHWM Process pursuant to the formula in section 4.2.1 and expressed in average megawatts,  
9 that BPA establishes for each customer based on the customer's CHWM and the RHWM Tier 1  
10 System Capability. The maximum planned amount of power a customer may purchase under  
11 Tier 1 Rates each Fiscal Year of the Rate Period is equal to the RHWM for Load Following  
12 customers and the lesser of RHWM or Annual Net Requirement for Block and Slice/Block  
13 customers.

14 **Regional Dialogue Contract** means a contract offered by BPA to a customer—Public, Investor-  
15 Owned Utility, or Direct-Service Industrial Customer—consistent with the terms of the Policy.

16 **Resource Shaping Charge** means the customer-specific charge or credit as described in  
17 section 8.5 that adjusts for the difference in value between a planned resource energy shape that  
18 is flat within each Monthly/Diurnal period (but not necessarily flat when comparing one  
19 Monthly/Diurnal period to another) and an equivalently sized flat annual block (flat for all hours  
20 of the Fiscal Year).

21 **Resource Shaping Charge Adjustment** means the charge or credit developed by BPA pursuant  
22 to section 8.5.1.

23 **Resource Shaping Rate** means the rate that is set, as described in section 8.5, equal to the Load  
24 Shaping Rate for each Monthly/Diurnal period.

1 **Resource Support Services (RSS)** presently includes Diurnal Flattening Service (DFS), Forced  
2 Outage Reserve Services (FORS), Transmission Curtailment Management Service (TCMS), and  
3 Secondary Crediting Service (SCS), and may in the future include other related services that are  
4 proposed in the applicable 7(i) Process.

5 **RHWM Augmentation** means the amount of augmentation to the Firm Critical Output of the  
6 Tier 1 System Resources BPA calculates in each RHWM Process that is needed to meet the total  
7 of all RHWMs, subject to applicable limits. This calculation assumes every customer is able to  
8 purchase its full RHWM and is determined by adding Augmentation for Initial CHWM and  
9 Augmentation for Additional CHWM.

10 **RHWM Process** means the public process conducted during the Forecast Year prior to each  
11 7(i) Process (beginning with the WP-14 7(i) Process), in which BPA will calculate, as described  
12 in section 4.2, the following values for the upcoming Rate Period:

- 13 1) RHWM Tier 1 System Capability, including RHWM Augmentation
- 14 2) each customer's RHWM
- 15 3) each customer's Forecast Net Requirement
- 16 4) each customer's Above-RHWM Load

17 **RHWM Tier 1 System Capability** means the Tier 1 System Firm Critical Output plus RHWM  
18 Augmentation.

19 **RP Augmentation** means the 7(i) Process forecast of the amount of augmentation BPA needs to  
20 purchase for each Rate Period to meet its Forecast Tier 1 Load.

21 **Scaled Eligible Load** is a value calculated by BPA as set forth in section 4.1.3 for use in  
22 determining each customer's CHWM.

23 **Secondary Crediting Service** means the optional service offered by BPA that provides a  
24 monetary credit for the secondary output from an Existing Resource that has a firm critical  
25 energy component and a secondary energy component.

## Definitions

1 **Shared Rate Cost Allocator (SRCA)** is a Shared Rate Plan purchaser's Billing Determinant—  
2 its share of the total Forecast Net Requirement for all SRP purchasers.

3 **Shared Rate Plan (SRP)** means the rate option described in section 7.

4 **Slice Cost Pool** means the Tier 1 Cost Pool to which expenses and revenue credits are to be  
5 allocated by BPA in accordance with sections 2.1 and 2.2.2, and which are set out on Table 2,  
6 section C. The Slice Cost Pool is the basis for the Slice Customer Rate.

7 **Slice Customer Charge** means the product of a customer's Slice Percentage and the Slice  
8 Customer Rate. The Slice Customer Charge applies to the purchase of the Slice product under  
9 the CHWM Contract.

10 **Slice Customer Rate** means the rate used by BPA in the calculation set forth in section 5.1.5;  
11 the Slice Customer Rate recovers only the costs allocated to the Slice Cost Pool and is expressed  
12 in dollars per Slice Percentage.

13 **Slice Percentage** means the percentage that represents the amount of the Slice Product a  
14 customer shall purchase, as established pursuant to the Slice/Block CHWM Contract.

15 **Slice Product** means the power product defined in section 5 of the Slice/Block CHWM  
16 Contract.

17 **Slice True-Up Adjustment** means an annual adjustment to true up forecast costs to actual costs  
18 in accordance with section 2.7 of the TRM.

19 **Subscription Contract** means the power sales agreement between BPA and a customer  
20 providing for power deliveries of requirements purchases, commencing on or after October 1,  
21 2001, and concluding on September 30, 2011.

22 **Super Peak Credit** means the amount of additional capacity, defined in section 5.3.4, a  
23 customer contractually commits to provide with Non-Federal Resources during the Super Peak  
24 Period.

1 **Super Peak Period** means a specific subset of the Heavy Load Hours, defined in section 5.3.4,  
2 established by BPA before each 7(i) Process to establish Tier 1 Rates, during which a customer  
3 has contractually committed to deliver an amount of additional capacity to qualify for the Super  
4 Peak Credit.

5 **System Shaped Load** means the amount of energy a Load Following or Block customer would  
6 receive from BPA under its Tier 1 Rates in each of the Monthly/Diurnal periods in each Fiscal  
7 Year of the Rate Period if the customer's TOCA Load was delivered in the shape of the RHW  
8 Tier 1 System Capability in each such period.

9 **Tier 1 Cost Allocator (TOCA)** is the Billing Determinant for the Customer Charges for each  
10 customer purchasing power at a Tier 1 Rate under its CHWM Contract. TOCAs are expressed as  
11 percentages and are calculated pursuant to section 5.1.1.

12 **Tier 1 Cost Pools** are the three Cost Pools to which BPA allocates Tier 1 Costs. The Tier 1 Cost  
13 Pools are the Composite Cost Pool, the Slice Cost Pool, and the Non-Slice Cost Pool.

14 **Tier 1 Costs** are the expenses identified on Table 2 that are allocated to any Tier 1 Cost Pool.  
15 Table 2 specifies to which Tier 1 Cost Pool each Tier 1 Cost is to be allocated.

16 **Tier 1 Credits** are the revenue credits identified on Table 2 that are allocated to any Tier 1 Cost  
17 Pool. Table 2 specifies to which Tier 1 Cost Pool each Tier 1 Credit is to be allocated.

18 **Tier 1 Load** means customer load BPA serves at a Tier 1 Rate.

19 **Tier 1 Rate** means any Priority Firm Power (PF) rate (e.g., Composite, Slice, and Non-Slice  
20 Customer Rates) that reflects Tier 1 Costs and Credits and applies to power purchased under a  
21 CHWM Contract to meet a customer's general requirements.

22 **Tier 1 Secondary Energy** means the amount of electric energy BPA forecasts in a 7(i) Process  
23 that will be produced in excess of the Tier 1 System Capability.

## Definitions

1 **Tier 1 Secondary Energy Credit** means the amount of the revenue credit that BPA determines  
2 in the applicable 7(i) Process should appropriately be allocated to the Non-Slice Cost Pool from  
3 the disposition of Tier 1 Secondary Energy, as forecast in a 7(i) Process.

4 **Tier 1 System** means the collection of resources and contract purchases that comprise the Tier 1  
5 System Resources and the collection of contract loads and obligations that comprise the  
6 Designated BPA System Obligations.

7 **Tier 1 System Capability** means the Tier 1 System Firm Critical Output plus RP Augmentation.

8 **Tier 1 System Firm Critical Output** means the Firm Critical Output of Tier 1 System  
9 Resources less Tier 1 System Obligations.

10 **Tier 1 System Obligations** means the forecast reductions to the Firm Critical Output of Federal  
11 system resources arising from Designated BPA System Obligations during the Fiscal Year(s) that  
12 most encompasses the Critical Period.

13 **Tier 1 System Resources** means the Federal System Hydro Generation Resources listed in  
14 Table 3.1; the Designated Non-Federally Owned Resources listed in Table 3.2; and the  
15 Designated BPA Contract Purchases listed in Table 3.3.

16 **Tier 2 Cost Pools** is a general term to encompass all of the Cost Pools to which Tier 2 Costs will  
17 be allocated.

18 **Tier 2 Costs** are the expenses and revenue credits that BPA will identify on Table 2 and allocate  
19 to the appropriate Tier 2 Cost Pool during the applicable 7(i) Process.

20 **Tier 2 Rate** means any Priority Firm Power (PF) rate that reflects Tier 2 Costs and applies to  
21 power purchased under a CHWM Contract to meet a customer's Above-RHWM Load.

22 **Tier 2 Rate Alternatives** means the rate options established by BPA in a 7(i) Process for  
23 customers with a CHWM contract who elect to purchase power from BPA to serve their Above-  
24 RHWM Load.

1 **Tiered Rate Methodology (TRM)** means the long-term methodology described in this  
2 document, which implements the Policy construct of tiering BPA's Priority Firm Power rates for  
3 serving load under CHWM Contracts.

4 **TOCA Load** means the amount of energy BPA uses to calculate a customer's TOCA. TOCA  
5 Load equals either the Forecast Tier 1 Load or an adjusted amount pursuant to section 5.1.1.

6 **Total Retail Load (TRL)** means BPA's forecast of all retail electric power consumption,  
7 including electric system losses, within a customer's electrical system, excluding nonfirm or  
8 interruptible loads, transfer loads of other utilities served by the customer, and any loads not on  
9 the customer's electrical system that are not specifically agreed to by BPA.

10 **Transition Period** means the first three years of the CHWM Contracts, FY 2012-2014.

11 **Transition Period High Water Mark (THWM)** is an amount calculated pursuant to  
12 section 4.3.2.1.

13 **Transmission Curtailment Management Service** means the service BPA may provide to back  
14 up a qualifying resource when a transmission curtailment occurs between such resource and the  
15 customer load.

16 **Transmission Services** means the organization, or its successor organization, within BPA that is  
17 responsible for the management and sale of transmission service on the Federal Columbia River  
18 Transmission System.

19 **Weather Normalization** is the process by which Measured FY 2010 Load is adjusted by BPA to  
20 remove the effects of atypical weather in the determination of a customer's CHWM.

21

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## 1 BACKGROUND AND PURPOSE

2 This Tiered Rate Methodology (TRM) is the methodology BPA will use to establish a two-tiered  
3 Priority Firm Power (PF) rate design applicable to firm requirements power service for Publics  
4 pursuant to CHWM Contracts. The TRM establishes a predictable and durable means by which  
5 to tier BPA's PF rate for firm requirements power service, beginning in FY 2012. The tiered rate  
6 design set out herein differentiates between the costs of service associated with Tier 1 System  
7 Capability (Tier 1 Rate) and the costs associated with amounts of BPA power needed to serve  
8 any portion of a Public's Annual Net Requirement not served at a Tier 1 Rate (Tier 2 Rate). This  
9 TRM specifies how PF rates will be developed by BPA to ensure, to the maximum extent  
10 possible, that Tier 1 Rates do not include costs of serving Publics' Above-RHWM Load.

11  
12 BPA determinations of specific rate levels will be made in a manner consistent with the TRM in  
13 the respective 7(i) Processes during the term of this TRM. BPA will set power rates for two-year  
14 Rate Periods throughout the term of the CHWM Contracts, with the following exceptions:

- 15 1) An unexpected financial condition threatens BPA's ability to recover costs and  
16 requires that BPA revise rates within the two-year Rate Period.
- 17 2) The length of the last Rate Period of the CHWM Contracts may be altered in order to  
18 coincide with the expiration of the Contracts.
- 19 3) An alternative cost recovery mechanism resulting from section 2.6 is developed to  
20 prevent Tier 2 Costs from being reallocated into a Tier 1 Cost Pool, and the next two-  
21 year 7(i) Process is not imminent.

22  
23 In addition, a revision of rates during a two-year Rate Period that results from the application of  
24 risk mitigation tools adopted in a 7(i) Process, such as a Cost Recovery Adjustment Clause, is  
25 not a violation of the two-year Rate Period. Any other deviation from such two-year Rate Period  
26 will require a revision to this TRM pursuant to sections 12 and 13.

## Section 1

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The provisions of the TRM are limited to the design and implementation of the PF tiered rates.  
The TRM does not address issues relating to other BPA rates, including but not limited to the PF rate applicable to customers that do not sign CHWM Contracts. Power products are determined in CHWM contracts, not in this TRM.

## 2 COST ALLOCATIONS

### 2.1 Cost Allocation Principles

The following principles were applied in developing the TRM Cost Allocation Method and will be used for allocating costs that are not specifically addressed in the TRM.

- 1) Tiering is a ratemaking construct implemented through an allocation of costs rather than an allocation of power.
- 2) Costs not otherwise expressly allocated in the TRM will be allocated to Cost Pools based on the principles of cost causation, meaning the costs will be allocated to the Cost Pool(s) that benefits from such costs.
- 3) Tier 1 Costs will be kept separate and distinct from Tier 2 Costs. Tier 1 Costs will be recovered through the Tier 1 Rates. Tier 2 Costs will be recovered through Tier 2 Rates, except when necessary to ensure BPA's cost recovery during the Rate Period or to conform to court ruling as provided for in sections 12 and 13.
- 4) Tier 2 Cost Pools will be kept separate from one another. Each Tier 2 Rate will recover only the costs of the applicable Tier 2 Cost Pool. BPA will seek to recover all costs of the applicable Tier 2 Cost Pool from customers purchasing power from that Tier 2 Cost Pool before proposing any reallocation of costs to a Tier 1 Cost Pool.
- 5) BPA will separate costs between Tier 1 Cost Pools and Tier 2 Cost Pools and among the Tier 2 Cost Pools through the rates and relevant contract provisions. Such cost separation will not affect the operation or dispatch of the FCRPS. BPA will serve system load in the most efficient and cost effective manner possible, without considering the ratemaking aspects of tiering.

1           6)     The ratemaking separation of costs between Tier 1 and Tier 2 Cost Pools, and  
2                   among the Tier 2 Cost Pools, will not necessarily be the same as BPA's  
3                   accounting treatment of the costs. When differences arise between ratemaking  
4                   and accounting, the ratemaking allocations determined in accordance with this  
5                   section should govern BPA's ratemaking.

6           7)     BPA's allocation of costs among the Composite, Non-Slice, and Slice Cost Pools  
7                   will recognize the types of costs distinct to the type of service associated with  
8                   each Cost Pool.

9  
10   Section 3.4 contains additional guidance regarding the allocation of specific resource costs.

11  
12   **2.2   Cost Allocation Method and Cost Allocation Table**

13   In each 7(i) Process during the term of the CHWM Contracts, BPA will allocate Tier 1 Costs  
14   among three Tier 1 Cost Pools for determining Tier 1 Rates, and Tier 2 Costs to one or more  
15   Tier 2 Cost Pools corresponding to each Tier 2 Rate Alternative. The Tier 1 Cost Pools are the  
16   Composite Cost Pool, Slice Cost Pool, and Non-Slice Cost Pool. The allocation of costs into  
17   Cost Pools is a ratemaking exercise that is performed in a 7(i) Process according to the directives  
18   in section 7 of the Northwest Power Act.

19  
20   The Cost Allocation Table, Table 2, sets out the cost allocations that will be used for allocating  
21   costs in future Rate Periods. Changes to the Cost Allocation Table to accommodate New  
22   Expenses or New Credits will be pursuant to section 2.3. Changes to the Cost Allocation Table  
23   to accommodate a need to allocate a Tier 2 Cost to a Tier 1 Cost Pool will be pursuant to  
24   section 2.6. All other changes to the Cost Allocation Table will be pursuant to sections 12  
25   and 13. All BPA costs functionalized by BPA to the Power function will be included in the Cost  
26   Allocation Table. The addition of new Tier 2 Cost Pools will not be considered changes to the

1 Cost Allocation Table for purposes of sections 12 and 13. BPA will conform the description or  
2 grouping of costs in the Cost Allocation Table to the grouping of costs in the Power Services  
3 Statement of Revenues and Expenses. Any modifications to BPA's Power Services Statement of  
4 Revenues and Expenses will be reviewed for cost allocation issues, and such issues will be  
5 addressed in a 7(i) Process.

### 7 **2.2.1 The Composite Cost Pool**

8 Table 2, Section B, sets out the costs that are allocated to the Composite Cost Pool, including all  
9 Tier 1 Costs and Tier 1 Credits functionalized by BPA to the Power function, except for any  
10 Tier 1 Costs or Tier 1 Credits that BPA has determined meet the specified criteria for inclusion  
11 in either the Slice Cost Pool or the Non-Slice Cost Pool, as set forth in sections 2.2.2 and 2.2.3.  
12 The administrative costs (primarily staffing costs) of surplus marketing and administering all  
13 CHWM Contracts and rates will be allocated to the Composite Cost Pool. Allocation of costs  
14 between the Composite Cost Pool and Non-Slice Cost Pool are shown on Table 2, Section A,  
15 with the resulting allocation reflected in the relevant Cost Pools, sections B and D.

### 17 **2.2.2 The Slice Cost Pool**

18 Table 2, Section C, is designed to include the costs that are allocated to the Slice Cost Pool,  
19 including all Tier 1 Costs and Tier 1 Credits that are specifically and uniquely attributable to the  
20 Slice product. As of the date of this TRM, there are no Tier 1 Costs or Tier 1 Credits to be  
21 allocated to the Slice Cost Pool. If, during the term of the Slice/Block CHWM Contracts, BPA  
22 undertakes actions that are solely for the benefit of the Slice customers (for example, customer-  
23 requested software enhancements specific to Slice), then BPA will allocate the costs to undertake  
24 these actions to the Slice Cost Pool unless BPA and the Slice customers have made separate  
25 payment arrangements. Such costs would be treated as New Expenses under the TRM for

1 allocation purposes. Similarly, if in the future there are New Credits attributable to the Slice  
2 customers only, these New Credits would be allocated to the Slice Cost Pool.

3  
4 **2.2.3 The Non-Slice Cost Pool**

5 Table 2, Section D, sets out the costs that are allocated to the Non-Slice Cost Pool, including all  
6 Tier 1 Costs and Tier 1 Credits that are specifically and uniquely attributable to the Load  
7 Following or Block products, including the Block portion of the Slice/Block product. The Non-  
8 Slice Cost Pool includes the costs and credits of converting resource output into load service  
9 (e.g., Balancing Power Purchases); the costs of Tier 1 risk mitigation not recovered through rates  
10 for the Slice product; and the costs or credits arising from capacity resource purchases. The  
11 Non-Slice Cost Pool also includes the Tier 1 Secondary Energy Credit that includes any costs or  
12 credits specifically attributable to BPA's marketing of Tier 1 Secondary Energy.

13  
14 **2.2.4 Tier 2 Cost Pools**

15 Table 2, Section E, sets out the costs that are allocated to the Tier 2 Cost Pools. Such costs  
16 include all Tier 2 Costs that are attributable to resources and services that BPA forecasts for  
17 ratemaking purposes to use for serving load at a Tier 2 Rate. Included in Table 2, Section E, are  
18 RSS costs used to set the Tier 2 Rates. BPA will include a uniform adder, the Overhead Cost  
19 Adder, in the Tier 2 Cost Pools. BPA will credit the forecast revenue from the Overhead Cost  
20 Adder to the Composite Cost Pool. See section 6.3 for a fuller discussion of costs allocated to  
21 Tier 2 Cost Pools and section 6.3.3 for discussion of the Overhead Cost Adder. Any uses of the  
22 Tier 1 System to serve load at a Tier 2 Rate, as forecast for ratemaking purposes, will be priced  
23 in accordance with section 3.7.

### 2.3 Inclusion of New Expenses or New Credits

BPA will allocate New Expenses or New Credits to the Cost Pools based on the cost allocation principles in section 2.1. BPA will propose an allocation of the New Expenses and New Credits to the appropriate Cost Pools in the next applicable 7(i) Process.

### 2.4 Tier 1 Secondary Energy Credit

The Slice Product includes an advance sale of surplus energy, which is delivered when and if available. As a consequence, the Composite Cost Pool and Slice Cost Pools do not contain any revenue credit associated with the Tier 1 Secondary Energy Credit. The Load Following and Block Products do not receive any Tier 1 Secondary Energy. Therefore, the Non-Slice Cost Pool will be allocated a Tier 1 Secondary Energy Credit.

Notwithstanding the above, in the event of unused RHW, the Tier 1 Secondary Energy Credit associated with the unused RHW will be included in the Composite Cost Pool rather than in the Non-Slice Cost Pool.

### 2.5 Interest Earned on the Bonneville Fund

On the first day of the Slice contract, October 1, 2001, BPA had financial reserves attributed to the Power function of \$495.6 million. All PF customers contributed to the accretion of these reserves. At that time or thereafter, BPA had some uncertain liabilities and assets arising from disputes over transactions during the California energy crisis; not all of these have been resolved on a final basis. However, beginning in FY 2002, Slice customers have not further contributed to the accretion of reserves.

BPA will allocate to the Composite Cost Pool an interest credit based on that pre-FY 2002 level of reserves, \$495.6 million, as adjusted for any eventual resolution of the uncertain assets and liabilities described above. BPA will allocate to the Non-Slice Cost Pool a credit equal to the

## Section 2

1 total anticipated credit earned on Bonneville Fund balances attributed to the Power function less  
2 the amount of interest credit included in the Composite Cost Pool. The credit to the Non-Slice  
3 Cost Pool will be negative if the interest credit allocated to the Composite Cost Pool is greater  
4 than the total interest credit for a particular year. Table 2, the Cost Allocation Table, line 4,  
5 shows the allocation of the interest credit.

6  
7 BPA may receive funds as collections of outstanding receivables, or it may make or receive  
8 payments for settlements or judgments, pertaining to power marketing transactions that occurred  
9 before FY 2002. Any amounts of such receipts that have not been shared (e.g., through the Slice  
10 True-up) with Slice customers in proportion to the Slice Percentage will be added to the  
11 \$495.6 million used for calculating the interest credit included in the Composite Cost Pool.  
12 Similarly, any amounts of such payments that have not been proportionally collected from the  
13 Slice customers will be subtracted from the \$495.6 million value. Any amounts of such receipts  
14 that have been shared with Slice customers and any amounts of such payments that have been  
15 proportionally collected from the Slice customers are the gross amounts; i.e., they are equal to  
16 the net size of the payments to or collection from the Slice customers, divided by the Slice  
17 Percentage. If funds of this type are received by BPA or if payments of this type are made by  
18 BPA, and the entire amounts are proportionally shared with or collected from Slice customers,  
19 the receipts or payments will not result in a change to the \$495.6 million value.

20  
21 It is possible that future circumstances will occur that make it reasonable and fair to make  
22 additional adjustments to the size of the base amount (the \$495.6 million) on which an interest  
23 credit is calculated for ratemaking purposes for crediting to the Composite Cost Pool. The  
24 amount of such adjustments will be decided in a 7(i) Process.

25

## 2.6 BPA Actions Prior to Allocating Tier 2 Cost to a Tier 1 Cost Pool

If, for purposes of ensuring cost recovery, BPA determines that it must reallocate to any Tier 1 Cost Pool costs that would otherwise be allocated to any Tier 2 Cost Pool under the TRM, to the extent practicable BPA will reallocate such costs only after taking the following actions:

- a. BPA will make reasonable efforts to recover the costs from the party(s) that would otherwise be responsible for such costs. Such efforts may include making demand on any available credit support and pursuing legal action when BPA determines it is appropriate.
- b. BPA will make good faith efforts to reduce the costs that are proposed to be reallocated, so as to offset the cost that would otherwise occasion the need for a reallocation to ensure cost recovery.
- c. Prior to a BPA proposal in a 7(i) Process to reallocate costs from a Tier 2 Cost Pool to a Tier 1 Cost Pool, BPA will convene a public meeting with customers and interested parties to discuss the proposal to reallocate and to elicit alternatives to reallocating the costs. If an alternative cost recovery mechanism appears to be viable, BPA would propose such alternative cost recovery mechanism in the next 7(i) Process.

These actions, or disputes over whether the Administrator has satisfied them, do not override and will not be allowed to frustrate the Administrator's responsibility to recover costs and timely repay the U.S. Treasury.

## 2.7 Slice True-Up

Slice customers will have an annual Slice True-Up Adjustment for expenses and revenue credits allocated to the Composite Cost Pool (see Table 2, Section B) and to the Slice Cost Pool (see Table 2, Section C). The annual Slice True-Up Adjustment will be calculated for each Fiscal Year as soon as BPA's audited actual financial data are available (usually in November). Actual

1 expenses during a Fiscal Year to implement a request of and for the benefit of an individual Slice  
2 customer will be billed and paid in accordance with the contract governing the implementation of  
3 such request.

4  
5 **2.7.1 Composite Cost Pool True-Up**

6 The annual Slice True-Up Adjustment for each Slice customer for the Composite Cost Pool will  
7 be calculated by: 1) subtracting the average of the forecast annual expenses and revenue credits  
8 allocated to the Composite Cost Pool for the Fiscal Years of the applicable Rate Period, from the  
9 actual expenses and revenue credits in the applicable Fiscal Year of the Rate Period and that are  
10 allocable to the Composite Cost Pool; and 2) multiplying the difference determined in 1) above  
11 by each Slice customer's Slice Percentage. The dollar amount calculated may be positive or  
12 negative, and in either event constitutes the Slice True-Up Adjustment Charge for the Composite  
13 Cost Pool.

14  
15 The actual expenses and revenue credits allocable to the Composite Cost Pool will include a  
16 component (Minimum Required Net Revenue; MRNR) for the amount in a Fiscal Year by which  
17 BPA's actual cash requirements exceed the total actual non-cash expenses in the Composite Cost  
18 Pool. When BPA's actual cash requirements do not exceed the total actual non-cash expenses in  
19 the Composite Cost Pool, MRNR will equal zero. Any revisions to this MRNR treatment will be  
20 proposed by BPA in a 7(i) Process.

21  
22 **2.7.2 Slice Cost Pool True-Up**

23 The annual Slice True-Up Adjustment for the Slice Cost Pool will be calculated by:  
24 1) subtracting the average of the forecast annual expenses and revenue credits allocated to the  
25 Slice Cost Pool for the Fiscal Years of the applicable Rate Period from the actual expenses and  
26 revenue credits that are allocable to the Slice Cost Pool in the applicable Fiscal Year of the Rate

1 Period; and 2) multiplying the difference from 1) above by each customer's Slice Percentage  
2 divided by the sum of all Slice Percentages. The dollar amount calculated may be positive or  
3 negative, and in either event constitutes the Slice True-Up Adjustment Charge for the Slice Cost  
4 Pool.

### 6 **2.7.3 Treatment of New Costs and Revenues, and Costs and Revenues Not Subject** 7 **to Slice True-Up**

8 In the annual Slice True-Up Adjustment, BPA may make an interim allocation of new expenses  
9 or revenue credits for which categories do not exist on Table 2 and that arise or become known  
10 during any year of a Rate Period. If BPA makes such an interim allocation, it will do so among  
11 the Cost Pools based on the TRM cost allocation principles (see section 2.1). BPA will make a  
12 final decision on the allocation of new expenses or revenue credits among the Cost Pools in the  
13 next scheduled power rate 7(i) Process. If the cost allocation finally adopted in the 7(i) Process  
14 is different from the interim allocation implemented by BPA through the Slice True-Up  
15 Adjustment, the Slice customers will be compensated or charged based on their over-payment or  
16 under-payment, in either case with interest (at the rate specified in the Slice customer's CHWM  
17 Contract) from the first calendar day of the Fiscal Year in which the True-Up Adjustment Charge  
18 containing the interim allocation was calculated to the due date of the bills containing payment(s)  
19 or credit(s) related to the final allocation.

20  
21 For forecast expenses or revenue credits allocated to either the Composite Cost Pool or the Slice  
22 Cost Pool that are not subject to the Slice True-Up, for purposes of all Slice True-Up Adjustment  
23 calculations, the actual expenses and revenue credits allocable to such Cost Pools for each Fiscal  
24 Year will be deemed to be equal to the forecast of such expenses or revenue credits in the  
25 applicable 7(i) Process. The expenses and revenue credits that are not subject to true-up to actual  
26 expenses and revenue credits in the Slice True-Up Adjustment are designated on the Cost

1 Allocation Table, Table 2, by gray shaded cells under the column headings entitled “Actual  
2 Data.”

3  
4 **2.7.4 Slice True-Up Adjustment Charge**

5 BPA will provide Slice customers a preliminary estimate of the Slice True-Up Adjustment  
6 Charge before completion of BPA’s financial audit for each Fiscal Year. The Slice True-Up  
7 Adjustment Charge for each customer will be a sum of the Slice True-Up Adjustment Charge for  
8 the Composite Cost Pool and the Slice True-Up Adjustment Charge for the Slice Cost Pool  
9 calculated for each Slice customer. BPA will notify Slice customers of their Slice True-Up  
10 Adjustment Charge that is calculated after audited actual financial data is available. The Slice  
11 True-Up Adjustment Charge is included in customer bills in the month (or months) following  
12 notification.

13  
14 The Slice True-Up Adjustment Charge for the Composite Cost Pool and the Slice True-Up  
15 Adjustment Charge for the Slice Cost Pool will be added together if both are negative or both are  
16 positive, and will be netted against each other if one adjustment is positive (adjustment is a  
17 charge) and the other adjustment is negative (adjustment is a credit). The result of this summing  
18 or netting, as applicable, will be the final Slice True-Up Adjustment Charge.

19  
20 The final Slice True-Up Adjustment Charge for each customer will be applied either as a one-  
21 month credit (if the adjustment is negative) or as a three-month charge (if the adjustment is  
22 positive) spread equally across the three months following the month the final Slice True-Up  
23 Adjustment Charge is determined by BPA. Slice customers have the option to pay the entire  
24 charge in one month.

1 Interest will be computed and added to the Slice True-Up Adjustment Charge for each Slice  
2 customer at the rate and for the period specified in the Slice customer's CHWM Contract. The  
3 interest period is defined as follows:

- 4 1) If the Slice True-Up Adjustment Charge is a credit to the Slice customer, the period for  
5 interest computation will begin with the first calendar day of the Fiscal Year in which  
6 the Slice True-Up Adjustment Charge is calculated and end at the due date of the bill  
7 that contains such credit.
- 8 2) If the Slice True-Up Adjustment Charge is a charge payable to BPA, the period for  
9 interest computation will begin with the first calendar day of the Fiscal Year in which  
10 the Slice True-Up Adjustment Charge is calculated and end at the due date for each of  
11 the three bills in which the Slice True-Up Adjustment Charge appears. For Slice  
12 customers who opt to pay the charge in one month, the period for interest computation  
13 will begin with the first calendar day of the Fiscal Year in which the Slice True-Up  
14 Adjustment Charge is calculated and end at the due date for the one bill.

15  
16 Any adjustments to the billed Slice True-Up Adjustment Charge will be determined by BPA  
17 upon the later to occur of: 1) BPA's issuance of its written final resolutions of Slice True-Up  
18 Adjustment Charge issues at conclusion of the Cost Verification Process, or 2) BPA's issuance  
19 of a written decision by the Administrator that affirms or rejects (in whole or in part) the  
20 recommendation of the third-party expert, all as set forth in Attachment A.

## 21 22 **2.7.5 Cost Verification Process**

### 23 **2.7.5.1 Cost Verification Process for the Slice True-Up Adjustment Charge**

24 BPA will conduct a Cost Verification Process that will permit Slice customers and other  
25 customers to assess whether BPA has correctly calculated the amount of each expense or revenue  
26 credit subject to the Slice True-Up Adjustment, and whether the final Slice True-Up Adjustment

1 contains only those expenses and revenue credits permitted to be included in, and does not  
2 contain any expenses or revenue credits excluded from, the Slice Rate pursuant to the TRM. The  
3 Cost Verification Process will not enable customers to question or dispute BPA's accounting  
4 policies, standards, management decisions, or other policies. The Cost Verification Process for  
5 the Slice True-Up Adjustment Charge will be conducted in accordance with Attachment A to this  
6 TRM.

7  
8 **2.7.5.2 Cost Review Public Process**

9 Consistent with the Policy, BPA will establish, outside the TRM, a Cost Review Public Process.  
10 This public process will include periodic meetings to allow customers and interested parties to  
11 review and obtain information from BPA, such as BPA's financial performance, comparison of  
12 BPA's actual costs to its forecast costs, and assignment of costs among cost categories and Cost  
13 Pools. For any issues raised in this Cost Review Public Process, BPA will determine if  
14 resolution is needed in a future 7(i) Process.

### 3 FEDERAL SYSTEM RESOURCES

#### 3.1 Tier 1 System Firm Critical Output

BPA will establish the forecast quantity of power available to be sold at Tier 1 Rates for purposes of determining CHWMs and RHWMs. BPA will use Tier 1 System Firm Critical Output to determine RHWM Tier 1 System Capability.

##### 3.1.1 Tier 1 System Firm Critical Output Study

In the CHWM Process and each RHWM Process, BPA will produce a Tier 1 System Firm Critical Output Study to establish the Tier 1 System Firm Critical Output. During the CHWM Process and RHWM Process, customers will have the right to review the data and assumptions BPA used to forecast Tier 1 System Firm Critical Output, receive clarification of planning assumptions and data and forecasting methods, and offer modifications for BPA's consideration.

For use in the CHWM Process, BPA's initial determination of Tier 1 System Firm Critical Output will be published pursuant to section 4.1.5. This initial determination may be modified during the CHWM Process as described in sections 4.1.5 and 13.10.

For use in each RHWM Process, BPA's initial determination of Tier 1 System Firm Critical Output for each Rate Period will be completed by August 15 of the Forecast Year. This initial determination may be modified during the RHWM Process as described in sections 4.2.2 and 13.10.

The determination of the Firm Critical Output of Tier 1 System Resources used in the 7(i) Process may differ from the Tier 1 System Firm Critical Output determined in the RHWM Process. Such differences will not change the Tier 1 System Firm Critical Output determined in

1 such RHW Process; rather, BPA will adjust its forecast of Balancing Power Purchases to  
2 account for any differences in the Firm Critical Output of Tier 1 System Resources.

3  
4 **3.1.2 Calculation of Tier 1 System Firm Critical Output**

5 In the CHWM Process and each RHW Process, BPA will determine the Tier 1 System Firm  
6 Critical Output as the two-year average of the Firm Critical Output of Tier 1 System Resources  
7 (section 3.1.3) less Tier 1 System Obligations (section 3.1.4).

8  
9 **3.1.3 Calculation of Firm Critical Output of Tier 1 System Resources**

10 BPA will determine the Firm Critical Output of Tier 1 System Resources by summing the Firm  
11 Critical Output of Federal System Hydro Generation (section 3.1.3.1), Designated Non-Federally  
12 Owned Resources (section 3.1.3.2), and Designated BPA Contract Purchases (section 3.1.3.3).

13  
14 **3.1.3.1 Firm Critical Output of Federal System Hydro Generation**

15 BPA's Tier 1 System Firm Critical Output Study will determine the Firm Critical Output of  
16 Federal System Hydro Generation.

17  
18 The Firm Critical Output of regulated hydro generation will be developed using BPA's  
19 hydroregulation model that coordinates the operation of the regulated hydro projects. The  
20 hydroregulation model will incorporate known reservoir operating assumptions based on the  
21 Critical Period and include information from any agreed-upon or anticipated operations  
22 concerning an FCRPS Biological Opinion (BiOp).

23  
24 The Firm Critical Outputs of independent hydro projects are provided by the U.S. Bureau of  
25 Reclamation (Reclamation), the U.S. Army Corps of Engineers (COE), and other project owners  
26 and used by BPA without change. If the project owner does not provide such forecast, BPA will

1 provide its own Firm Critical Output for these resources for the Rate Period. As of the date of  
2 establishment of the TRM, BPA's hydroregulation model does not model or regulate  
3 independent hydro projects. If BPA's hydroregulation model is updated to include the  
4 coordination of any independent hydro projects, the results of that modeling would be  
5 incorporated into the Tier 1 System Firm Critical Output Study.

6  
7 The Federal System Hydro Generation resources included as Tier 1 System Resources are listed  
8 on Table 3.1. This list of resources will not be changed for the duration of this TRM. The Firm  
9 Critical Output of these resources may change, but the entire Firm Critical Output of these  
10 resources will be included in the Firm Critical Output of Tier 1 System Resources.

11  
12 The Critical Period adopted by BPA as of the effective date of this TRM uses September 1936  
13 through April 1937 historical streamflows. Accordingly, this TRM will initially use  
14 October 1936 through September 1937 historical streamflows in the determination of the Firm  
15 Critical Output of Federal System Hydro Generation. BPA may revise the Critical Period, as  
16 needed, depending on changes in power and non-power constraints and other factors that would  
17 affect the determination of the Critical Period.

### 18 19 **3.1.3.2 Firm Critical Output of Designated Non-Federally Owned Resources**

20 The Firm Critical Outputs of Designated Non-Federally Owned Resources are typically provided  
21 by the project's owner. If the project owner does not provide such forecast, BPA will provide its  
22 own Firm Critical Output for these resources for each Rate Period.

23  
24 The Designated Non-Federally Owned Resources included as Tier 1 System Resources are listed  
25 in Table 3.2. This list of resources will not be changed for the duration of this TRM. The Firm  
26 Critical Output of these resources may change, but the entire Firm Critical Output of these

1 resources will be included in the Firm Critical Output of Tier 1 System Resources. If BPA's  
2 contract for a Designated Non-Federally Owned Resource expires during the term of this TRM,  
3 and the contract is renewed, then the entire Firm Critical Output of the contracted resource will  
4 be included in Firm Critical Output of Tier 1 System Resources. If the contract is not renewed,  
5 then the Firm Critical Output of the resource will be set to zero.

6  
7 **3.1.3.3 Firm Critical Output of Designated BPA Contract Purchases**

8 The Designated BPA Contract Purchases included as Tier 1 System Resources are listed in  
9 Table 3.3. BPA will determine the Firm Critical Output of Designated BPA Contract Purchases  
10 to be included in the calculation of the Firm Critical Output of Tier 1 System Resources for each  
11 Rate Period. The Firm Critical Outputs of Designated BPA Contract Purchases are considered to  
12 be delivered to the FCRPS regardless of weather, water, or economic conditions. The list of  
13 contracts will not be changed for the duration of this TRM. The forecast amount of contract  
14 purchase may change, but the entire Firm Critical Output of the contract purchase will be  
15 included in Firm Critical Output of Tier 1 System Resources. If BPA's contract for a Designated  
16 Contract Purchase expires during the term of this TRM, and the contract is renewed, except for  
17 those identified as Discretionary Contracts in Table 3.3, then the Firm Critical Output will be  
18 included in the Firm Critical Output of Tier 1 System Resources. If the contract is not renewed,  
19 then the Firm Critical Output of the resource will be set to zero. If BPA renews or replaces  
20 system stability and wheeling contracts such as the BPA-PPL Southern Idaho exchange (89BP-  
21 92524) and BPA-SPP Harney Wells exchange (88BP-92436) contracts, then the Firm Critical  
22 Output of such contracts will continue to be included in the Firm Critical Output of Tier 1  
23 System Resources.

### 3.1.4 Determination of Tier 1 System Obligations

#### 3.1.4.1 Designated BPA System Obligations

Table 3.4 sets out the Designated BPA System Obligations that will be used in the determination of Tier 1 System Obligations for each Rate Period. Table 3.4 may be updated in a Tier 1 System Firm Critical Output Study to include new Designated BPA System Obligations. The Designated BPA System Obligations are considered firm obligations delivered by the FCRPS regardless of weather, water, or economic conditions. Due to the nature of these obligations, the Tier 1 System Obligations may be based on signed contract provisions, MOAs, treaty, statute, court orders, BPA estimates, or a combination of the foregoing. The Tier 1 System Obligations arising from these Designated BPA System Obligations can vary from year to year and change through time. Any costs related to or revenues recovered from Designated BPA System Obligations will be assigned to the Composite Cost Pool.

Statutory, treaty, regional reliability, public purpose, public safety, and system stability obligations specified as Designated BPA System Obligations may continue even if the implementing contract expires, and the successor contract will replace the listed contract. The Designated BPA System Obligations listed on Table 3.4 will not be removed for the duration of this TRM. If there is a cessation of any such Designated BPA System Obligation, the Tier 1 System Obligation for such obligation amount will be set to zero when the obligation expires.

#### 3.1.4.2 Discretionary Contracts

Discretionary Contracts consist of BPA purchases, sales, and exchanges resulting from BPA marketing transactions as of September 30, 2006. These contracts are identified in Tables 3.3 and 3.4 in the column titled Discretionary Contracts. Discretionary Contracts shown in Tables 3.3 and 3.4 will not be replaced upon expiration. Any costs pertaining to or revenues recovered from the listed Discretionary Contracts will be assigned to the Composite Cost Pool. Discretionary Contracts entered into after September 30, 2006, will not be added to Table 3.3 or

1 3.4 and any costs pertaining to or revenues recovered from such new Discretionary Contracts  
2 will be assigned to the Non-Slice Cost Pool.

3  
4 **3.2 Augmentation of Tier 1 System Firm Critical Output**

5 **3.2.1 Augmentation Limit in the CHWM Process**

6 In the CHWM Process, BPA will calculate an amount of augmentation by subtracting the  
7 average of FY 2012 and 2013 Tier 1 System Firm Critical Output from the sum of all customers'  
8 Eligible Load. This amount of augmentation will be subject to the following limitations:

- 9 1) If the difference is zero or less, then this amount of augmentation will be zero.  
10 2) If the difference is greater than zero, then this amount of augmentation is the lesser of  
11 the result or 300 aMW, subject to the limit in 3) below.  
12 3) This amount of Augmentation plus Tier 1 System Firm Critical Output cannot exceed  
13 7,400 aMW.

14 This amount of augmentation, after the limitations have been applied, will be the Augmentation  
15 Limit.

16  
17 **3.2.1.1 Augmentation for Additional CHWM for DOE-Richland**

18 DOE-Richland has the right to increase its CHWM by up to 70 aMW in order to serve new  
19 on-site defense materials production and waste processing/disposal loads, if such loads occur. If  
20 such Additional CHWM is added, BPA will establish amounts of Augmentation for Additional  
21 CHWM in an amount equal to this amount of Additional CHWM, but not to exceed 70 aMW, as  
22 necessary.  
23

**3.2.1.2 Augmentation for Additional CHWM for New Publics**

BPA will establish amounts of Augmentation for Additional CHWM in an amount equal to the Additional CHWMs of New Publics established pursuant to section 4.1.6. Such Augmentation for Additional CHWM will not exceed the 250 aMW Additional CHWM limit and will be subject to the Rate Period Additional CHWM limits, described in section 4.1.6.

**3.2.1.3 Power Purchases for Service to DSIs and Other Loads**

If BPA decides to sell power to the DSIs or to other loads not served at the Tier 1 or Tier 2 Rates, power purchased for such purposes will not be included in the Tier 1 System Capability. The costs of power purchases for such service may be included in the Composite Cost Pool.

**3.2.2 Determining Augmentation Amounts for Each Rate Period****3.2.2.1 Determination of RHWM Augmentation for Each Rate Period**

In each RHWM Process, BPA will determine the amount of RHWM Augmentation for each Rate Period. This determination will be the sum of Augmentation for Initial CHWM and Augmentation for Additional CHWM. Any increase in the Tier 1 System Firm Critical Output will result in an equal decrease in the amount of RHWM Augmentation until the RHWM Augmentation amount is zero. Correspondingly, any decrease in the Tier 1 System Firm Critical Output will result in an equal increase in RHWM Augmentation, not to exceed the Augmentation Limit plus Augmentation for Additional CWHM.

**3.2.2.2 Determination of RP Augmentation Amounts for Each Rate Period**

In each 7(i) Process, the amount of RP Augmentation will be the amount of RHWM Augmentation for the Rate Period reduced by forecast unused RHWM that results from customers' RHWMs exceeding their Forecast Net Requirements. BPA will reduce the RP Augmentation purchases by the amount that the sum of RHWMs exceeds the sum of the

1 Forecast Net Requirements for a Rate Period. If RP Augmentation has been reduced to zero by  
2 unused RHW, then the value of any remaining unused RHW established in a 7(i) Process  
3 will be credited to the Composite Cost Pool.  
4

5 **3.2.2.3 Rate Treatment of Augmentation Costs**

6 The cost of RP Augmentation that is not secured by contract purchases will be based on forecast  
7 market prices for a flat annual block of power developed in a 7(i) Process for the applicable Rate  
8 Period. If BPA has secured contract purchases (either in the form of market purchases or  
9 specific resources) to supply the RP Augmentation, then the costs of those purchases and any  
10 costs associated with converting the shaped of the output of htose resources or contracts into a  
11 flat annual block of power will be included in the costs of RP Augmentation. The costs of  
12 RP Augmentation will be allocated to the Composite Cost Pool.  
13

14 **3.2.2.4 Rate Treatment for Excess Augmentation Purchases**

15 BPA may acquire resources on a long-term basis during the term of the CHWM Contracts as  
16 RP Augmentation. In the event such resources are in excess of the need for RP Augmentation  
17 during any Rate Period, BPA will forecast the revenues to be obtained from remarketing of such  
18 excess. The forecast revenues from such remarketing will be credited to the Composite Cost  
19 Pool. The costs of the acquiring such resources will continue to be allocated to the Composite  
20 Cost Pool.  
21

22 **3.3 Rate Treatment of Balancing Power Purchases**

23 BPA will forecast costs of Balancing Power Purchases for each Rate Period in the applicable  
24 7(i) Process and will allocate these costs to the Non-Slice Cost Pool.  
25

1 If Tier 1 System Capability determined in a 7(i) Process differs from RHWM Tier 1 System  
2 Capability, the RHWMs determined in the RHWM Process will not change. Such difference  
3 will be reflected in the 7(i) Process forecast of Balancing Power Purchases for the Rate Period.  
4

### 5 **3.4 Allocation of Costs for New Federal System Resource Acquisitions**

6 Costs of a Federal resource acquisition made after September 30, 2006, will be allocated to one  
7 or more Cost Pools. Such costs will remain as allocated for the duration of the resource purchase  
8 or the CHWM Contract, whichever ends sooner. If the available power from such resources  
9 exceeds the loads that pay such costs, however, then the excess may be forecast to be  
10 remarketed. Such remarketing may be to another Cost Pool at the cost of the resource. Any  
11 revenues resulting from the remarketing of such resource will be credited to the Cost Pool to  
12 which the cost of such resource is allocated.  
13

14 To ensure proper cost allocation among Cost Pools, BPA will allocate the cost of certain Federal  
15 resource acquisitions as follows:

- 16 1) RP Augmentation—costs allocated to the Composite Cost Pool.
- 17 2) Balancing Power Purchases—costs allocated to the Non-Slice Cost Pool.
- 18 3) Energy purchases or acquisitions for BPA loads served at Tier 2 Rates—costs allocated  
19 to applicable Tier 2 Cost Pools.
- 20 4) Capacity for following customer load—costs allocated to the Non-Slice Cost Pool.
- 21 5) Transmission Services capacity obligations—costs allocated to the Composite Cost Pool,  
22 offset by revenue from Transmission Services related to the specific obligation being  
23 met.
- 24 6) RSS capacity obligations—costs allocated to the Composite Cost Pool, offset by revenue  
25 from RSS.
- 26 7) Acquisitions other than the foregoing—costs allocated to the Cost Pool determined in the

1 applicable 7(i) Process.  
2

3 **3.5 Augmentation Used for the Slice Product**

4 When BPA determines RHW M Augmentation, it is assumed, for ratemaking purposes, to be in  
5 the shape of an annual flat block purchase. Slice purchasers will receive a Slice Percentage share  
6 of RHW M Augmentation, which will be delivered to Slice customers in a flat annual shape.  
7 However, Slice purchasers will be charged a share of the costs of RP Augmentation through the  
8 Composite Customer Rate. The forecast costs of RP Augmentation will not be subject to the  
9 Slice True-Up.  
10

11 **3.6 Adjustments to Slice Percentages**

12 Each Slice customer’s Slice Percentage is determined and set forth in the customer’s CHWM  
13 Contract before FY 2012 and will not change during the CHWM Contract term, except as  
14 described in sections 3.6.1 and 3.6.2 below.  
15

16 **3.6.1 Adjustment for Additional CHWM**

17 If BPA establishes Additional CHWMs, then BPA will proportionally adjust all Slice  
18 Percentages, pursuant to the terms of the CHWM Contract. Each Slice Percentage will be  
19 multiplied by the ratio of 1) Initial CHWM to 2) Initial CHWM plus Additional CHWM to  
20 determine the adjusted Slice Percentage. The adjusted Slice Percentage will be in effect for the  
21 Rate Period, and, unless further adjusted pursuant to section 3.6.2, will be used as the Slice  
22 Billing Determinant for the applicable Rate Period.  
23

### 3.6.2 Decrease in Slice Percentage Due to Annual Net Requirement

BPA will not adjust the forecast of the customer's Slice Percentage based on the customer's Forecast Net Requirement, even if the Forecast Net Requirement would otherwise indicate such an adjustment would be appropriate.

BPA will, however, determine the Annual Net Requirement for each Slice customer before each Fiscal Year according to the provisions of the customer's CHWM Contract. If, in BPA's determination of a Slice customer's Annual Net Requirement, BPA adjusts the customer's Slice Percentage pursuant to its CHWM Contract, then BPA will use this adjusted Slice Percentage as the customer's Billing Determinant for the applicable Fiscal Year.

If a Slice customer's Slice Percentage is so adjusted for a Fiscal Year, BPA will calculate the value of the related unused Slice RHW power and include the value as an actual revenue credit in the Composite Cost Pool for Slice True-Up purposes. Such value will be based on the forecast market prices determined in the applicable 7(i) Process. This value will not be trued up to actual market prices. Through the Slice True-Up, Slice customers will receive their Slice Percentage share of the forecast value of the unused Slice RHW power due to Slice customers' load loss.

### 3.7 Federal System Resources Acquired for Tier 2 Service

BPA will acquire the resources necessary to serve customers' Above-RHW Load that the customers elect to place on BPA, the costs of which will be recovered through Tier 2 Rates. Subject to section 4.3, BPA may use energy from the Tier 1 System for service to loads at Tier 2 Rates to the extent any such energy is forecast by BPA for ratemaking purposes to be available for the Rate Period as a result of unused RHW amounts. The forecast market value of such energy will be allocated to the appropriate Tier 2 Cost Pool, and BPA will credit the same market value to the appropriate Tier 1 Cost Pools—the credit from such unused RHW amounts will be

### Section 3

1 allocated to the Composite Cost Pool, and the credit from secondary energy will be allocated to  
2 the Non-Slice Cost Pool.

3

## 4 ELIGIBILITY TO PURCHASE AT TIER 1 RATES

This section describes the functions of and processes for developing High Water Marks (HWMs), expressed in annual average megawatts. It also describes the Transition Period. If a Public selects BPA to supply any portion of its Above-RHWM Load, then the Public will commit to purchase such power at a Tier 2 Rate(s), pursuant to its CHWM Contract.

BPA will calculate a Transition Period High Water Mark (THWM), Contract High Water Mark (CHWM), and Rate Period High Water Mark (RHWM) for each Public, as described in detail in later subsections. A brief overview of the timing and purpose of these HWMs follows:

- 1) **The THWM** is calculated by BPA in FY 2009 and will be used to establish a Public's Above-RHWM Load for all or part of the Transition Period, depending on the customer's product choice.
- 2) **The CHWM** is calculated by BPA in FY 2011 and sets each Public's initial eligibility to purchase at Tier 1 Rates. The CHWM determination process also defines the Augmentation Limit.
- 3) **The RHWM** is set by BPA in the RHWM Process prior to each 7(i) Process and defines a Public's maximum eligibility to purchase at Tier 1 Rates for that Rate Period, limited by the customer's Annual Net Requirement.

### 4.1 Contract High Water Mark

In FY 2011, BPA will calculate, as set forth below, a CHWM for each Public purchasing power at a PF Preference rate during FY 2010. This calculation by definition will not include New Publics. The CHWM calculation establishes the CHWM for each CHWM Contract but provides no rate certainty for non-CHWM contracts, because the extent to which the rates for purchases under non-CHWM contracts would reflect the costs of the Tier 1 System and other Federal resources will be addressed in 7(i) Processes other than this TRM. The calculation of such

1 CHWMs is illustrated in Figures 4.1, 4.2, and 4.3 and Attachment B. CHWMs for New Publics  
2 will be established pursuant to section 4.1.6.

3  
4 **4.1.1 Step 1: Determine Measured FY 2010 Load**

5 BPA will determine the Measured FY 2010 Load as follows. First, BPA will calculate the  
6 FY 2010 TRL for Publics within the BPA Balancing Authority Area by aggregating the annual  
7 load measured at the customer's POD(s) and then adding the measured output of any Behind the  
8 Meter Resources. Then BPA will subtract from that load sum the amount of any FY 2010  
9 wholesale power transactions, including those made behind the meter (i.e., sales to an adjacent  
10 service area or where the wholesale customer is directly connected to the customer's distribution  
11 system), by the customer.

12  
13 For the remaining customers, including those outside the BPA Balancing Authority Area,  
14 equivalent metered, measured, and verifiable POD load data will be required from customers  
15 where BPA metering is not available. The measured POD load amounts will be aggregated and  
16 then, as described above, will be increased for the output of Behind the Meter Resources and  
17 reduced by the amount of any wholesale power transactions.

18  
19 When meter readings are not available due to meter hardware failure or when data is determined  
20 to be invalid due to meter malfunction or calibration/configuration error, BPA will estimate the  
21 erroneous readings in accordance with BPA's Metering Services' Editing and Estimating  
22 Procedures or its successor. Customers will be required to follow equivalent procedures in cases  
23 where meters are not directly available to BPA.

24  
25 New Large Single Loads (NLSLs) are excluded from the Measured FY 2010 Load. If, after  
26 CHWMs are calculated, a load included in a customer's Measured FY 2010 Load is determined

1 to have been an NLSL in FY 2010, then the customer's CHWM will be reduced by the NLSL  
2 amount.

#### 3 4 **4.1.1.1 Adjust Measured FY 2010 Load for Anomalies**

5 BPA will adjust the Measured FY 2010 Load for load anomalies, if appropriate, applying the  
6 criteria listed below. Such adjustments could result from a customer or third party request or  
7 may be initiated by BPA independently. This step does not include correcting for meter errors,  
8 which is part of the load data gathering step described in section 4.1.1; nor does it include  
9 adjusting for the effect of atypical weather, which occurs as described in section 4.1.1.2.

10 BPA will apply the following threshold criteria to determine whether an event qualifies as a load  
11 anomaly and the magnitude of the adjustment:

- 12 1) The effect of the event on Measured FY 2010 Load must be material. To qualify as  
13 material, the event must cause a change in load data that, had the event not occurred,  
14 would result in the smaller of a 10 aMW or 10 percent increase or decrease in the  
15 customer's CHWM.
- 16 2) The event must be a single discrete event that occurred in FY 2009 or FY 2010 that  
17 affects Measured FY 2010 Load. BPA will not consider requests for load data  
18 adjustments that combine the effects, negative or positive, of multiple events to attain  
19 materiality. For example, the load loss associated with a gas explosion at a mill cannot  
20 be combined with the load loss resulting from a shopping center fire that occurred  
21 months later in order to reach the materiality threshold. However, it is recognized that  
22 the load loss associated with a single event, such as a levee failure, could consist of  
23 many small loads.
- 24 3) The load affected must be a verifiable load for which three previous years of load data  
25 is available. If BPA determines that an adjustment to the measured FY 2010 load for a  
26 customer's historical load amount is appropriate, then the adjusted load amount will not

1 exceed the average of the previous three years. Load that does not occur even though it  
2 was expected to occur in FY 2010 will not qualify as a reason to adjust Measured  
3 FY 2010 Load. Accordingly, for purposes of determining CHWMs, measured load  
4 amounts will not be adjusted to account for a customer's yet-to-be-realized Contracted  
5 for/Committed to (CF/CT) loads as defined by section 3(13)(A) of the Northwest  
6 Power Act. Requests for load adjustments to compensate for lost load that was not  
7 captured in Measured FY 2010 Load will be considered only if there is substantial  
8 evidence that the lost load will return in FY 2011 and is reasonably projected to exist  
9 for the duration of the CHWM Contract.

10 4) BPA will not adjust Measured FY 2010 Load as an anomaly to reflect a full year's load  
11 in the case of a new consumer load that comes on line during FY 2010. For such  
12 consumers, only the load measured in FY 2010 will be included in Measured FY 2010  
13 Load.

14 5) The anomaly must not have been caused by an action or inaction of the customer. This  
15 requirement includes intentional and unintentional acts and omissions.

16  
17 Notwithstanding any of the criteria above, BPA reserves the right to reduce a customer's  
18 Measured FY 2010 Load to account for a customer's actions that increase its FY 2010 loads  
19 through practices that are outside of accepted, prudent utility standards and practices or actions  
20 that are undertaken for the purpose of establishing a larger CHWM than the customer would  
21 otherwise have.

22  
23 **4.1.1.2 Adjust Measured FY 2010 Load for Atypical Weather (Weather**  
24 **Normalization)**

25 Following any adjustments pursuant to sections 4.1.1 and 4.1.1.1, BPA will adjust the Measured  
26 FY 2010 Load for the cumulative effect on load of atypical weather. Different normalization

1 methods will be used for non-irrigation loads, such as residential loads, and for irrigation loads.  
2 BPA will separate each customer's Measured FY 2010 Load into non-irrigation load and  
3 irrigation load, if the utility has both types of loads. BPA will weather normalize these loads  
4 separately and then recombine them.

5  
6 Two BPA datasets—FY 2010 customer load data, aggregated to a monthly level, and the  
7 customer's historical monthly load data for FY 2005-2009—will be used to weather normalize  
8 the FY 2010 load. Customers will be required to provide this historical load data in cases where  
9 BPA metering data is not available.

10  
11 For all utilities' non-irrigation load, BPA will use temperature data obtained from the National  
12 Oceanic and Atmospheric Administration (NOAA) weather station nearest to a utility's POD(s)  
13 to weather normalize the non-irrigation load data for each utility. The differences between  
14 average daily historical and average daily actual temperatures are used to determine cumulative  
15 levels of above- and below-average temperatures, measured in Heating Degree Days (HDDs) or  
16 Cooling Degree Days (CDDs). The HDDs and CDDs will be multiplied by weather coefficient  
17 values to result in an electric load adjustment value (in average megawatts) associated with the  
18 non-average temperature conditions. Finally, the non-irrigation portion of the anomaly-adjusted  
19 Measured FY 2010 Load and the HDD and CDD adjustment values will be combined to obtain  
20 the weather-normalized load.

21  
22 For utilities submitting irrigation load data, BPA will use an adjusted historical load average to  
23 weather normalize the irrigation loads for each utility. BPA will calculate a five-year historical  
24 load average of each customer's irrigation load for years FY 2006 through FY 2010. BPA will  
25 adjust the historical load average by the average annual growth rate, calculated from the  
26 difference between the highest recorded annual irrigation loads in Calendar Year (CY) 2000-  
27 2002 and the highest recorded in CY 2008-2010. In any event, this average annual growth rate

1 cannot be negative. If this average annual growth rate is unusually high, BPA will conduct  
2 further verification with the customers and either confirm or adjust the growth rate. Finally,  
3 BPA will adjust the customer's actual FY 2010 irrigation load to meet the growth rate-adjusted  
4 historical load average.

5  
6 To allow BPA to determine the historical average irrigation load, customers will be required to  
7 submit monthly irrigation load data based on meter reads for FY 2006 through FY 2010. For  
8 FY 2008, customers must submit their monthly data by January 15, 2009. Thereafter, customers  
9 must provide their data for each year by the following January 15. For years prior to 2008, BPA  
10 will assess the irrigation data it currently has and request further data from the customer on a  
11 case-by-case basis.

12  
13 To allow BPA to determine the growth-rate adjustment factor, customers will be required to  
14 submit monthly irrigation load data based on meter reads for CY 2000 through CY 2010. For  
15 CY 2008, the customers must submit the data by January 15, 2009, and thereafter provide the  
16 annual report by January 15 of each year. For years prior to 2008, BPA will assess the irrigation  
17 data it currently has and request further data from the customer on a case-by-case basis.

18  
19 In 2011, but prior to completing the weather normalization calculation for irrigation loads and  
20 non-irrigation loads, BPA will determine whether a different weather normalization technique  
21 should be applied in the normalization of these loads.

22  
23 **4.1.2 Step 2: Determine Existing Resources for CHWMs**

24 Attachment C, Existing Resources for CHWMs, reflects the Existing Resource determinations  
25 made in BPA's FY 2008 public process and will further reflect the amounts, once they are  
26 known, of consumer-owned generation and PURPA resources, consistent with the definition of

1 Existing Resources for CHWMs. Revisions to Attachment C to reflect the amounts of  
2 consumer-owned generation and PURPA resources are considered to fall under section 12.5,  
3 number 3, and are thus not considered a revision to the TRM.  
4

#### 5 **4.1.3 Step 3: Calculation of Scaled Eligible Load**

6 BPA will determine each customer's Eligible Load by subtracting its Existing Resources for  
7 CHWM amount from its adjusted Measured FY 2010 Load. Each customer's Eligible Load will  
8 then be scaled to Tier 1 System Firm Critical Output supplemented by the Augmentation Limit  
9 as described in the following subsections.  
10

##### 11 **4.1.3.1 Determine Augmentation Limit**

12 BPA will compare the sum of Eligible Load for all PF purchasers to the Tier 1 System Firm  
13 Critical Output for FY 2012-2013 as forecast in FY 2011 (see section 3.1). If the aggregate  
14 Eligible Load is greater than the Tier 1 System Firm Critical Output, BPA will augment the  
15 Tier 1 System pursuant to section 3.2.1.  
16

17 This augmentation amount established in the CHWM Process will be the Augmentation Limit.  
18

##### 19 **4.1.3.2 Determination of Scaled Eligible Loads**

20 In the following manner, BPA will proportionally scale each customer's Eligible Load such that  
21 the sum of all Eligible Loads is equal to the Tier 1 System amount determined in the previous  
22 step for FY 2012-2013. BPA will multiply each customer's Eligible Load by the ratio of 1) the  
23 augmented Tier 1 System amount determined in the previous step to 2) the sum of all Eligible  
24 Loads. The result is to scale each customer's Eligible Load by the same percentage to arrive at  
25 each customer's Scaled Eligible Load.  
26

1 **4.1.4 Step 4: Conservation Adjustment**

2 The final step in determining CHWMs is to adjust Scaled Eligible Load for conservation. For  
3 BPA to credit conservation toward the Conservation Adjustment, the conservation must be cost-  
4 effective, verified, and achieved from FY 2007 through FY 2010 and have reduced the  
5 customer's load in FY 2010. For calculation purposes, each utility's Scaled Eligible Load will  
6 be credited 100 percent (1 aMW for each 1 aMW) of customer self-funded conservation  
7 achieved and 75 percent (0.75 aMW for each 1 aMW) of BPA-funded conservation achieved  
8 (e.g., through the Conservation Rate Credit or bilateral contracts).

9  
10 BPA then will multiply each customer's Scaled Eligible Load, adjusted for conservation, by the  
11 ratio of 1) the sum of all Scaled Eligible Loads to 2) the sum of all Scaled Eligible Loads  
12 adjusted for conservation. The result is each customer's CHWM. This adjustment redistributes  
13 the CHWM amounts among customers and does not change the total CHWM amount calculated  
14 in section 4.1.3.2.

15  
16 Attachment D describes the implementation of the conservation adjustment.

17  
18 **4.1.5 Publishing and Finalizing CHWMs**

19 After calculating each customer's CHWM, BPA will conduct a public process consistent with  
20 section 13.10. BPA will publish the results of the CHWM calculation on its website. A two-  
21 week public comment period will follow publication of these CHWMs, providing customers an  
22 opportunity to reasonably request information regarding inputs and calculations from BPA and to  
23 comment on the individual CHWMs and adjustments BPA made to account for weather  
24 normalization, data or load anomalies, and conservation achieved. Prior to the close of the  
25 comment period, BPA will hold a publicly noticed meeting to gather further input. Following  
26 the close of the comment period, BPA will work with customers to resolve any issues raised by  
27 the comments. Within two weeks following the close of the comment period, BPA will

1 republish the CHWMs, which will reflect any updates or changes. Any republished CHWM that  
2 is not disputed under section 13.10 will be considered final after the tenth calendar day following  
3 the republication and will be incorporated into the customer's CHWM Contract.

4  
5 If the dispute resolution process set out in section 13.10 is invoked, upon receipt of the decision  
6 of the neutral on all disputed matters, the Administrator will decide whether or not to adopt the  
7 decision of the neutral on each disputed matter. The Administrator's decisions with regard to all  
8 disputed matters will constitute the final adjustments to the disputed individual CHWMs. The  
9 finalized CHWM so determined for each customer will be incorporated into each customer's  
10 CHWM Contract.

#### 11 12 **4.1.6 CHWM for New Public Utility Customers**

13 Separate from the CHWMs for Existing Customers, CHWMs also will be made available for  
14 New Publics that execute a CHWM Contract after the initial CHWM Contracts are executed.  
15 The availability of CHWMs for New Publics during the term of CHWM Contracts will depend  
16 on the status of the entity serving the loads prior to the formation of the New Public, as discussed  
17 in the subsections below.

##### 18 19 **4.1.6.1 Calculating CHWM for a New Public Formed with Loads Previously Served** 20 **by an Existing Public**

21 A New Public that forms in whole or in part out of loads previously served by an Existing Public  
22 will receive a share of the Existing Public's CHWM. If the New Public and Existing Public  
23 cannot agree on the apportionment of the Existing Public's CHWM, then BPA will apportion the  
24 CHWM between the New Public and the Existing Public based on the percentage share of the  
25 Existing Public's TRL that is transferred to the New Public after adjusting for NLSLs and  
26 Existing Resources and additional information provided by the customers, based on the  
27 procedure established in the CHWM Contract.

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The transfer of CHWM and associated RHWM from the Existing Public to the New Public will be effective on the date that the New Public begins service to the transferred load. The CHWM transferred from the Existing Public will not count toward the aggregate 250 aMW or 50 aMW Rate Period CHWM limits for New Publics.

**4.1.6.2 Calculating CHWM for a New Public Formed with Loads Previously Served by an Entity Other Than an Existing Public**

If a New Public forms in whole or in part out of loads previously served by an entity other than an Existing Public and has qualified under BPA’s Standards for Service, then BPA will calculate the Potential CHWM Eligibility for the New Public, as provided below. A New Public that is forecast by BPA to have, at the time of its formation, TRL of less than 10 aMW must provide binding notice to BPA before July 1 of the Forecast Year to be eligible for CHWM in the next Rate Period. A New Public that is forecast by BPA to have TRL of 10 aMW or greater must provide binding notice to BPA by the earlier of three years before the date on which service to the New Public at Tier 1 Rates is to begin or July 1 of the Forecast Year to receive a CHWM for the next Rate Period.

In the RHWM Process for the Rate Period during which a New Public will first be eligible to receive a CHWM, BPA will calculate the New Public’s Potential CHWM Eligibility as follows:

- 1) BPA will first forecast the New Public’s TRL, less applicable Non-Federal Resources and NLSLs, on an average annual basis for the Fiscal Year in which power deliveries under the New Public’s CHWM Contract will begin.
- 2) BPA will then multiply the amount calculated in (1) above by the percentage derived by dividing the (i) sum of the CHWMs for all Existing Customers with a CHWM

1 Contract in the Fiscal Year by (ii) the sum of forecast TRL for the Fiscal Year for all  
2 Existing Customers with a CHWM Contract, less their Existing Resources and NLSLs.

3  
4 The CHWM for a New Public forming partially from an Existing Public and another entity will  
5 be the sum of the CHWM calculated using section 4.1.6.1 for the load amount acquired from the  
6 Existing Public and this section 4.1.6.2 for the remainder of its load. A New Public's CHWM  
7 amount acquired during its initial Rate Period, exclusive of CHWM from an Existing Public, will  
8 be the portion of its Potential CHWM Eligibility to which the New Public is ultimately entitled  
9 after the application of the 250 aMW limit described in section 4.1.6, together with the Rate  
10 Period limitation and phase-in provisions described in sections 4.1.6.3 through 4.1.6.5  
11 (collectively, the "New CHWM Cap and Phase-in Provisions").

12  
13 If none of the New CHWM Cap and Phase-in Provisions applies, then the New Public's CHWM  
14 will be equal to its Potential CHWM Eligibility, as of the date the Potential CHWM Eligibility is  
15 established.

16  
17 If the New Public is, or may be, subject to any of the New CHWM Cap and Phase-in Provisions,  
18 then the New Public's CHWM in each Rate Period will be the amount of its Potential CHWM  
19 Eligibility that remains after the application of the New CHWM Cap and Phase-in Provisions in  
20 each Rate Period (except to the extent it may later be increased by application of the load growth  
21 exception for New Tribal Utilities in section 4.1.6.4).

#### 22 23 **4.1.6.3 Rate Case CHWM Limit for New Publics**

24 Additional CHWM for New Publics (CHWM for New Publics formed out of another entity),  
25 including New Tribal Utilities, is limited to 50 aMW for each Rate Period, except for amounts  
26 provided under the exceptions for small New Publics and New Tribal Utilities described below.

1 If total amounts of Potential CHWM Eligibility exceed the 50 aMW Rate Period limit, BPA will  
2 phase in such CHWM for New Publics by proportionally reducing CHWMs for New Publics so  
3 that the total increase in CHWMs for each Rate Period is capped at 50 aMW. If requests for  
4 CHWMs from New Publics, including New Tribal Utilities, exceed the remaining amount of the  
5 250 aMW aggregate limit, each new request for CHWM will be proportionately reduced such  
6 that the sum of the new requests equals the amount of the remaining 250 aMW aggregate limit  
7 for New Publics.

8  
9 **4.1.6.3.1 Exceptions to Rate Period CHWM Limit**

10 There are two circumstances under which BPA will provide additional CHWM in amounts for a  
11 Rate Period that exceed the 50 aMW Rate Period limit:

- 12 1) If requests for CHWM by New Publics exceed the 50 aMW Rate Period limit, BPA  
13 will provide additional CHWM for New Publics whose Potential CHWM Eligibility is  
14 less than 10 aMW and that otherwise would have had their requests adjusted  
15 downward. BPA will provide these utilities with the additional CHWM needed to  
16 make up the difference between their prorated “phase-in” CHWM amount and their  
17 Potential CHWM Eligibility. These additional amounts will exceed the 50 aMW Rate  
18 Period limit. This exception is limited for the duration of this TRM to the first five  
19 requesting utilities that meet the size threshold and that would otherwise have had their  
20 CHWM prorated downward due to application of the 50 aMW Rate Period limit.
- 21 2) New Tribal Utilities that already have a CHWM may have their CHWM increased to  
22 account for load growth or load they annex, as described in section 4.1.6.4. This  
23 includes load that a New Tribal Utility acquires when it is formed, if the load has never  
24 been served by any other utility. Any CHWM amounts provided for this purpose  
25 would not be subject to the 50 aMW Rate Period limit. Correspondingly, the initial

1 CHWM amount provided to a New Tribal Utility does not count toward the 40 aMW  
2 limit for load growth, as described below.

#### 3 4 **4.1.6.4 Rate Period Limit for CHWMs for New Tribal Utility Load Growth**

5 CHWMs for New Tribal Utilities can be increased over time for load growth and the expansion  
6 of service territory, up to a total of 40 aMW in aggregate. This exception for New Tribal  
7 Utilities will expire at the earliest of 1) the end of FY 2021; 2) when the 40 aMW aggregate  
8 amount is exhausted; or 3) when the overall 250 aMW CHWM limit for New Public Utilities is  
9 reached. CHWM amounts allowed under the 40 aMW exception for load growth will not count  
10 toward the 50 aMW Rate Period limit but will count toward the 250 aMW aggregate limit for  
11 New Publics.

#### 12 13 **4.1.6.5 Phasing In CHWM Amounts for New Publics**

14 When competing requests for CHWMs by New Publics exceed the 50 aMW Rate Period limit,  
15 each New Public that has requested CHWM for the Rate Period (each, a Competing New Public)  
16 will have the amount of its request for CHWM phased in over subsequent Rate Periods (Phase-in  
17 Amount). The phase-in process will be implemented as follows:

18  
19 **Step 1.** After allocating the smaller of a utility's Potential CHWM Eligibility or 10 aMW to  
20 each Competing New Public, each Competing New Public will have 33.3 percent of the next  
21 24 aMW of its Phase-in Amount allocated across Rate Periods starting with the Rate Period for  
22 which the Competing New Public gives its initial CHWM notice and in each of the succeeding  
23 two Rate Periods. Twenty percent of any remaining Phase-in Amount will be phased in starting  
24 with the Rate Period for which the Competing New Public gives its initial CHWM notice, and  
25 continuing in each of the succeeding four Rate Periods.

26

1 **Step 2.** If, after completing Step 1, the combined requests for CHWMs for all Competing New  
2 Publics are greater than 50 aMW, then the Competing New Publics' Phase-in Amounts may be  
3 subject to further reduction on a proportional basis for each Rate Period due to the application of  
4 the 50 aMW Rate Period limit discussed in section 4.1.6.3. This would be implemented by  
5 reducing the Phase-in Amount of all Competing New Publics by a scaling factor, of which the  
6 numerator will be 50 and the denominator will be the total of the Phase-in Amounts established  
7 for the Rate Period for all Competing New Publics. Although the calculation of this scaling  
8 factor takes into account the Potential CHWM Eligibility for New Publics with Potential CHWM  
9 Eligibility at or below 10 aMW, the CHWMs for such New Publics will be established pursuant  
10 to section 4.1.6.3.1, paragraph 1.

11  
12 If, after completing Step 1, the combined Potential CHWM Eligibility for all Competing New  
13 Publics totals less than 50 aMW, then the amounts allowed to be phased in for Competing New  
14 Publics will be proportionately increased until the 50 aMW limit is reached for that Rate Period.  
15 The amount of any increase allowed to a Competing New Public by operation of this provision  
16 will reduce Phase-in Amounts that would have otherwise been carried into future Rate Periods,  
17 beginning with the Phase-in Amounts that would have been permitted last (i.e., during the fourth  
18 Rate Period following the initial request for service at Tier 1 Rates).

19  
20 **Step 3.** Phase-in Amounts not provided to a Competing New Public during any Rate Period due  
21 to the proportional reductions in Steps 1 and 2 will be added to any Phase-in Amounts for the  
22 subsequent Rate Period, and in that subsequent Rate Period these requests will be granted to the  
23 extent permitted after application of Steps 1 and 2 for the Rate Period. See Figure 4.4 for an  
24 example of these phase-in provisions.

## 4.2 Rate Period High Water Mark

The RHW sets the maximum planned amount of power that a customer may purchase each year of the Rate Period under Tier 1 Rates, subject to its Annual Net Requirement. BPA will calculate a RHW for each customer with a CHWM Contract in the RHW Process prior to each 7(i) Process, beginning with the WP-14 7(i) Process. A customer's RHW will be the same for each year of the Rate Period.

During the first Rate Period (FY 2012-2013), BPA will use the CHWM, or the best available alternative if CHWMs have not yet been finalized, as the RHW. As set forth in section 4.3.2, for the first Rate Period (FY 2012-2013), the Transition Period method will be used for determining Above-RHW Load.

If RHW Augmentation has been reduced to zero pursuant to section 3.2.1, any remaining forecast increase in the Tier 1 System Firm Critical Output will result in increased RHWs. If RHW Augmentation has been increased to the maximum allowed pursuant to section 3.2.1, further forecast decreases of the Tier 1 System Firm Critical Output will result in decreased RHWs.

### 4.2.1 RHW Calculation

Expressed as a formula, the RHW will be calculated by BPA for each customer as follows:

$$RHW = \frac{CHWM}{\sum CHWM} \times TISC$$

where:

*RHW* = Rate Period High Water Mark, expressed in average megawatts

*CHWM* = Contract High Water Mark

1  $\Sigma CHWM$  = sum of all customers' Contract High Water Marks, including those for  
2 customers without a CHWM Contract

3  $TISC$  = forecast RHWM Tier 1 System Capability, averaged for the Rate Period  
4

#### 5 **4.2.2 RHWM Timing and Transparency**

6 The RHWM is an input to the 7(i) Process and will be developed by BPA through the separate  
7 RHWM Process prior to each 7(i) Process. See Table 4.1.  
8

9 Consistent with section 13.10, BPA will publish the RHWM for each customer, including the  
10 determination of the available RHWM Tier 1 System Capability for the upcoming Rate Period,  
11 on its website. A public comment period and publicly noticed meeting will follow publication of  
12 the RHWMs, during which BPA will respond to reasonable information requests. BPA will then  
13 work with customers to resolve any issues raised by the comments. Following the close of  
14 comment, BPA will republish the RHWMs, reflecting any updates or changes.  
15

#### 16 **4.3 Determination of Above-RHWM Loads**

17 In the RHWM Process, BPA will calculate each customer's Above-RHWM Load for each year  
18 of the applicable Rate Period by subtracting its RHWM from the difference between 1) its  
19 forecast TRL less NLSLs and 2) its Existing Resources for CHWM. For the Transition Period,  
20 Above-RHWM Loads will be established as described in section 4.3.2.2 below.  
21

22 If a customer's annual Above-RHWM Load is forecast to be equal to or greater than  
23 8,760 MWh, the customer will be required to arrange service for its entire Above-RHWM Load  
24 with purchases at Tier 2 Rates, Non-Federal Resources, or a combination of the two. If a Load  
25 Following customer's annual Above-RHWM Load is forecast to be less than 8,760 MWh, the  
26 Above-RHWM Load will be served by BPA at the Load Shaping Rates.

### 4.3.1 Election of How Above-RHWM Load Will Be Served

The customer will elect Tier 2 Rate Alternative(s), Non-Federal Resources, or a pre-defined combination of the two to serve its Above-RHWM Load. Each customer will elect how its Above-RHWM Load will be served during each purchase period by the applicable notice deadline, as established in the CHWM Contract and shown below for convenience.

Notice Deadline		Purchase Period
November 1, 2009	for	FY 2012 – FY 2014
September 30, 2011	for	FY 2015 – FY 2019
September 30, 2016	for	FY 2020 – FY 2024
September 30, 2021	for	FY 2025 – FY 2028

### 4.3.2 Transition Period (FY 2012-2014)

The purpose of the Transition Period (FY 2012-2014) is to establish Above-RHWM Loads in advance of the first deliveries so customers can decide how to serve that portion of their load.

The THWM will not be used to define the amount that a utility may purchase from BPA or the amount that will be available at Tier 1 Rates.

#### 4.3.2.1 Calculating the THWM

BPA will calculate the THWM for each customer as follows:

$$\begin{aligned}
 THWM = & \\
 & [ (2010 \text{ forecast } TRL_{2009} - 2010 \text{ nonFederal resources}_{2008}) \\
 & \div \Sigma(2010 \text{ forecast } TRL_{2009} - 2010 \text{ nonFederal resources}_{2008}) ] \\
 & \times \text{Average of 2012, 2013 TISC}_{2009}
 \end{aligned}$$

1 where:

2 *THWM* = Transition Period High Water Mark, expressed in average megawatts

3 *2010 forecast TRL<sub>2009</sub>* = 2009 BPA forecast of a customer's Total Retail Load for  
 4 FY 2010, less NLSLs

5 *2010 nonFederal resources<sub>2008</sub>* = Existing Resources for CHWM; see  
 6 section 4.1.2

7 *Average of 2012, 2013 TISC<sub>2009</sub>* = the average of the 2009 forecast RHWMTier 1  
 8 System Capability for FY 2012 and FY 2013 (the first Rate Period)

9  
 10 **4.3.2.2 Establishing Above-RHWM Loads for the Transition Period**

11 BPA will establish each customer's Above-RHWM Load for each applicable year of the  
 12 Transition Period in FY 2009. BPA will calculate each customer's Above-RHWM Load by  
 13 subtracting its THWM from the difference between the forecast, for each of the Transition  
 14 Period years, of 1) its TRL less NLSLs, and 2) its Existing Resources for CHWM. This method  
 15 of establishing Above-RHWM Load differs from the section 4.1 CHWM-based method  
 16 primarily in BPA's use of forecast load data rather than the Measured FY 2010 Load that will be  
 17 used to establish CHWMs. In addition, this method excludes the Weather Normalization and  
 18 Conservation Adjustment steps included in the CHWM calculation. Expressed as a formula, the  
 19 Above-RHWM Load will be calculated by BPA for each customer for each year of the  
 20 Transition Period as follows:

21  
 22 
$$\textit{Above-RHWM Load} = [(\textit{2012, 2013, 2014 forecast TRL}_{2009}) - \textit{Existing Resources} -$$
  
 23 
$$\textit{THWM}]$$

24 where:

25 *Above-RHWM Load* = customer's load above its Rate Period High Water Mark,  
 26 expressed in average megawatts

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*2012, 2013, 2014 forecast TRL<sub>2009</sub>* = FY 2009 BPA forecast of a customer's Total

Retail Load for each year of the Transition Period, less NLSLs

*ExistingResources* = Existing Resources for CHWM; see section 4.1.2

*THWM* = Transition Period High Water Mark, expressed in average megawatts

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**5 TIER 1 RATE DESIGN**

The Tier 1 Rate design described in this section is applicable to Publics that sign a CHWM Contract, and consists of three elements: Customer Charges, a Demand Charge, and a Load Shaping Charge.

**5.1 Customer Charges**

BPA will calculate three Customer Charges for each Rate Period: 1) a Composite Customer Charge that recovers the costs allocated to the Composite Cost Pool and applies to all customers with a CHWM Contract regardless of the product choice; 2) a Non-Slice Customer Charge that recovers the costs allocated to the Non-Slice Cost Pool and applies only to customers with a CHWM Contract purchasing the Load Following or Block products (including the Block portion of the Slice/Block product); and 3) a Slice Customer Charge that recovers the costs allocated to the Slice Cost Pool and applies to customers with a CHWM Contract that purchase the Slice product.

**5.1.1 Customer Charge Billing Determinants – Tier 1 Cost Allocator (TOCA)**

A Tier 1 Cost Allocator (TOCA) will be calculated in the applicable 7(i) Process for each customer for each year of the Rate Period using RHWM and Forecast Net Requirement as determined in the RHWM Process. A customer’s TOCA is its Billing Determinant for the applicable Customer Charges. Each customer’s annual TOCA will be based on the lesser of the customer’s RHWM or the customer’s Forecast Net Requirement and is calculated as a percentage of the total of RHWMs for all customers. Expressed as a formula, the annual TOCA is calculated as follows:

$$TOCA = \frac{\min(RHWM, Netreq)}{\sum RHWM} \times 100$$

where:

*TOCA* = customer's Tier 1 Cost Allocator, expressed as a percentage

*RHWM* = customer's Rate Period High Water Mark

*Netreq* = customer's Forecast Net Requirement for each Fiscal Year of the Rate Period

$\sum RHWM$  = sum of RHWMs for all customers (expected to be 100 percent of the RHWM Tier 1 System Capability)

BPA will adjust TOCAs for Slice/Block or Block customers in the following circumstances.

1) If the Annual Net Requirement determination for a customer demonstrates that its Annual Net Requirement is below its RHWM and differs from the Forecast Net Requirement used to set rates, then BPA will adjust the TOCA using the customer's Annual Net Requirement, rather than Forecast Net Requirement, in the formula above for that Fiscal Year. 2) If the Annual Net Requirement exceeds the RHWM and the Forecast Net Requirement was below the RHWM, then the RHWM amount will be used as the TOCA, rather than Forecast Net Requirement in the formula above, for that Fiscal Year.

BPA will adjust TOCAs for Load Following customers prior to any Fiscal Year of the Rate Period if there is substantial reason for BPA to believe that the customer's Actual Annual Tier 1 Load will differ from its Forecast Net Requirement and such forecast of Actual Annual Tier 1 Load, if it had been used to calculate the customer's TOCA, would have changed the TOCA by 20 percent or more. In these circumstances, BPA will use the new forecast of Actual Annual Tier 1 Load for setting the customer's TOCA for that Fiscal Year. A forecast of a 20 percent change in a customer's TOCA requires BPA to adjust that customer's TOCA. A customer and BPA may agree to change a TOCA for a difference of less than 20 percent.

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**5.1.2 Non-Slice TOCA**

The Non-Slice TOCA for Load Following and Block customers is equal to the TOCA pursuant to section 5.1.1.

The Non-Slice TOCA for Slice/Block customers is defined as the customer’s annual TOCA (as defined in section 5.1.1) minus its Slice Percentage. Expressed as a formula, the Non-Slice TOCA for a Slice/Block customer is calculated as follows:

$$NonSliceTOCA = TOCA - Slice\%$$

where:

*NonSliceTOCA* = annual TOCA for a customer’s Slice/Block purchase

*TOCA* = customer’s Tier 1 Cost Allocator

*Slice%* = customer’s Slice Percentage, also equal to its Slice TOCA

**5.1.3 Composite Customer Rate**

BPA will charge the Composite Customer Rate to all Publics that sign a CHWM Contract. The Composite Customer Rate will recover all costs BPA allocates to the Composite Cost Pool and will be expressed in dollars per one percentage point of TOCA. See Table 2, Section B, for a listing of specific cost items in the Composite Customer Rate. The Composite Customer Rate will not change even if BPA adjusts any customer’s TOCA during a particular Rate Period.

$$CompositeRate = \frac{CompositeCost}{\sum TOCA} \div 12$$

where:

*CompositeRate* = monthly rate expressed as dollars per one percentage point of TOCA

*CompositeCost* = total of costs and credits in the Composite Cost Pool

$\sum TOCA$  = sum of TOCAs as forecast by BPA in each 7(i) Process

#### 5.1.4 Non-Slice Customer Rate

BPA will charge the Non-Slice Customer Rate only for Load Following and Block products, including the Block portion of the Slice/Block product. The Non-Slice Customer Rate will collect all costs allocated to the Non-Slice Cost Pool. See Table 2, Section D, for a listing of specific items in the Non-Slice Cost Pool. The Non-Slice Customer Rate will be expressed in dollars per one percentage point of Non-Slice TOCA. The Non-Slice Customer Rate will not change even if BPA adjusts any customer's TOCA during a particular Rate Period.

$$NonSliceRate = \frac{NonSliceCost}{\sum NSCTOCA} \div 12$$

where:

*NonSliceRate* = monthly rate expressed in dollars per one percentage point of Non-Slice TOCA

*NonSliceCost* = total of costs and credits in the Non-Slice Cost Pool

$\sum NSCTOCA$  = sum of Non-Slice TOCAs as forecast by BPA in each 7(i) Process

#### 5.1.5 Slice Customer Rate

BPA will charge the Slice Customer Rate only to customers purchasing the Slice portion of the Slice/Block product. The Slice Customer Rate will collect all costs allocated to the Slice Cost

1 Pool. See Table 2, Section C, for a listing of specific items in the Slice Cost Pool. The Slice  
 2 Customer Rate will be expressed in dollars per one percentage point of Slice Percentage. The  
 3 Billing Determinant will be the customer's contractually specified Slice Percentage. The Slice  
 4 Customer Rate will not change even if BPA adjusts any customer's Slice Percentage during a  
 5 particular Rate Period.

$$6 \quad \text{SliceRate} = \frac{\text{SliceCost}}{\sum \text{SPercent}} \div 12$$

7  
 8 where:

9  $\text{SliceRate}$  = monthly rate expressed in dollars per one percentage point of Slice  
 10 Percentage

11  $\text{SliceCost}$  = total of costs and credits in the Slice Cost Pool

12  $\sum \text{SPercent}$  = sum of Slice Percentages as forecast in each 7(i) Process  
 13

#### 14 **5.1.6 Shaping of Customer Charges during Fiscal Year**

15 Because the Tier 1 rate design may result in within-year cash flow impacts to customers, BPA  
 16 will, to the maximum extent practicable, while assuring timely BPA cost recovery, accommodate  
 17 individual customer requests to reshape charges within the Fiscal Year to mitigate adverse cash  
 18 flow effects on the customer. Such reshaping of charges must recover the same amount of  
 19 dollars on a net present value basis within the Fiscal Year as would have been recovered without  
 20 the reshaping. The reshaping of the payments will be agreed upon between BPA and the  
 21 customer prior to the start of the Rate Period. Absent agreement, the customer will pay the  
 22 Customer Charges without reshaping, as a uniform monthly charge.  
 23

24 The reshaping of the Customer Charges will take into account the cash-flow impacts to the  
 25 customer of the Customer Charges, a forecast of Load Shaping Charges, and a forecast of  
 26 Demand Charges. The forecast cash-flow impacts to the customer will be mitigated through

1 reshaping the Composite Customer Charge by specifying 12 monthly Composite Customer  
2 Charges for such customer that recover, in total, the same amount of dollars on a net present  
3 value basis as the Composite Customer Charges applicable to that Fiscal Year without reshaping.  
4 If further reshaping is needed, BPA may also reshape the Non-Slice Customer Charge. BPA will  
5 accommodate requests to reshape Customer Charges as long as the aggregate reshaping requests  
6 do not have a material adverse impact on BPA's overall cash flow, as determined solely by BPA.  
7 In order to accommodate reshaping requests, BPA will take into account the potential offsetting  
8 impacts of multiple reshaping requests. BPA may prorate multiple reshaping requests if  
9 necessary to avoid or mitigate material adverse impacts on BPA's cash flow.

## 11 **5.2 Load Shaping Charge**

12 The Load Shaping Charge is designed to recover costs associated with shaping the Tier 1 System  
13 Capability to the Monthly/Diurnal shape of a customer's Actual Tier 1 Load. BPA will apply  
14 this charge to purchases of Block (including the Block portion of the Slice/Block product) and  
15 Load Following products. BPA will not apply the Load Shaping Charge to purchases of the  
16 Slice portion of the Slice/Block product. In the 7(i) Process for each Rate Period, BPA will  
17 forecast revenues from the Load Shaping Charge for inclusion as a credit to the Non-Slice Cost  
18 Pool.

### 20 **5.2.1 Load Shaping Billing Determinants**

#### 21 **5.2.1.1 7(i) Process Calculation**

22 In the 7(i) Process for each Rate Period, BPA's first step in calculating the Load Shaping Billing  
23 Determinants will be to distribute the RHWMTier 1 System Capability determined in the  
24 RHWMTier 1 Process to each diurnal Heavy Load Hour (HLH) and Light Load Hour (LLH) period in  
25 each month of each Fiscal Year of the Rate Period (yielding 24 Monthly/Diurnal energy values

1 for each Fiscal Year). Once established, these 24 Monthly/Diurnal values for each Fiscal Year  
 2 will not be modified for the duration of the Rate Period.

3  
 4 For the second step, BPA will multiply the customer’s annual TOCA by the 24 Monthly/Diurnal  
 5 values from the first step to calculate the customer’s System Shaped Load. Each customer’s  
 6 System Shaped Load represents the amount of energy the customer would receive in each  
 7 Monthly/Diurnal period if its TOCA Load was in the shape of the RHWM Tier 1 System  
 8 Capability. Each customer’s System Shaped Load will be calculated as follows:

9  
 10 
$$SystemShapedLoad_i = RTISC_i \times TOCA$$

11 where:

12  $i$  = equals a single Monthly/Diurnal period of the Fiscal Year

13  $SystemShapedLoad$  = a customer’s Forecast Tier 1 Load distributed to the 24  
 14 Monthly/Diurnal periods in the shape of the RHWM Tier 1 System  
 15 Capability for each Fiscal Year of the Rate Period

16  $RTISC$  = RHWM Tier 1 System Capability for each of the 24 Monthly/Diurnal  
 17 periods for each Fiscal Year of the Rate Period, expressed in  
 18 kilowatthours, as determined in the RHWM Process

19  $TOCA$  = a customer’s TOCA, or Non-Slice TOCA for Slice/Block product  
 20 purchasers, for each Fiscal Year

21  
 22 **5.2.1.2 Calculation of Billing Determinants**

23 In the third step, BPA will calculate the Monthly/Diurnal Load Shaping Billing Determinants by  
 24 subtracting the customer’s System Shaped Load from its Actual Tier 1 Load for each  
 25 Monthly/Diurnal period.

**5.2.2 Load Shaping Rates**

BPA will establish the Load Shaping Rates in each 7(i) Process. The Load Shaping Rates, one for each of the 24 Monthly/Diurnal periods for each Fiscal Year, will be BPA's forecast of the market price for each Monthly/Diurnal period during that Rate Period. Such market prices are currently calculated using an hourly deterministic model holding the expected natural gas price and the expected load forecast constant, while assuming average hydroelectric conditions. The specific methodology used in each Rate Period will be established in each 7(i) Process.

**5.2.3 Calculating the Load Shaping Charges**

BPA will calculate Load Shaping Charges for each customer by multiplying the customer's Monthly/Diurnal Load Shaping Billing Determinants by the applicable Load Shaping Rates. If a specific Load Shaping Billing Determinant for the particular Monthly/Diurnal period is greater than zero (Actual Tier 1 Load minus System Shaped Load  $> 0$ ), the result will be a charge on the customer's bill. If a specific Load Shaping Billing Determinant for the particular Monthly/Diurnal period is less than zero (Actual Tier 1 Load minus System Shaped Load  $< 0$ ), the result will be a credit on the customer's bill.

**5.2.4 True-Up of Load Shaping Charge for Load Following Customers**

BPA will calculate the Load Shaping Charge True-Up only for Load Following customers. The purpose for the Load Shaping Charge True-Up is to avoid charging or crediting the market-based Load Shaping Rate for energy within the customer's RHWM. BPA will apply the Load Shaping Charge True-Up only when a Load Following customer's TOCA Load or Actual Annual Tier 1 Load is less than its RHWM.

### 5.2.4.1 Identifying the Need for a Load Shaping Charge True-up and Calculating the Load Shaping Charge True-Up Billing Determinant

BPA will use three equations to determine the need to apply the Load Shaping True-Up to each Load Following customer and to calculate the Load Shaping Charge True-Up Billing Determinant. The first equation calculates *AnnualDeviation* and determines whether the customer may have been subject to excess charges or excess credits. If *AnnualDeviation* is positive, then the customer may have paid excess Load Shaping Charges, and BPA will use the *AboveForecast* equation to determine if the customer paid excess Load Shaping Charges, and if so, how much. If *AnnualDeviation* is negative, then the customer may have received excess Load Shaping credits, and BPA will use the *AboveRHWM* equation to determine if the customer received excess Load Shaping credits, and if so, how much.

#### 5.2.4.1.1 Calculating *AnnualDeviation*

Using the following equation, BPA will calculate the difference between the customer's TOCA Load and the Actual Annual Tier 1 Load during each Fiscal Year:

$$AnnualDeviation = ActualLoad - [TOCA \times RTISC]$$

where:

*AnnualDeviation* = the amount by which a customer's Actual Annual Tier 1 Load (expressed in kilowatthours) is greater or less than its TOCA Load for a Fiscal Year

*ActualLoad* = customer's Actual Annual Tier 1 Load

*TOCA* = customer's Tier 1 Cost Allocator for the Fiscal Year

*RTISC* = RHWM Tier 1 System Capability

#### 5.2.4.1.2 Use of *AboveForecast* Formula

If the calculation of *AnnualDeviation* is a positive amount, then such amount is energy that the customer purchased at Load Shaping Rates. BPA then will determine if the customer should be subject to the Load Shaping Charge True-up. If the customer's RHW M exceeded its TOCA Load, then a portion of the energy is subject to the Load Shaping Charge True-up. BPA will use the following formula to determine the amount of energy that is subject to the Load Shaping Charge True-up:

$$\textit{AboveForecast} = [\textit{RHW M} \times 1,000 \times \textit{hours}] - [\textit{TOCA} \times \textit{RTISC}]$$

where:

*AboveForecast* = amount of RHW M energy (expressed in kilowatthours) that is greater than the TOCA Load (expressed in kilowatthours)

*RHW M* = customer's Rate Period High Water Mark

*hours* = total hours in the Fiscal Year (8,760 hours in a non-leap year and 8,784 hours in a leap year)

*TOCA* = customer's Tier 1 Cost Allocator

*RTISC* = RHW M Tier 1 System Capability

If *AboveForecast* equals zero, then no Load Shaping Charge True-Up is needed. If *AboveForecast* is positive, then BPA will refund the customer the lesser of either *AnnualDeviation* or *AboveForecast*, multiplied by the Load Shaping Charge True-up Rate. *AboveForecast* cannot be negative.

#### 5.2.4.1.3 Use of *AboveRHW M* Formula

If the calculation of *AnnualDeviation* is a negative amount, then such amount is energy for which the customer was credited at the Load Shaping Rates. BPA then will determine if the customer

1 should be credited at the Load Shaping Charge True-up Rate. The following formula will be  
 2 used to determine the amount of energy to be credited at the Load Shaping Charge True-up Rate:

$$3 \quad \textit{AboveRHWM} = \textit{Forecast Net Requirement} - [\textit{RHWM} \times 1,000 \times \textit{hours}]$$

4 where:

5  $\textit{AboveRHWM}$  = amount of Above-RHWM Load (expressed in kilowatthours) for  
 6 a customer

7  $\textit{Forecast Net Requirement}$  = customer's Forecast Net Requirement

8  $\textit{RHWM}$  = customer's Rate Period High Water Mark

9  $\textit{hours}$  = total hours in the Fiscal Year (8,760 hours in a non-leap year and  
 10 8,784 hours in a leap year)

11  
 12  
 13 If  $\textit{AboveRHWM}$  is equal to or greater than the absolute value of  $\textit{AnnualDeviation}$ , then no Load  
 14 Shaping Charge True-Up is needed. If  $\textit{AboveRHWM}$  is positive, but less than the absolute value  
 15 of  $\textit{AnnualDeviation}$ , then BPA will charge the customer the absolute value of  $\textit{AnnualDeviation}$   
 16 minus  $\textit{AboveRHWM}$ , multiplied by the Load Shaping True-up Rate. If  $\textit{AboveRHWM}$  is negative,  
 17 then BPA will charge the customer the absolute value of  $\textit{AnnualDeviation}$  multiplied by the  
 18 Load Shaping True-up Rate.

#### 19 **5.2.4.2 Load Shaping Charge True-up Rate**

20 BPA will determine the Load Shaping Charge True-up Rate in each 7(i) Process as the difference  
 21 between 1) the system weighted average of the Load Shaping Rates (expressed in dollars per  
 22 megawatthour) for each Fiscal Year of the Rate Period and 2) the Composite Customer Rate plus  
 23 the Non-Slice Customer Rate, converted to dollars per megawatthour.  
 24  
 25

Four equations are used to calculate the Load Shaping Charge True-up Rate. The first step (equation *MktR*) calculates a forecast market value of the Forecast Tier 1 Loads of Load Following and Block purchases for the Rate Period, including the Block portion of the Slice/Block product. The second step (equations *BLFRnDLS* and *BLFRnD*) calculates the forecast Customer Charge and Load Shaping revenue received from Load Following and Block purchases for the Rate Period, including the Block portion of the Slice/Block product. The third step (numerator in equation *LSTUR*) computes the difference between the forecast market value and the forecast Customer Charge plus Load Shaping revenue. The fourth step (denominator in equation *LSTUR*) divides this differential by the sum of the Forecast Tier 1 Load of Load Following and Block purchases for the Rate Period, including the Block portion of the Slice/Block product, in megawatthours, yielding a dollars per megawatthour discount from the market, which is the Load Shaping Charge True-up Rate.

**Step 1.** Equation *MktR* calculates a forecast of revenues received by BPA during the Rate Period assuming the Load Shaping Rates were applied to the corresponding Forecast Tier 1 Loads for Load Following and Block (including the Block portion of the Slice/Block product). The revenue calculated in *MktR* is enough to meet the Forecast Tier 1 Loads for Load Following, Block, and the Block portion of the Slice/Block product at market rates.

$$MktR = \sum_{i=1}^x (LoadShapingRate_i \times FTIL_i)$$

where:

*i* = equals a single Monthly/Diurnal period of the Fiscal Year

*x* = number of Load Shaping Rates in the Rate Period

*MktR* = forecast of revenue received by BPA during the Rate Period assuming the Load Shaping Rates were applied to the corresponding Forecast Tier 1

1 Loads for Load Following and Block purchases (including the Block  
 2 portion of the Slice/Block product)

3  $LoadShapingRate$  = Load Shaping Rates (expressed in dollars per megawatthour);  
 4 see section 5.2.2

5  $FTIL$  = Forecast Tier 1 Load for the Rate Period for Load Following, Block, and  
 6 the Block portion of the Slice/Block product

7  
 8 **Step 2.** Equation  $BLFRnDLS$  calculates a forecast of revenue that BPA will receive during the  
 9 Rate Period from the Composite and Non-Slice Customer Charges from Load Following and  
 10 Block purchases (including the Block portion of the Slice/Block product). The revenue  
 11 calculated in  $BLFRnDLS$  is enough to meet the aggregate System Shaped Load for Load  
 12 Following, Block, and the Block portion of the Slice/Block product under the Composite and  
 13 Non-Slice Customer Rates.

14  
 15 
$$BLFRnDLS = NonSliceCost + [CompositeRate \times \sum NonSliceTOCA]$$

16 where:

17  $BLFRnDLS$  = Forecast of revenue that BPA will receive during the Rate Period  
 18 from the Composite and Non-Slice Customer Charges from Load  
 19 Following and Block purchases (including the Block portion of the  
 20 Slice/Block product)

21  $NonSliceCost$  = Total of the costs and credits that are allocated to the Non-Slice  
 22 Cost Pool

23  $CompositeRate$  = Composite Customer Rate, as described in section 5.1.3

24  $\sum NonSliceTOCA$  = sum of TOCAs for Load Following and Block customers plus  
 25 Non-Slice TOCAs for Slice customers

26

1 **Step 3.** Equation  $BLFRnD$  adds the forecast of revenues received from the Load Shaping Charge  
 2 for the Rate Period to the forecast revenues received from the Customer Charges of Load  
 3 Following and Block customers (including the Block portion of the Slice/Block product). The  
 4 revenue calculated in equation  $BLFRnD$  is enough to meet the aggregate System Shaped Load  
 5 under the Composite and Non-Slice Customer Rates (Step 2) as well as the costs associated with  
 6 shaping the aggregate System Shaped Load to the Forecast Tier 1 Loads for Load Following,  
 7 Block, and the Block portion of the Slice/Block product.

$$8 \quad BLFRnD = BLFRnDLS + LoadShaping$$

9 where:

10  $BLFRnD$  =  $BLFRnDLS$  plus forecast Load Shaping revenue for the Rate Period

11  $BLFRnDLS$  = Forecast of revenue that BPA will receive during the Rate Period

12 through the Composite and Non-Slice Customer Charges from Load

13 Following and Block purchases (including the Block portion of the

14 Slice/Block product)

15  $LoadShaping$  = Forecast Load Shaping revenue for the Rate Period

16  
 17  
 18 **Step 4.** Equation  $LSTUR$  calculates the Load Shaping True-up Rate, which is the dollar per  
 19 megawatthour difference (discount Tier 1 Rates are from market) between the Tier 1 Rate and  
 20 the forecast market rates.

$$21 \quad LSTUR = \frac{[MktR - BLFRnD]}{\sum FTIEBD}$$

22 where:

23  $LSTUR$  = Load Shaping True-up Rate, expressed in dollars per megawatthour

24  $MktR$  = Forecast of revenue that would be received by BPA during the Rate

25 Period if the Load Shaping Rates were applied to the corresponding  
 26

Forecast Tier 1 Loads for Load Following and Block purchases (including the Block portion of the Slice/Block product)

$BLFRnD = BLFRnDLS$  plus forecast Load Shaping revenue for the Rate Period

$FTIL =$  Forecast Tier 1 Load for the Rate Period for Load Following, Block, and the Block portion of the Slice/Block product

### 5.3 Demand Charge

The Demand Charge is designed to send a price signal to a limited portion of a customer’s overall demand on BPA and is applicable to customers purchasing Load Following and Block with Shaping Capacity products.

#### 5.3.1 Demand Charge Billing Determinant

BPA will use four quantities in calculating a customer’s Demand Charge Billing Determinant (or billing demand): 1) the Customer’s System Peak on BPA (CSP), 2) the customer’s average Heavy Load Hour energy purchase each month (aHLH), 3) the customer-specific CDQ, and 4) the amount of Super Peak Credit. The following formula will be used to calculate a customer’s monthly Demand Charge Billing Determinant:

$$BillingDemand = \max(0, CSP - aHLH - CDQ - SuperPeak)$$

where:

$BillingDemand$  = Demand Billing Determinant, expressed in kilowatts

$CSP$  = Customer System Peak, which is the customer’s maximum hourly Tier 1

Load placed on BPA during the Heavy Load Hours of each month plus the

Super Peak Credit, but only if the CSP occurs during the Super Peak

Period

1  $aHLH$  = actual average hourly Tier 1 Load (expressed in average kilowatts)

2 purchased during the Heavy Load Hours of each month

3  $CDQ$  = Contract Demand Quantity (expressed in kilowatts)

4  $SuperPeak$  = Super Peak Credit (expressed in kilowatts)

### 6 **5.3.2 Customer System Peak**

7 The Customer System Peak is the customer's single highest Heavy Load Hour Tier 1 Load  
8 hourly purchase from BPA during each month. When the customer qualifies for the Super Peak  
9 Credit and the CSP occurs during the Super Peak Period, the measured CSP already reflects the  
10 reduction of the Super Peak Credit. Under such circumstances it is necessary to add the amount  
11 of the Super Peak Credit to the measured CSP in order to avoid double counting the Super Peak  
12 Credit; the Credit is subtracted later in the formula.

### 14 **5.3.3 Actual Average Hourly Tier 1 Load in Heavy Load Hours**

15 The actual average hourly Tier 1 Load during Heavy Load Hours (aHLH) is the monthly Actual  
16 Tier 1 Load in Heavy Load Hours, expressed in kilowatthours, divided by the amount of Heavy  
17 Load Hours in that particular month. The aHLH amount is subtracted from CSP in the  
18 calculation of the Demand Charge Billing Determinant, because the cost of demand associated  
19 with this amount of diurnally flat energy is inherent in a market-priced block of such energy.

### 21 **5.3.4 Super Peak Credit**

22 A Load Following customer can qualify for a Super Peak Credit to its CSP by contractually  
23 committing a Non-Federal Resource to serve its TRL for the Rate Period and shaping into the  
24 Super Peak Period as defined by BPA. The Super Peak Period, which may vary by month, will  
25 be either two three-hour periods each day or a single six-hour period each day, all as determined  
26 by BPA prior to each 7(i) Process. The reduction to the CSP for the Super Peak Credit is equal

1 to the amount of additional capacity the customer contractually commits to provide from a Non-  
2 Federal Resource during the Super Peak Period compared to the amount of capacity that would  
3 be provided if the same amount of energy was provided flat within the monthly Heavy Load  
4 Hour period. This reduction will be applied regardless of when the customer's actual CSP  
5 occurs. The total Demand Charge Billing Determinant cannot be reduced below zero for any  
6 reason.

### 8 **5.3.5 Contract Demand Quantity**

9 The CDQ is a quantity of demand that is subtracted from a customer's CSP as part of the process  
10 of determining the Demand Charge Billing Determinant. For all customers, BPA will calculate  
11 12 CDQs, one for each month. Each customer's CDQs will be derived from the weighted  
12 average of each customer's FY 2005-2007 monthly HLH load factors applied to the customer's  
13 adjusted Measured FY 2010 Load for monthly average Heavy Load Hours less the HLH Existing  
14 Resources for CHWM amounts for the corresponding months for Fiscal Year 2012 as set forth in  
15 Exhibit A of the customer's CHWM Contract on September 30, 2009. The determination of  
16 CDQs will be performed concurrent with CHWM determinations, and the CDQs will be included  
17 in the CHWM Contracts at the same time as the CHWM. Because CDQs cannot be determined  
18 until late in FY 2011, BPA may use a forecast of CDQ for each customer for setting rates in the  
19 WP-12 7(i) Process. The actual CDQs determined in accordance with section 5.3.5.2 or 5.3.5.3  
20 will be used for billing during FYs 2012-2013 and in all subsequent Rate Periods.

#### 22 **5.3.5.1 Calculation of the Historical (FY 2005-2007) Load Factor**

23 The first step in determining the CDQs for each customer is the calculation of the HLH load  
24 factor for each customer for each month of the year using FY 2005, 2006, and 2007 load data.  
25 The aHLH energy amounts for each month in FY 2005, 2006, and 2007 will be calculated using  
26 the metered HLH TRL for the month less the HLH Existing Resources for CHWM amounts for

1 the corresponding months for Fiscal Year 2012 as set forth in Exhibit A of the customer's  
2 CHWM Contract on the effective date of the CHWM contract. The CSP for each month will be  
3 the highest hourly TRL amount in the month less the same respective Existing Resources for  
4 CHWM amounts in average HLH form.

5  
6 The Contract CSP for each month will be calculated by averaging the same-month CSPs for  
7 FY 2005, 2006, and 2007 (e.g.,  $[(\text{Jan } 05 \text{ CSP} + \text{Jan } 06 \text{ CSP} + \text{Jan } 07 \text{ CSP}) \div 3]$ ). The Contract  
8 aHLH energy for each month will be calculated by averaging the same-month aHLH energy for  
9 each of FYs 2005, 2006, and 2007. To calculate the HLH load factor for each month, BPA will  
10 divide the Contract aHLH by the Contract CSP for each respective month. BPA will take into  
11 account anomalies such as recovery peaks when calculating a customer's HLH load factor (a  
12 recovery peak may occur after a significant interruption of electric service to a customer as an  
13 unusually large use of energy measured for the first hour immediately following return to  
14 service).

15  
16 BPA will adjust the HLH load factor of each customer by dividing its HLH load factor by  
17 91 percent. The adjusted HLH load factor will be limited so as not to exceed 100 percent.

#### 18 19 **5.3.5.2 Calculating CDQs**

20 To determine each customer's CDQs, BPA will apply the adjusted HLH monthly load factors to  
21 the customer's FY 2010 aHLH energy amounts for the corresponding months that are used to  
22 calculate the customer's CHWM. Once calculated, the CDQs will be included in the CHWM  
23 Contract and will not be changed during the CHWM Contract term except for annexations. The  
24 following formula will be used for each month of FY 2010 to calculate the CDQs:

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$$CDQ = \frac{aHLH_{2010}}{adjLoadFac} - aHLH_{2010}$$

where:

$CDQ$  = Contract Demand Quantity (expressed in kilowatts)

$aHLH_{2010}$  = measured FY 2010 monthly average HLH energy used in calculating the CHWM, expressed in average kilowatts

$adjLoadFac$  = Adjusted HLH Load Factor for each month, as described in section 5.3.5.1

BPA will determine whether the Demand Charge Billing Determinant for each month of FY 2010, using the actual CSP for each such month and the monthly CDQ calculated in accordance with this section 5.3.5.2, will equal or exceed 25 percent of a customer's CSP. If so, BPA may modify the adjusted HLH load factor for such month, calculated pursuant to section 5.3.5.1, without application of the 91 percent adjustment. In determining whether to recalculate the adjusted HLH load factor, BPA will give consideration to whether 1) there was a discrete event beyond the control of the customer that caused the size of the Demand Charge Billing Determinant; 2) the size of the Billing Determinant is likely recur in the future; and 3) the recalculation of the adjusted HLH load factor and CDQ will not materially frustrate BPA's policy objective of having all customers with HLH load factors that are less than 100 percent face the marginal cost of capacity.

Conversely, if the determined percentage of the customer's CSP computed consistent with this section 5.3.5.2 is equal to zero, BPA may modify the adjusted HLH load factor for such month, pursuant to section 5.3.5.1, with application of a number larger than 91 percent. In determining whether to recalculate the adjusted HLH load factor, BPA will give consideration to whether 1) there was a discrete event that caused the reduced size of the Demand Charge Billing Determinant and 2) the size of the Billing Determinant is likely to recur in the future. In these

1 circumstances, the objective will be to remove excess CDQ headroom and not to reduce the  
2 CDQ, so as to place the customer back on the margin for the cost of capacity.

### 4 **5.3.5.3 Calculating New Publics' CDQs**

5 A New Public that forms out of all or part of the TRL of an Existing Public will receive a share  
6 of the Existing Public's CDQ. Such an assignment will be based on the forecast new load  
7 profiles of the New Public and Existing Public, and will be proportionate to the share (measured  
8 in kilowatts) of the forecast monthly CSP of the Existing Public that is transferred to the New  
9 Public, net of any Existing Resources for CHWM that are either transferred to the New Public by  
10 the Existing Public or are dedicated by the New Public to serve its TRL.

11  
12 The CDQ for New Publics that are formed from another entity will be calculated with the  
13 average monthly adjusted Heavy Load Hour load factors as described above and the monthly  
14 forecast aHLH energy as determined for calculating the New Public's CHWM. BPA may adjust  
15 such CDQs to be more reflective of similarly situated utilities, taking into account such factors as  
16 geographic location, Non-Federal Resources, and the nature of the retail load. When New  
17 Publics' CHWMs are phased in as described in section 4.1.6.5, the CDQ will change each Rate  
18 Period until the CHWM phase-in process has concluded.

### 20 **5.3.6 Demand Rate**

21 BPA will base the Demand Rate on the annual fixed costs (capital and O&M) of the marginal  
22 capacity resource as determined in each 7(i) Process. BPA will identify the marginal capacity  
23 resource and the annual fixed costs associated with that resource for each Rate Period. To  
24 determine the Demand Rates, BPA will spread such annual fixed costs to months in proportion to  
25 the monthly Heavy Load Hour energy prices used to set the Load Shaping Rates. Such marginal  
26 capacity resource may be based on BPA's Resource Program and/or costs of BPA's recent

1 capacity additions, or on third-party sources, which may include, but are not limited to, the  
2 Energy Information Administration, EPRI Technical Assessment Guide, the Northwest Power  
3 and Conservation Council, and Integrated Resource Plans of Pacific Northwest electric utilities.

4 The shape of the Demand Rate may be subject to a dampening methodology proposed in each  
5 7(i) Process if there proves to be significant volatility in the shape of the Demand Rate from Rate  
6 Period to Rate Period.

7  
8 **5.4 Other Tier 1 Charges**

9 BPA will limit Tier 1 Rates and Charges to those detailed in this section 5; these may include  
10 rates for product switching, as needed, as developed in the applicable 7(i) Process. These  
11 limitations pertain to the core charges of the PF rate design, which include Customer Charges,  
12 Load Shaping Charge, and Demand Charge, and do not encompass other adjustments, charges,  
13 and special rate provisions (e.g., targeted adjustment charges, unauthorized increase charges,  
14 conservation credits or surcharges), or any other charges allowed under section 12.5. These  
15 limitations do not include rate adjustments due to risk mitigation (e.g., application of a CRAC),  
16 new or modified risk mitigation tools, or mid-Rate Period rate adjustments for cost recovery  
17 purposes. If, notwithstanding the limitations expressed here, BPA or a party in a 7(i) Process  
18 wishes to institute a new rate or charge, it may propose a revision to this TRM to reflect such  
19 new rate or charge in accordance with the provisions in sections 12 and 13.

20

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## 6 TIER 2 RATE DESIGN

Consistent with the provisions below, the specific rate designs for BPA's Tier 2 Rate Alternatives will be determined in 7(i) Processes. BPA's allocation of costs to the Tier 2 Cost Pools associated with the Tier 2 Rate Alternatives will be subject to the provisions of this TRM. The allocation of Tier 2 Costs and the design of Tier 2 Rates will ensure to the maximum extent possible that the Tier 2 Rates will recover the full allocated cost of BPA service to planned Above-RHWM Load. The Tier 1 System will not be used in a manner that subsidizes the allocated costs of Tier 2 Rate service, when such rates are established in the applicable 7(i) Processes. Unused Tier 1 System Capability forecast to provide service at Tier 2 Rates will be priced to the appropriate Tier 2 Cost Pool at the market price for such power.

### 6.1 Overall Construct

Beginning in FY 2012, BPA will offer a Tier 2 Load Growth rate and a Tier 2 Short-Term rate. In addition, from time to time BPA may offer a Tier 2 Vintage rate(s). BPA will establish a Tier 2 Rate for each of these Tier 2 Rate Alternatives. Each customer electing a particular Tier 2 Rate Alternative will pay the rate associated with that rate alternative. Each Tier 2 Rate will be established to recover all the costs allocated to the associated Tier 2 Cost Pool. BPA will establish Tier 2 Rates based on the cost of providing a flat annual block of power. Service at the Tier 2 Short-Term, Load Growth, and Vintage rates will include the Renewable Energy Certificates (RECs) that BPA has determined are associated with the resources whose costs are allocated to the Tier 2 Cost Pool for such rate. Service at the Tier 2 Short-Term, Load Growth, and Vintage rates will include the Renewable Energy Certificates (RECs) that BPA has determined are associated with the resources whose costs are allocated to the Tier 2 Cost Pool for such rate. BPA may propose in any 7(i) Process to add Tier 2 Rate Alternatives.

1 The Tier 2 Rate Alternatives available to Load Following customers are the Load Growth rate,  
2 the Short-Term rate, and Vintage rate(s) (if offered).

3  
4 The Tier 2 Rate Alternatives available to Block and Slice/Block customers are the Short-Term  
5 rate and Vintage rate(s) (if offered).

6  
7 **6.2 Setting Tier 2 Amounts**

8 The service BPA will provide priced at each Tier 2 Rate will be established in the CHWM  
9 Contract. Such service will be in fixed, annual amounts on a take-or-pay basis for each Fiscal  
10 Year of a Rate Period. The schedule for establishing specific amounts of service at Tier 2 Rates  
11 pursuant to customers' CHWM Contract elections of Tier 2 Rate Alternatives is as follows:

- 12 1) For Load Following customers, in the RHWM Process BPA will establish quantities of  
13 power that will be sold at the Tier 2 Short-Term rate and/or Tier 2 Load Growth rate for  
14 each Fiscal Year of the Rate Period. For the first Rate Period (FY 2012-2013), customers  
15 will establish such quantities by November 1, 2009, based on the THWM.
- 16 2) Block and Slice/Block customers purchasing at the Tier 2 Short-Term rate will specify  
17 the quantity to be purchased for each year of the purchase period by the notice deadline,  
18 as described in section 4.3.1.
- 19 3) Block, Slice/Block, and Load Following customers purchasing at a Tier 2 Vintage rate, if  
20 offered, will establish purchase quantities for each year the rate is offered, in accordance  
21 with the terms of the Vintage rate offering, at the time they select a particular Tier 2  
22 Vintage rate.
- 23

### 1 **6.3 Cost Basis**

2 In the applicable 7(i) Process, BPA will establish a Cost Pool for each Tier 2 Rate Alternative, as  
3 described in section 2.2.4. Section 3.4 contains additional guidance regarding the allocation of  
4 specific resource costs.

#### 6 **6.3.1 Cost Component Construct**

7 The costs included in each of the Tier 2 Cost Pools will be BPA's costs of serving the customers  
8 who elect service at the corresponding Tier 2 Rate Alternative.

9  
10 For a Tier 2 Rate Alternative based on block energy purchases from market sources, the costs  
11 allocated to that Cost Pool will include costs that BPA incurs to serve load at a set price with a  
12 combination of forward and spot purchases of block energy from the market. When this type of  
13 Tier 2 Rate is set, BPA may not have actually made all the market purchases needed to serve the  
14 loads at this rate. Consequently, this type of rate may be comprised of both known and projected  
15 costs of the energy from market purchases, a risk component to cover the expected risks of  
16 providing service at a set forward price (which could take the form of some combination of  
17 Planned Net Revenues for Risk and rate adjustments or true-ups), and an Overhead Cost Adder.  
18 See section 6.3.3 for the construct of the Overhead Cost Adder.

19  
20 For a non-dispatchable resource serving a Tier 2 Rate Alternative, the costs allocated to that  
21 Tier 2 Cost Pool will include costs BPA incurs to serve load with a purchase of the specific non-  
22 dispatchable resource. These types of costs may include the cost of the resource purchase; any  
23 RSS charges; transaction costs; risk mitigation tools for resource outages not already provided  
24 for through RSS, and for other risks; and an Overhead Cost Adder. Transaction costs might  
25 include transmission and Balancing Authority Area charges for within-hour balancing, and may  
26 be known or be based on projections that are trued up after the fact. The RSS charges are the

1 same as those that would be applied to a customer's purchase of a non-dispatchable Non-Federal  
2 Resource to convert the resource delivery to the financial equivalent of a flat annual block.

3  
4 For a dispatchable resource serving a Tier 2 Rate Alternative, the costs allocated to that Tier 2  
5 Cost Pool will include costs and risks that BPA incurs to serve load with a purchase of a  
6 dispatchable resource, with the customer assuming the operational risks. These types of costs  
7 include projected annual fixed costs (debt service and fixed O&M) of the resource; the expected  
8 fuel and variable O&M costs of the resource, based on its expected operation; a mechanism to  
9 true up the expected fuel and variable O&M costs to actual costs; the cost of operating reserves  
10 and replacement power for outages; a mechanism to compensate the customer for any savings  
11 from economic dispatch of the resource, including fuel remarketing proceeds; costs of  
12 transmission services, if any, to transmit power to the Federal system; transaction costs; and an  
13 Overhead Cost Adder.

14  
15 A Tier 2 Rate Alternative Cost Pool can include combinations of market purchases and resource  
16 costs, as described above.

### 18 **6.3.2 Resource Support Services**

19 Tier 2 Rates based on the costs of resources acquired by BPA to serve Above-RHWM Loads will  
20 include appropriate RSS charges, Resource Shaping Charges (to account for the costs of  
21 converting resource output into flat annual delivery), and Resource Shaping Charge Adjustments  
22 (to recover the cost differential between planned and actual energy output) necessary to price the  
23 service as if the resource output is serving a flat annual load. RSS supplied from the Tier 1  
24 System for resources serving loads at Tier 2 Rates will 1) ensure energy neutrality and  
25 2) compensate the Composite Cost Pool for the value of the RSS and for risk exposure incurred

1 due to the provision of RSS. The forecast costs for RSS allocated to a Tier 2 Cost Pool will be  
2 set in each 7(i) Process for each Rate Period.

### 3 4 **6.3.3 Overhead Cost Adder**

5 Each Tier 2 Cost Pool will include an Overhead Cost Adder. This adder will provide an offset to  
6 the Composite Cost Pool for the general and administrative (overhead) costs associated with  
7 BPA's provision of power at Tier 2 Rates. In each 7(i) Process, BPA will propose a per-  
8 kilowatthour adder to be applied to all power sold at Tier 2 Rates. The adder will be set at a  
9 level that will reasonably offset the Composite Cost Pool for the costs of providing the service  
10 and will be based on typical electricity broker fees. The costs resulting from the application of  
11 the adder will be added to each Tier 2 Cost Pool. The revenues resulting from allocating the  
12 adder to Tier 2 Cost Pools will be credited to the Composite Cost Pool.

## 13 14 **6.4 Remarketing of Tier 2 Amounts**

15 If BPA remarkets a customer's Tier 2 purchase obligation pursuant to the CHWM Contract, then  
16 BPA will credit the proceeds (net of any remarketing costs as described in section 6.4.1 below)  
17 to such customer. The customer must continue to pay for the entire purchase at the appropriate  
18 Tier 2 Rate.

### 19 20 **6.4.1 Calculating the Remarketed Tier 2 Rate Proceeds**

21 If BPA remarkets for a customer any Tier 2 Rate Alternative purchase obligation, the proceeds  
22 (as established below) obtained from such remarketing will be netted against the customer's  
23 monthly bill. BPA will calculate the proceeds for the remarketed energy using forecast market  
24 prices for a flat annual block of power for the applicable Fiscal Year according to procedures  
25 established in the relevant 7(i) Process. The proceeds of the remarketed energy will be reduced  
26 for transaction costs, including such costs as broker or other marketing fees, transmission costs,

1 transmission losses, and odd lot remarketing costs. BPA will consider the total of the remarketed  
2 amounts to reduce odd lot marketing costs. Transaction costs also could include a risk  
3 component or adjustment mechanism for the risk associated with the potential difference  
4 between forecast and actual market prices.

5  
6 The customer will remain responsible for paying any Resource Shaping Charge Adjustment that  
7 applies to the Tier 2 Rate Alternative purchase obligation amount that BPA is remarketing.  
8 Remarketing of Tier 2 Rate Alternative purchase obligation amounts that include a transfer of  
9 RECs will not affect any transfer of RECs associated with such amounts. An example of how to  
10 calculate remarketed Tier 2 Rate proceeds can be found in Attachment E. This procedure will be  
11 applied whether or not BPA actually remarkets the power or uses it for its own purposes. There  
12 will be no true-up to actual revenue BPA receives for disposition of this power.

13  
14 **6.5 Converting to a Tier 2 Vintage Rate Alternative**

15 BPA will determine in the applicable 7(i) Process whether any rates or charges should be applied  
16 to a customer transferring from the Tier 2 Short-Term rate service to a Tier 2 Vintage rate  
17 service so that the rates or charges mitigate cost shifts to other customers. See Attachment F for  
18 an example of a Tier 2 Vintage Rate.

## 7 THE SHARED RATE PLAN (SRP)

1 BPA will provide a Load Following customer with a limited opportunity to select the Shared  
2 Rate Plan (SRP), as provided in the CHWM Contract, if the customer has committed to purchase  
3 100 percent of its Above-RHWM Load service at the Tier 2 Load Growth rate. Access to the  
4 SRP is limited to a number of customers whose Transition Period Contract High Water Mark  
5 (THWM) does not exceed 700 aMW in aggregate total. If there are requests for more than the  
6 700 aMW THWM limit for the SRP by the date specified in the CHWM Contract, BPA will  
7 stack the requests from smallest (in average megawatts) to largest THWMs until the last  
8 customer selected has its entire THWM fit within the 700 aMW limit. This stacking will have  
9 the effect of excluding the larger customers requesting the SRP, accepting as many smaller  
10 customers as can be accommodated.  
11

12  
13 Under the SRP, each participant will pay the same SRP customer rate as all other SRP  
14 participants. An SRP participant's Billing Determinant, the Shared Rate Cost Allocator (SRCA),  
15 will be its Forecast Net Requirement share of the total Forecast Net Requirement for all SRP  
16 participants, averaged over the Rate Period. BPA will ensure that this rate option does not shift  
17 costs to other customers not participating in the SRP. Additionally, in accordance with the  
18 Policy and associated Record of Decision, the amount of power forecast in the 7(i) Process to be  
19 available to each SRP participant at Tier 1 Rates will be no more than what each SRP participant  
20 would have received individually in the absence of the SRP.  
21

22 To calculate the SRP Customer Rate, BPA will estimate revenues to be recovered from the SRP  
23 participants by combining the forecast Rate Period revenues associated with SRP participants  
24 under the Composite Customer Rate, the Non-Slice Customer Rate, and the Tier 2 Load Growth  
25 rate. Dividing these forecast revenues by 100 yields the SRP Customer Rate in the form of a  
26 dollar per one percentage point of SRCA. Each SRP participant will pay this rate multiplied by

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1 its SRCA. The SRCA will be expressed as a percentage on the customer bill, similar to the  
2 TOCA.

3  
4 The SRP Customer Rate will be established as a flat monthly rate. Pursuant to section 5.1.6, a  
5 customer may request that its total charges under the SRP be reshaped through a Fiscal Year.

6  
7 SPR participants' share of energy true-ups associated with the Resource Shaping Charge  
8 Adjustment for the resources whose costs are allocated to the Tier 2 Load Growth Cost Pool will  
9 be shared by all SRP participants based on each participant's SRCA.

10  
11 After each billing month, the Load Shaping Charges will be calculated for each SRP participant  
12 as if it were not an SRP participant. The amounts so calculated will not be billed to the  
13 individual SRP participant but instead will be summed and allocated based on each participant's  
14 SRCA. The SRP participants will be subject to the Load Shaping Charge True-Up at the end of  
15 each Fiscal Year. Such true-up amounts also will be summed and allocated based on each  
16 participant's SRCA.

17  
18 BPA will continue to calculate and apply the Demand Charges on an individual customer basis  
19 and in the same manner as for all Load Following customers.

20  
21 The Low Density Discount (LDD; see section 10.2) and Irrigation Rate Mitigation (IRM; see  
22 section 10.3) may need to be applied differently for eligible customers that participate in the SRP  
23 to ensure that they receive comparable treatment to those LDD/IRM-eligible customers that are  
24 not SRP participants. These issues will be resolved in relevant 7(i) Processes.

1 In addition, PURPA may require a customer to take a Non-Federal Resource to load. A  
2 customer's participation in the SRP will allow for the application of Non-Federal Resources in  
3 this circumstance.

4  
5 Pursuant to procedures set forth in the CHWM Contracts, SRP participants will have a one-time  
6 right to leave the SRP during the contract term. A customer leaving the SRP will be subject to  
7 the same rate design as any other Load Following customer electing to have its entire Above-  
8 RHWM Load served at the Tier 2 Load Growth rate: Composite Customer Rate, Non-Slice  
9 Customer Rate, Load Shaping Rates, Demand Rate, and Tier 2 Load Growth rate. This right  
10 does not replace the contract right of a customer to change its product selection.

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**8 RESOURCE SUPPORT SERVICES**

Resource Support Services (RSS) will be offered under the CHWM Contract and presently include Diurnal Flattening Service (DFS), Forced Outage Reserve Services (FORS), Transmission Curtailment Management Service (TCMS), and Secondary Crediting Service (SCS), and may in the future include other related services that are proposed in the applicable 7(i) Process. The proposed RSS are available for all specified Non-Federal Resources that Load Following customers contractually dedicate to serving their TRL and for specified new renewable resources Block and Slice/Block customers contractually dedicate to serving their TRL. BPA will provide DFS and SCS as 5(b) services and FORS and TCMS as a 9(i) service under the Northwest Power Act. BPA intends to offer in the CHWM Contract comparable pricing methodology, terms, and conditions for these services for qualifying resources whether the purchaser is a Load Following, Block, or Slice/Block customer. RSS also is used to make RP Augmentation and certain Federal acquisitions financially equivalent to a flat block. BPA will develop or modify the design and pricing governing these products in each 7(i) Process. Unless a different pricing approach is specifically set forth in section 8.4, the capacity component of each RSS service will be priced at the Demand Rate, and the energy component will be priced at the market price of energy for the appropriate time period for the particular RSS service.

In addition, this section describes the Resource Shaping Charge and the Resource Shaping Charge Adjustment, which are not part of the Resource Support Services but are included here because they are applied to resources.

**8.1 Diurnal Flattening Service**

Diurnal Flattening Service (DFS) makes a variable or intermittent resource, or that portion of the resource that is variable or intermittent, financially equivalent to a resource that is flat within each of the 24 Monthly/Diurnal periods of the year. Because the DFS is applied to only the

1 variable component of the resource(s), coverage of outages in the firm component is not  
2 provided through the DFS. Forced Outage Reserve Services (described in section 8.2) are  
3 available for the firm component of a resource.

4  
5 Pricing of the DFS will consist of two charges, one for capacity and one for energy. BPA will  
6 use the resource's historical scheduled generation (or historical metered generation when  
7 scheduled generation is not applicable) and any applicable regional Integrated Resource Plans to  
8 price this service. When historical scheduled generation or historical metered generation is not  
9 available, BPA will use historical scheduled generation from a similar resource until historical  
10 scheduled generation or historical metered generation becomes available. Groups of resources  
11 (i.e., those whose costs are allocated to specific Tier 2 Cost Pools or Non-Federal Resources  
12 serving a single customer's Above-RHWM Load) may be aggregated for purposes of pricing the  
13 DFS. Only upon request of a customer group, BPA also may consider grouping customer  
14 resources for purposes of applying and pricing the DFS.

## 16 **8.2 Forced Outage Reserve Services (FORS)**

17 Forced Outage Reserve Services (FORS) are the services that provide an agreed-to amount of  
18 capacity and energy to load during the forced outages of a qualifying resource. BPA may, upon  
19 request, also provide limited FORS for outages of other assets that impact the generation  
20 associated with a qualifying resource. BPA will decide in a future 7(i) Process whether to offer  
21 FORS for other assets.

22  
23 These reserve services will be priced and offered separately and will be resource-, location-, and  
24 situation-specific. FORS may be arranged for when Operating Reserves expire or when the  
25 resource operator recognizes imminent failure and must initiate a controlled shutdown.

26 Contracts for FORS will establish qualifying criteria, notification requirements, and limits on

1 energy amounts that will be provided under the product. For outages that do not meet the  
2 contract criteria for FORS, BPA will make a good faith effort to meet a customer's request for  
3 power; prices and duration will be agreed upon between BPA and the customer at that time or in  
4 an advance agreement that covers all costs and service charges using a flexible rate that  
5 accommodates such a negotiated price.

### 6 7 **8.3 Transmission Curtailment Management Service**

8 BPA will offer a service for customers' qualifying resources to back up such resource when a  
9 transmission curtailment occurs between the qualifying resource and the customer load, provided  
10 that the transmission curtailment probability is within acceptable limits. If this service is  
11 requested, BPA will go to the market to provide such service. BPA will decide the pricing of  
12 this service in the applicable 7(i) Process.

### 13 14 **8.4 Secondary Crediting Service**

15 Secondary Crediting Service provides Load Following customers that dedicate the entire output  
16 of an Existing Resource (metered or scheduled hydro) with a credit for the amount of energy  
17 produced by the resource in excess of its Firm Critical Output (either dispatchable or non-  
18 dispatchable). Secondary Crediting is an optional service available to Load Following customers  
19 only. This service will apply to resources for which secondary energy amounts are established.  
20 A customer taking the Secondary Crediting Service will receive a credit against its PF rate  
21 charges for the amount of secondary energy applied to its retail load in each month. The method  
22 for establishing this credit (and any transaction costs) will be determined in the applicable  
23 7(i) Process. In order to avoid double counting, only the Firm Critical Output as set forth in  
24 Exhibit A of the customer's CHWM Contract will be considered for calculation of the Load  
25 Shaping Charge. This ensures that the credit received for secondary energy will be captured only  
26 once through the Secondary Crediting Service and not through the Load Shaping Charge as well.

## 8.5 Resource Shaping Charge

The Resource Shaping Charge is a charge or credit that adjusts for the difference in value between planned resource energy shapes that are flat within each of the 24 Monthly/Diurnal periods of the year compared to an equivalently sized flat annual block. The Resource Shaping Charge will apply to any resource(s) used to meet a customer's Above-RHWM Load and will be resource-specific and customer-specific. For a resource for which BPA provides the DFS, BPA will apply the Resource Shaping Charge to the 24 Monthly/Diurnal flat blocks. A resource that is contractually committed to be flat within each Monthly/Diurnal period of the year but not flat between those periods will avoid the DFS charge but will be subject to the Resource Shaping Charge. A resource that is contractually committed to be flat annually will avoid both the DFS charge and the Resource Shaping Charge.

The Resource Shaping Rate will be equal to the Load Shaping Rate (see section 5.2). The Billing Determinant for the Resource Shaping Charge will be the difference between a flat annual block and the resource's forecast Monthly/Diurnal firm output (flat annual block minus the resource's forecast firm output). This Resource Shaping Charge Billing Determinant may be a positive or a negative number:

- 1) A resource forecast to produce less energy than the flat annual block during any of the 24 Monthly/Diurnal periods of the year will result in a positive Billing Determinant for that period. When the Billing Determinant is applied to the Resource Shaping Rate, the result is the Resource Shaping Charge. The Resource Shaping Charge will be BPA's forecast market cost of purchasing power to make up the difference between the diurnally flat energy amount and an equivalent diurnal amount that would correspond to the flat annual block, based on the market price forecast used for the Load Shaping Rates (see section 5.2.2).

1        2) A resource forecast to produce more energy than the flat annual block during any of the  
2        24 Monthly/Diurnal periods of the year will result in a negative Billing Determinant for  
3        that period. When the Billing Determinant is applied to the Resource Shaping Rate, the  
4        result is the Resource Shaping Charge. The Resource Shaping Charge will be BPA's  
5        forecast market value of selling power to reflect the difference between the diurnally  
6        flat energy amount and an equivalent diurnal amount that would correspond to the flat  
7        annual block, based on the market price forecast used for the Load Shaping Rates (see  
8        section 5.2.2).

9  
10      In each 7(i) Process, BPA will calculate the Resource Shaping Charge for each resource(s) for  
11      the Rate Period and bill it flat across all months during the Rate Period.

### 13      **8.5.1 Resource Shaping Charge Adjustment**

14      For each Monthly/Diurnal period, the Resource Shaping Charge Adjustment Billing Determinant  
15      is the difference between the forecast generation and the actual generation of the resource for  
16      that Monthly/Diurnal Period. The Resource Shaping Charge Adjustment ensures that the  
17      Resource Shaping Charge and DFS are energy-neutral services and are cost neutral on a forecast  
18      price basis. If a resource produces more than its forecast energy, then a credit is due to account  
19      for the excess generation. Conversely, if a resource produces less than its forecast energy, then a  
20      charge is due to account for the under-production. The Resource Shaping Rate will be applied to  
21      the difference between forecast generation and actual generation. BPA will compute the  
22      Resource Shaping Charge Adjustment and charge or credit it on the customer's monthly bill.

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## 9 RISK MITIGATION

### 9.1 Overview of Risk in the TRM

In each 7(i) Process, BPA will establish risk mitigation mechanisms and set rates that are consistent with BPA's then-current agency financial risk standard(s), as set out in BPA's then-current financial plan.

### 9.2 Risk in Tier 2

The CHWM Contract will include take-or-pay provisions, obligating each customer to pay its monthly BPA power bills, which will be based on the Tier 1 and Tier 2 Rates applicable to each customer.

Risks in Tier 2 will be assessed in each 7(i) Process both for each Tier 2 Rate Alternative and collectively for all Tier 2 Rate Alternatives to determine if the terms and conditions have mitigated such risks sufficiently to meet BPA's risk standards. In addition to such terms and conditions, BPA will include in Tier 2 Rates any supplementary risk mitigation necessary to meet BPA's risk standards. Altogether, Tier 2 risk mitigation will be structured so that the risk associated with Tier 2 Rates will not increase the costs allocated to Tier 1 Cost Pools or require any enhancement of Tier 1 risk protection mechanisms beyond what would have been required absent sales at Tier 2 Rates.

In each 7(i) Process, when there is more specificity about the resource and purchase costs allocated to the various Tier 2 Cost Pools, BPA will assess the risks of providing service at the various Tier 2 Rate Alternatives. BPA will propose risk mitigation tools for each Tier 2 Cost Pool (e.g., Planned Net Revenues for Risk, Cost Recovery Adjustment Clauses, true-ups to actual costs), as appropriate, that will be in addition to the Resource Shaping Charge Adjustment (see section 8.5.1). BPA recognizes it may be limited in Tier 2 Rate offerings by the foregoing

1 requirements that Tier 2 risks not increase costs allocated to Tier 1 or require enhancement of  
2 Tier 1 risk protections.

3  
4 **9.3 Risk in Tier 1**

5 BPA will assess the risks related to the costs and revenues allocated to the Tier 1 Cost Pools,  
6 design risk mitigation measures, and set the Tier 1 Rates to meet BPA's risk standard(s). Such  
7 measures may include Planned Net Revenues for Risk, cost recovery adjustment clauses  
8 (CRACs), true-ups to actual costs, and other measures determined appropriate by BPA. The  
9 primary financial risk mitigation measures for the Tier 1 Slice product are the transfer of  
10 secondary revenue risk to Slice purchasers (by providing them with secondary energy instead of  
11 a rate credit for anticipated secondary revenue) and the Slice True-up (see section 2.7 for more  
12 information).

13  
14 **9.4 Assessment of Aggregate Risk**

15 If, after assessing and mitigating risks for each Tier 2 Cost Pool and for Tier 1, BPA finds that  
16 Power function risks have not been adequately mitigated pursuant to BPA's risk standards, then  
17 BPA will allocate the remaining risk and any additional mitigation between the tiers in the  
18 applicable 7(i) Process.

## 10 OTHER RATE DESIGN

### 10.1 Rates for Unanticipated Load

BPA will develop rates in the applicable 7(i) Process for service to unanticipated loads (e.g., due to delay in the start-up of a specified new Non-Federal Resource). Unanticipated loads are public preference loads that BPA is obligated to serve under the Northwest Power Act, but of which BPA has not had the notice to serve as required by the CHWM Contract or General Rate Schedule Provisions (GRSPs) in order for a customer to receive service at Tier 1 or Tier 2 Rates. The GRSPs developed in the applicable 7(i) Process will establish the terms and conditions for application of these rates. These rates are intended to reflect the costs associated with the power and services needed to serve such load.

In other instances, load that BPA does not have an obligation to serve may face an unauthorized increase (UAI) charge. For example, if a customer does not provide for serving load when a Non-Federal Resource has an outage, and BPA delivers power, such power deliveries would be charged the UAI.

### 10.2 Low Density Discount

In the applicable 7(i) Process, BPA will propose a long-term Low Density Discount (LDD) that will remain in effect without change for multiple Rate Periods (or the contract period) to the extent permitted by section 7(d)(1) of the Northwest Power Act. No LDD will be paid on purchases for Above-RHWM Load.

For the post-FY 2011 period BPA will propose in the applicable 7(i) Process to 1) modify the definition of Consumers in the LDD section of the General Rate Schedule Provisions (GRSPs); 2) adapt the LDD to tiered rates; and 3) modify the calculation of LDD for Slice.

1 **10.2.1 Modified Definition of Consumers**

2 BPA will propose that effective October 1, 2011, the definition for Consumers in the LDD  
3 section of the FY 2012 GRSPs will be as follows:

4  
5 Consumers will be the number of consumers, by classification, having a current  
6 service connection in December of each year. Residential consumers (seasonal  
7 and non-seasonal) should be counted on the basis of the number of residences  
8 served. If one meter serves two residences, then two consumers should be  
9 counted. If a water heater is metered separately from other appliances on the  
10 same premises, the water heater load will not count as a separate consumer.

11  
12 Security or safety lights, billed to a residential customer, will not be counted as an  
13 additional consumer.

14  
15 Seasonal consumers expected to resume service during the next seasonal period  
16 will be counted during off-season periods as well.

17  
18 A residence and commercial establishment on the same premises, receiving  
19 service through the same meter and being billed under the same rate schedule,  
20 would be classified as one consumer based on the rate schedule. If the same rate  
21 schedule applies to both the residential and the commercial class, the consumer  
22 should be classified according to the principal use.

23  
24 Consumers for Public Street and Highway Lighting should be counted by the  
25 number of billings, regardless of the number of lights per billing.

26

27 **10.2.2 Adapting the LDD to Tiered Rates**

28 Under tiered rates, the Tier 1 LDD for customers experiencing load growth will be adjusted in  
29 order to provide an LDD benefit equivalent to what it would have been under melded rates, and  
30 the cost of that benefit will be allocated to the Composite Cost Pool. The LDD will be based on  
31 a customer's TRL, minus Existing Resources for CHWM and NLSLs. The base discount will be  
32 determined using the adjusted TRL and the LDD Percentage Discount Table, as published in the  
33 applicable GRSPs. To reflect an increase or decrease in a customer's adjusted TRL, the  
34 percentage discount will be adjusted for application to the customer's bill. For example, if a  
35 customer is eligible for an LDD of 5 percent on its adjusted TRL, and its RHWM is 10 aMW and  
36 its Annual Net Requirement load 11 aMW, then the customer would have its LDD percentage

1 adjusted upward to 5.5 percent. The 7 percent cap would also be adjusted upward by the same  
 2 amount for affected customers. All other GRSP criteria to qualify for the LDD would be  
 3 retained, as modified in section 10.2. The formula used to calculate the LDD percentage to be  
 4 applied to the customer's bill during the Rate Period is:

$$5 \quad \text{applicableLDD} = \text{eligibleLDD} \times \frac{\text{adjTRL}}{\text{RHWM}}$$

7 where:

8  $\text{applicableLDD}$  = LDD percentage to be applied to a customer's bill

9  $\text{eligibleLDD}$  = LDD percentage indicated by the customer's eligibility factors

10  $\text{adjTRL}$  = customer's Total Retail Load less output of Existing Resources

11  $\text{RHWM}$  = customer's Rate Period High Water Mark

12  
 13 This applicable LDD percentage will apply to all charges for purchases by an eligible customer  
 14 under the Tier 1 Rates (Customer Charge, Load Shaping Charge, and Demand Charge). The  
 15 LDD adjustment for customers experiencing load growth will apply to LDD-eligible Slice  
 16 customers in a similar manner. The eligibility requirements of C/M (consumers per mile of line)  
 17 and K/I (kilowatthour to investment ratio) will be calculated in the same manner as was the case  
 18 as of the effective date of this TRM.

### 20 **10.2.3 Calculation of LDD for Slice**

21 A Slice/Block customer will have its LDD dollar benefit calculated by BPA as though it is a  
 22 Load Following customer. BPA will use the previous Fiscal Year's load data to calculate an  
 23 annual LDD dollar benefit amount. This amount will be divided by 12 to derive a monthly LDD  
 24 credit, which will be applied to the customer's monthly power bills over the next 12 months.  
 25 There will be no separate Slice and Block LDD benefits calculated. The LDD percentage will be  
 26 adjusted for load growth as described in section 10.2.2.

1 **10.3 Irrigation Rate Mitigation**

2 Beginning with the FY 2012 Rate Period and continuing through the term of the CHWM  
3 contracts, BPA will propose inclusion of Irrigation Rate Mitigation (IRM) in BPA's wholesale  
4 power initial rate proposals in the form of a fixed percentage discount on the Tier 1 Rates.  
5 Eligible irrigation loads will be identified in a customer's CHWM Contract and will not increase  
6 during the term of the contract. The discount will not apply to loads served at Tier 2 Rates.

7  
8 In the applicable 7(i) Process, BPA will propose a fixed IRM percentage. The IRM percentage  
9 will be one minus the ratio of 1) the sum of the all IRMP participants' estimated charges at the  
10 FPS rates paid under the Irrigation Rate Mitigation Product for FY 2009 to 2) the sum of the  
11 IRMP participants' estimated charges that would have occurred under May through August HLH  
12 and LLH PF energy rates for FY 2009 adjusted for any applicable discounts such as LDD (BPA  
13 estimates that the resulting IRM percentage will be approximately 30-34 percent). This  
14 percentage will be multiplied by the sum of the Slice and Non-Slice customer charges divided by  
15 the Tier 1 System Capability (expressed in MWh) to derive a dollars per MWh discount. This  
16 discount will be seasonally available to qualifying loads during May, June, July, August, and  
17 September.

18  
19 The CHWM Contract will include a provision acknowledging the IRM as a rate adjustment, the  
20 terms of which will be determined in 7(i) Processes and subject to BPA's GRSPs. The contracts  
21 also will specify qualifying irrigation loads. The amount of the IRM discount to be applied to  
22 qualifying irrigation loads for the relevant Rate Period will be determined in the applicable  
23 7(i) Process. Any discount, if adopted by the Administrator, will be included in the applicable  
24 GRSPs.

1 BPA will propose to include in the FY 2012 proposed GRSPs the following basis for IRM  
2 eligibility. To qualify for the IRM discount, the customer must meet one of the following  
3 criteria:

- 4 1) The customer must have participated in BPA's FY 1997-2001 Summer Seasonal  
5 Product.
- 6 2) The customer must have participated in BPA's FY 2007-2011 Irrigation Rate  
7 Mitigation Product.
- 8 3) At least 75 percent of the customer's Total Retail Load must be placed on BPA starting  
9 October 1, 2011; the customer's irrigation rate schedule sales, May through September  
10 in FY 2002-2004, divided by its TRL for FY 2002-2004, is at least 5 percent, or if less  
11 than 5 percent, the average megawatthour use for May through September in FY 2002-  
12 2004 (15 months/3 years) is 7,500 megawatthours or more.

13  
14 Eligibility will be determined twice. The first time will be at the time the customer signs the  
15 CHWM Contract in calendar year 2008 and will be for existing Irrigation Rate Mitigation  
16 Product customers and qualifying Summer Seasonal Product customers. The second eligibility  
17 determination will be made 90 calendar days after BPA issues the TRM ROD, for new eligible  
18 customers. Their CHWM Contracts will be amended to reflect the eligible kilowatthour  
19 amounts.

20  
21 For a Slice/Block customer, BPA will apply the percentage reduction to the lesser of the  
22 customer's qualifying irrigation load (in kilowatthours) specified in its CHWM Contract or the  
23 sum of its monthly Block purchase at Tier 1 Rates plus the Slice Percentage of the monthly  
24 Tier 1 System Capability. No other charges or billing determinants will be affected.  
25

1 There will be a true-up process at the end of the May to September irrigation season to ensure  
2 that the customer experienced the full amount of irrigation load stated in the CHWM Contract.  
3 If a customer's May to September measured irrigation load is less than the amount of load  
4 eligible for mitigation, a true-up calculation will determine the amount the customer owes BPA  
5 at end of the irrigation season. The details and requirements of the true-up will be developed in  
6 the applicable 7(i) Process and included in the GRSPs for each applicable Rate Period.

7  
8 BPA will require participating customers to implement cost-effective conservation measures on  
9 eligible irrigation systems in their service territories, as described in the GRSPs. The  
10 conservation measures may be eligible for future BPA conservation programs; the amount of  
11 BPA support will be determined in applicable 7(i) Processes.

#### 13 **10.4 Direct-Service Industry Service**

14 BPA may provide service benefits to the DSIs after FY 2011, including a financial mechanism  
15 similar to the existing FY 2007-2011 DSI contract. BPA may provide some level of physical  
16 power to the DSIs under a Regional Dialogue contract. If BPA were to make such a sale, it  
17 might be necessary for BPA to purchase power to provide such service, as described in  
18 section 3.2.1.3. Notwithstanding any other provisions in this TRM, all issues associated with  
19 allocation of these costs will be determined in the applicable 7(i) Process. For example, BPA  
20 may decide to allocate these costs to the Composite Cost Pool. This power sale would be priced  
21 at the Industrial Firm Power (IP) rate determined in accordance with Northwest Power Act  
22 section 7(c). BPA does not intend to tier the IP rate, but it is not prohibited from doing so by this  
23 TRM.

1 **10.5 7(b)(2) Rate Test**

2 All issues pertaining to calculation of the section 7(b)(2) rate test and allocation of the  
3 section 7(b)(3) surcharge will be determined in the applicable 7(i) Process. In a 7(i) Process,  
4 BPA may determine a Tier 1 PF Exchange rate applicable solely to Publics with a CHWM  
5 Contract that do not include the costs of resources acquired after September 30, 2006, in Average  
6 System Costs.

7

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**11 APPROVAL AND DURATION OF THE TRM**

1  
2 Except as it is subject to changes pursuant to sections 12 and 13, this TRM shall be effective  
3 October 1, 2008, through September 30, 2028, and shall apply to power sales specified herein for  
4 the period October 1, 2011, through September 30, 2028.

5  
6 In the event that the Federal Energy Regulatory Commission (FERC) approves this TRM for a  
7 period less than through September 30, 2028, then BPA will, prior to the expiration of the then-  
8 effective TRM effective period, 1) propose continuation of the TRM in a hearing conducted  
9 pursuant to section 7(i) of the Northwest Power Act or its successor, and thereafter 2) resubmit  
10 the TRM to FERC for approval through September 30, 2028. References in sections 12 and 13  
11 to the TRM are to the TRM as approved by FERC.

12  
13 In the event that FERC disapproves this TRM, or remands it to BPA without approval, before  
14 taking any action in response to such action BPA will hold one or more noticed public meetings  
15 to consult with customers with CHWM Contracts regarding the appropriate course of action to  
16 pursue in response to such action by FERC.

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## 12 CRITERIA AND CONDITIONS FOR REVISING THE TRM

*Sections 12 and 13 in this Supplemental TRM will be proposed for the Administrator's consideration by BPA staff only in the event customers uniformly support and do not contest these sections. In that respect, this version of these sections is akin to an offer of settlement.*

It will be BPA's policy to revise the TRM as little as possible. BPA reserves the right to revise the TRM, but only in accordance with the criteria and conditions set forth in this section 12 and the applicable processes set forth in section 13. Reference in this TRM to a "revision" to the TRM means a change in the actual language of the TRM. In this context, revision does not refer to questions of interpretation or implementation of the TRM.

BPA will propose only those revisions under sections 12.1 and 12.2 that are necessary to comply with a court ruling or ensure cost recovery and will seek to limit both the number and scope of such revisions. Before proposing any revision to the TRM to ensure timely cost recovery, to the extent practicable BPA will take the following steps in addition to adhering to the applicable process set forth in section 13:

- 1) BPA will make reasonable efforts to recover the costs from the party(s) that would otherwise be responsible for such costs. Such efforts may include making demand on any available credit support and pursuing legal action when appropriate.
- 2) BPA will make good faith efforts to reduce BPA power costs so as to offset the cost that would otherwise occasion the need for a change in the TRM to ensure cost recovery.
- 3) If the cost recovery problem is occasioned by the design of the TRM, BPA will convene a public meeting with customers and interested parties to discuss alternatives to a revision of the TRM.

- 1           4) After taking such steps, BPA will issue a report to customers and interested parties  
2           regarding the efforts, including those listed (1-3) above, that the Administrator has  
3           taken before resorting to a revision to the TRM, and why the set of safeguards BPA  
4           followed when entering identified transactions (e.g., service at a Tier 2 Rate) was not  
5           sufficient to avoid the cost recovery problem.

6  
7 These criteria, or disputes over whether the Administrator has satisfied them, do not override and  
8 will not be allowed to frustrate the Administrator’s responsibility to establish rates to recover  
9 costs and timely repay the U.S. Treasury.

10  
11 **12.1 Revisions to TRM to Ensure Cost Recovery or Comply with Court Ruling**

12 BPA reserves the right to revise any part of this TRM if the Administrator has determined in  
13 accordance with the applicable procedures set forth in section 13 that: 1) BPA cannot timely and  
14 reasonably recover its costs without revising the TRM; or 2) a revision to the TRM is necessary  
15 to effectively comply with a court ruling. For purposes of this TRM, reference to a court ruling  
16 shall be deemed to include a ruling of the Federal Energy Regulatory Commission that  
17 disapproves or remands a BPA rate based on the TRM.

18  
19 **12.2 Provisions of the TRM that May be Revised Only to Ensure Cost Recovery or**  
20 **Comply with Court Ruling**

21 The provisions of the TRM identified below cannot be revised except and unless the  
22 Administrator determines in accordance with the applicable procedures set forth in section 13  
23 that BPA cannot otherwise timely recover its costs or that the change is necessary to effectively  
24 comply with a court ruling:

- 25           1) The methodology used to determine CHWMs and RHWMs as defined in sections 4.1  
26           and 4.2, except in those instances the TRM specifically provides for in sections 4.1  
27           and 4.2.

- 1           2) The basic Tier 1 Rate design described in section 5, consisting of: a) the concept of  
2           three Tier 1 Cost Allocator (TOCA) Customer Charges (Composite, Slice, and Non-  
3           Slice); b) the development of a Load-Shaping Charge for customers purchasing Block  
4           or Load-Following products; and c) Demand Charge Billing Determinants, which  
5           include a Contract Demand Quantity (i.e., “grandfathered” demand), as set forth in  
6           section 5.3.
- 7           3) The establishment of Tier 2 Rates, as set forth in section 6, that reflect the incremental  
8           costs of resource acquisitions and purchases BPA must make to serve Above RHWM  
9           Load.
- 10          4) Cost allocation criteria for allocating costs between Tier 1 and Tier 2 Cost Pools, and  
11          among Tier 2 Cost Pools, as set forth in section 2.

### 12 13 **12.3 Revision for Unintended Consequences**

14 With the exception of TRM changes that are constrained by section 12.2 or implementation of  
15 the TRM reserved by section 12.5, BPA retains the discretion to, in accordance with the  
16 applicable procedures of section 13, propose revisions in the TRM to address or avoid  
17 unintended consequences that put at risk the policy goals underlying the TRM as set forth at  
18 pages 5-7 of the Policy.

### 19 20 **12.4 Improvements and Enhancements**

21 Revisions to the TRM not covered by section 12.1, 12.2, or 12.3 and that are proposed by BPA  
22 or a Customer Group to improve and enhance the TRM may be made consistent with  
23 section 13.3.

24

**12.5 Actions Not Considered to be a Revision to the TRM**

The Administrator reserves the discretion he or she otherwise possesses under law to establish, undertake, or otherwise address the following, including through implementation of the TRM consistent with the terms thereof for those matters governed by the TRM, in appropriate cases:

- 1) Calculation of actual rate levels.
- 2) Any rate issues identified in this TRM that are specifically reserved for determination in a future 7(i) Process. These include, but are not limited to:
  - a) Rate treatment for customers that execute non-CHWM contracts (see section 1)
  - b) Forecast of the Tier 1 System Capability (see section 3.1); forecasts of Augmentation for Initial CHWM and Augmentation for Additional CHWM (see section 3.2); forecasts of Balancing Power Purchases (see section 3.3)
  - c) Allocation of costs consistent with sections 2.1, 2.2, and 2.3 and the Cost Allocation Table, Table 2
  - d) Risk mitigation (consistent with section 9)
  - e) Development of System Shaped Load for each customer (see section 5.2.1)
  - f) Determination of the Overhead Cost Adder to Tier 2 Cost Pools (see section 6.3.3)
  - g) Design, pricing, and application of the RSS rates (see section 8)
  - h) Irrigation Rate Mitigation true-up (see section 10.3)
  - i) Application of section 7(c) of the Northwest Power Act (see section 10.4)
  - j) Application of sections 7(b)(2) and 7(b)(3) of the Northwest Power Act (see section 10.5)
  - k) Rates for New Publics (see section 4.1.6)

- 1           l) Rates for unanticipated Above-RHWM Load (see section 10.1)
- 2           m) Rates for product switching (see section 5.4)
- 3           n) Rates for transfer of Tier 2 service to a Vintage service (see section 6.5)
- 4        3) TRM Exhibits will be filled in and revised consistent with the terms of the TRM.

5

6 The actions described in this section 12.5 do not constitute a “revision” to the TRM.

7

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### 13 PROCESSES FOR TRM REVISIONS

*Sections 12 and 13 in this Supplemental TRM will be proposed for the Administrator's consideration by BPA staff only in the event customers uniformly support and do not contest these sections. In that respect, this version of these sections is akin to an offer of settlement.*

**In this section 13:**

**Customer** means a Public that purchases power from BPA at a Tier 1 Rate under a CHWM Contract.

**Customer Group** means a group comprised of not less than 45 percent of the Customers (utility count).

#### **13.1 Process Generally Applicable to Any TRM Revision**

No revision to the TRM may be made without the introduction, consideration, and adoption of such revision in a 7(i) Process. BPA will comply with the applicable requirements of this section 13 when proposing revisions to the TRM as described in sections 12.1-12.4. In the event that a proposed revision to the TRM has not satisfied the requirements for introduction in a 7(i) Process set out herein, then BPA shall neither propose nor adopt such proposed revision in a 7(i) Process until the applicable requirements of section 13 are satisfied. Except as provided in section 13.3, nothing in this section 13 limits the positions that a Customer may advocate in a 7(i) Process regarding the TRM. Nothing in this section 13 1) precludes any party to a BPA 7(i) Process, other than a Customer, from making any proposal or offering any testimony or other evidence on any matter that may otherwise be raised in a BPA 7(i) Process or 2) constrains any person or entity from taking any position with BPA on any issue outside of a 7(i) Process.

The TRM provides that certain inputs for establishing, administering, or implementing the TRM (e.g., CHWM determination process and results, RHWM Process and results) shall be as determined outside a 7(i) Process. Any dispute concerning determination of such inputs shall not

1 be subject to any of the procedures of this section 13, except as specifically provided for in  
2 section 13.10.

### 4 **13.2 Process for Section 12.3 Revisions to TRM (“Unintended Consequences”)**

#### 5 **13.2.1 Unintended Consequence Proposal**

6 The procedures set forth in this section 13.2.1 apply only to revisions to the TRM as provided for  
7 in section 12.3 that address or rectify unintended consequences of the TRM that affect only  
8 Customers with CHWM Contracts, or that do not affect or affect only in a *de minimus* manner  
9 the IOU or DSI customers of BPA or BPA customers that are not eligible for or do not take  
10 service under CHWM Contracts (“Unintended Consequence Proposal”). Such procedures do not  
11 apply to, and an Unintended Consequence Proposal does not encompass, proposed revisions to  
12 the TRM that are necessary to address or rectify unintended consequences of the TRM that affect  
13 BPA programs or policies of general application (e.g., the unintended consequence affects  
14 programmatic responsibilities such as fish and wildlife, conservation, or transmission).

15  
16 BPA or a Customer Group may propose an Unintended Consequence Proposal in a 7(i) Process  
17 only after complying with the requirements of this section 13.2.1.

18  
19 Before such an Unintended Consequence Proposal is introduced in a 7(i) Process by BPA or a  
20 Customer Group, BPA will notify all Customers in advance of the 7(i) process of the Unintended  
21 Consequence Proposal and why 1) the Unintended Consequence Proposal will address or rectify  
22 the unintended consequence that puts at risk the policy goals underlying the TRM as set forth at  
23 pages 5-7 of the Policy and 2) the value of the Unintended Consequence Proposal outweighs any  
24 harm created by it. The notice will specify the date by which each Customer may object to the  
25 Unintended Consequence Proposal and the means for registering its objection.

26

## Section 13

1 BPA or the Customer Group may propose in a 7(i) Process the Unintended Consequence  
2 Proposal unless it is objected to by Customers totaling both 1) at least 70 percent of Customers  
3 (utility count) and 2) at least 50 percent of the sum of the CHWMs, with both of the foregoing  
4 measured by the individual vote of each Customer. In determining the total, BPA shall count  
5 each abstention and absence of a vote as a vote that the Customer does not object to the proposed  
6 change.

7  
8 In the event that the Customers objecting to the Unintended Consequence Proposal equal or  
9 exceed the voting requirements of the preceding paragraph, then BPA, the Customer Group, or  
10 any Customer shall not propose in any 7(i) Process the Unintended Consequence Proposal until  
11 the voting requirements of this section 13.2 are satisfied.

12  
13 In the event that the Customers objecting to the Unintended Consequence Proposal are less than  
14 the voting requirements of this section 13.2, BPA or the Customers Group may propose in a  
15 7(i) Process the Unintended Consequence Proposal.

### 16 17 **13.2.2 TRM Revision within 7(i) Process**

18 Any proposals to revise the TRM to address unintended consequences within the scope of  
19 section 12.3, but not within the scope of section 13.2.1, may be proposed, considered, and  
20 decided in the normal course through the 7(i) process. However, before such a proposal is  
21 introduced in a 7(i) Process by BPA or a Customer Group, BPA will notify all Customers in  
22 advance of the 7(i) process of the proposal and why 1) the proposal will address or rectify the  
23 unintended consequence that puts at risk the policy goals underlying the TRM as set forth at  
24 pages 5-7 of the Policy and 2) the value of the proposal outweighs any harm created by it.

25

1 **13.3 Process for Section 12.4 Revisions to the TRM (“Improvements and**  
2 **Enhancements”)**

3 BPA or a Customer Group may propose a revision to the TRM as provided for in section 12.4  
4 (“Improvement Proposal”) only after complying with the requirements of this section 13.3.

5  
6 Before BPA or the Customer Group proposes in a 7(i) Process an Improvement Proposal, BPA  
7 or the Customer Group will notify all Customers of the Improvement Proposal in advance of the  
8 7(i) Process and why 1) the Improvement Proposal will improve or enhance implementation of  
9 the TRM in a way that will continue to effectuate its purposes but be more cost-effective and  
10 efficient, customer responsive, readily implementable, or capable of fulfilling the TRM’s  
11 purposes and 2) the value of the Improvement Proposal outweighs any detriment created by it.  
12 The notice will specify the date by which each Customer may express its support for the  
13 Improvement Proposal, and the means for registering its support.

14  
15 BPA or the Customer Group may propose in a 7(i) Process the Improvement Proposal only if it  
16 is approved by Customers totaling both 1) at least 70 percent of Customers (utility count) and 2)  
17 at least 50 percent of the sum of the CHWMs, with both of the foregoing measured by the  
18 individual vote of each Customer. In determining the total, BPA shall count each abstention and  
19 absence of a vote as a vote that the Customer does not approve the Improvement Proposal.

20  
21 In the event that the Customers approving the Improvement Proposal are less than the voting  
22 requirements of the preceding paragraph, then the Improvement Proposal will not be proposed in  
23 any 7(i) Process by BPA, the Customer Group, or any Customer until the voting requirements in  
24 this section 13.3 above are satisfied.

25

1 In the event that the Customers approving the Improvement Proposal are equal to or more than  
2 the voting requirements of this section 13.3, then BPA or the Customer Group may propose the  
3 Improvement Proposal in a 7(i) Process.

4  
5 **13.4 Process for Section 12.1 and 12.2 Revisions to the TRM (“Cost Recovery or**  
6 **Respond to Court Ruling”)**

7 This section applies when BPA proposes in a 7(i) Process to revise the TRM to ensure cost  
8 recovery or respond to court ruling as provided for in section 12.1 or 12.2 (“Recovery/Response  
9 Proposal”), and one or more Customers believe that BPA’s Recovery/Response Proposal is not  
10 necessary to ensure cost recovery or respond to court ruling, and/or that the Recovery/Response  
11 Proposal is unreasonably disproportionate to what is needed to comply with the court ruling or to  
12 ensure cost recovery, compared to the alternative proposal(s), if any, offered by the Customer(s).

13  
14 **13.4.1 Customer Petition Disputing Response/Recovery Proposal**

15 In such event, a written petition disputing such Response/Recovery Proposal may be filed with  
16 the Hearing Officer within twenty (20) Business Days after submission of BPA’s initial proposal  
17 in such 7(i) Process by Customers who are party to the 7(i) Process in their individual capacity  
18 and Customers who are members of groups and organizations such as the Pacific Northwest  
19 Generating Cooperative or the Public Power Council that are parties to such process totaling both  
20 1) at least 70 percent of such Customers (utility count), and 2) at least 50 percent of the sum of  
21 the CHWMs, with both of the foregoing measured by the individual vote of each Customer.

22 Upon receipt of such petition, the Hearing Officer is empowered and required to determine,  
23 consistent with the rate case schedule and the procedural requirements of section 13.7, whether  
24 BPA’s Response/Recovery Proposal is necessary to ensure cost recovery or respond to court  
25 ruling as provided for in section 12.1 or 12.2, and/or whether the Response/Recovery Proposal is  
26 unreasonably disproportionate to what is needed to comply with the court ruling or to ensure cost  
27 recovery, compared to the alternative proposal(s), if any, offered by the Customer(s).

**13.4.2 BPA Petition for Mini-Trial**

If BPA disagrees with the determination of the Hearing Officer, BPA may within five (5) Business Days of the Hearing Officer's decision petition the Hearing Officer for a Mini-Trial. If such a petition is timely made, the Hearing Officer shall expeditiously schedule, consistent with the rate case schedule and the procedural requirements of section 13.8, a Mini-Trial regarding whether BPA's Response/Recovery Proposal is necessary to ensure cost recovery or respond to a court ruling as provided for in section 12.1 or 12.2, and/or whether the Response/Recovery Proposal is unreasonably disproportionate to what is needed to comply with the court order or to ensure cost recovery, compared to the alternative proposal(s), if any, offered by the Customer(s).

**13.5 Standard of Decision for Disputes Under Sections 13.6 and 13.9**

For purposes of resolving disputes arising under sections 13.6 and 13.9 whether an action or inaction proposed by BPA ("BPA Position") is in Irreconcilable Conflict with the TRM, an Irreconcilable Conflict exists only when:

- 1) The TRM clearly and unambiguously requires or prohibits an action, and the BPA Position is contrary to such requirement or prohibition; or
- 2) The TRM is silent, ambiguous, or leaves a gap regarding the matter in question, and the BPA Position cannot be reconciled with any reasonable interpretation of what the TRM does provide for.

When determining whether an Irreconcilable Conflict exists, the interpretation of the TRM and other positions proposed by BPA shall be accorded a high degree of deference, as enunciated in *Chevron U.S.A., Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837, 104 S. Ct. 2778, 81 L.Ed.2d 694 (1984).

**13.6 Disputes Alleging Irreconcilable Conflict With The TRM**

This subsection applies when a Customer that is a party to a 7(i) Process alleges that a BPA Position in such 7(i) Process is in Irreconcilable Conflict with the TRM, and BPA disputes such allegation.

Within ten (10) Business Days after conclusion of the clarification process of BPA's initial proposal in a 7(i) Process, Customers who are party to the 7(i) Process in their individual capacity and Customers who are members of groups and organizations such as the Pacific Northwest Generating Cooperative or the Public Power Council that are parties to such process totaling both 1) at least 70 percent of such Customers (utility count) and 2) at least 50 percent of the sum of the CHWMs of all such Customers, with both of the foregoing measured by the individual vote of each Customer, may file a petition with the Hearing Officer. Such petition must allege that 1) a BPA Position in the 7(i) Process is in Irreconcilable Conflict with the TRM; 2) BPA has not sought to revise the TRM to reconcile it with the BPA Position; and 3) such Customers for that reason oppose the BPA Position.

Upon receipt of such petition, the Hearing Officer is empowered and required to determine, consistent with the 7(i) Process schedule and the procedural requirements of section 13.7, whether the BPA Position identified in such petition is in Irreconcilable Conflict with the TRM, pursuant to the standard set forth in section 13.5. In response to such a petition, BPA may argue either or both that the BPA Position is not in Irreconcilable Conflict with the TRM or, if it is, that the BPA Position is a revision of the TRM permitted under section 12.1, 12.2, or 12.3, for which BPA now proposes a temporary or permanent revision to the TRM.

If the Hearing Officer concludes that the BPA Position identified in the Customers' petition is not in Irreconcilable Conflict with the TRM, that conclusion is binding on all parties to and for purposes of such 7(i) Process.

1 If the Hearing Officer concludes that the BPA Position identified in the Customers' petition is in  
2 Irreconcilable Conflict with the TRM, but BPA has argued in the alternative that the BPA  
3 Position is a permitted revision of the TRM pursuant to the substantive requirements of  
4 section 12.1, 12.2, or 12.3 and that BPA now proposes such a revision, the Hearing Officer will  
5 determine whether the BPA Position meets the substantive requirements for a TRM revision  
6 pursuant to section 12.1, 12.2, or 12.3. If the Hearing Officer concludes that the BPA Position  
7 meets the substantive requirements for a revision to the TRM as defined in section 12.1 or 12.2,  
8 the Hearing Officer shall make the determinations required by the last sentence of section 13.4.1  
9 and, upon petition by BPA, proceed to schedule a Mini-Trial pursuant to section 13.4.2. If the  
10 Hearing Officer concludes that the BPA Position meets the substantive requirements for a TRM  
11 revision pursuant to section 12.3 and falls within the coverage of section 13.2.2, then the BPA  
12 Position will be considered in the ordinary course of the 7(i) Process and will not be subject to  
13 further proceedings pursuant to this section 13.

14  
15 If the Hearing Officer concludes that the BPA Position is in Irreconcilable Conflict with the  
16 TRM, and if 1) BPA did not argue in the alternative that the BPA Position warrants a TRM  
17 revision as provided for in section 12.1, 12.2, or 12.3; 2) BPA did argue in the alternative that the  
18 BPA Position warrants a TRM revision as provided for in section 12.1 or 12.2, but the Hearing  
19 Officer concluded the BPA Position does not warrant such a revision and BPA did not petition  
20 for a Mini-Trial pursuant to section 13.4.2; or 3) the Hearing Officer concludes that the BPA  
21 Position either does or does not warrant a TRM revision as provided for in section 12.3 and BPA  
22 has not argued that the proposal falls within the coverage of section 13.2.2, then the Hearing  
23 Officer shall strike all materials concerning the BPA Position from the record of the 7(i) Process  
24 and shall prohibit BPA from introducing such materials into the record of the 7(i) Process after it  
25 is closed, and such determination and actions by the Hearing Officer shall be conclusive and  
26 binding on BPA and the parties to the 7(i) Process. Nothing in this section 13.6 prohibits BPA

## Section 13

1 from proposing in any subsequent section 7(i) process to revise the TRM to reconcile it with  
2 such BPA Position using the procedures for revising the TRM set forth in sections 12 and 13.

3  
4 If, in the case of 3) in the preceding paragraph, the Hearing Officer concludes that the BPA  
5 Position is in Irreconcilable Conflict with the TRM, and the Hearing Officer concludes that the  
6 BPA Position either does or does not warrant a TRM revision as provided for in section 12.3 but  
7 BPA has argued that the proposal falls within the coverage of section 13.2.2, then the Hearing  
8 Officer shall expeditiously schedule, consistent with the 7(i) Process schedule and the relevant  
9 procedural requirements of section 13.8, a Mini-Trial regarding whether BPA's proposal falls  
10 within the coverage of section 13.2.2. If the Administrator determines that BPA's proposal does  
11 not fall within the coverage of section 13.2.2, then the Hearing Officer shall strike all materials  
12 concerning the BPA Position from the record of the 7(i) Process. If the Administrator  
13 determines that BPA's proposal does fall within the coverage of section 13.2.2, then the proposal  
14 shall continue to be considered and decided in the normal course through the 7(i) Process.

### 15 16 **13.7 Process for Disputes Before the Hearing Officer Brought Pursuant to TRM** 17 **Sections 13.4 or 13.6**

18 The Hearing Officer is empowered to establish and employ such procedures as he or she deems  
19 necessary and appropriate to, consistent with the 7(i) Process schedule, efficiently, fairly, and  
20 impartially hear disputes and make the determinations under section 13.4 or 13.6. In that regard,  
21 the Hearing Officer shall provide all parties a reasonable opportunity to present their position on  
22 such disputed matters, which may include submission of briefs, testimony, affidavits, and oral  
23 argument as determined by the Hearing Officer. The decision of the Hearing Officer shall be in  
24 writing, shall be based upon a consideration of the record presented on the disputed matter, and  
25 shall include findings of fact and conclusions of law, with reasons and bases therefore, upon each  
26 material issue of fact, law, or discretion presented on the record. The Hearing Officer may at any  
27 time render an accelerated decision in favor of a party as to any or all parts of the disputed

1 matter, without further hearing or upon such limited additional evidence, such as affidavits or  
2 briefing, as he or she may require, if no genuine issue of material fact exists and a party is  
3 entitled to judgment as a matter of law.  
4

### 5 **13.8 Mini-Trial Before the Administrator Regarding Proposed TRM Change**

6 If the Hearing Officer schedules a Mini-Trial pursuant to section 13.4 or 13.6, the following  
7 procedures will apply. A Mini-Trial shall be a part of the 7(i) Process, shall be presided over by  
8 the Hearing Officer, and shall consist of the following:

- 9 1) Parties shall file statements of position that summarize their arguments as to why the  
10 Hearing Officer's decision should be upheld or reversed by the Administrator,  
11 whether in whole or in part. The Hearing Officer shall encourage parties with like  
12 positions to consolidate their submissions.
- 13 2) Oral presentations, not to exceed two (2) days in total, shall be scheduled before the  
14 Administrator. The order of presentation shall be the parties in opposition to the  
15 Hearing Officer's decision, parties in support of the Hearing Officer's decision, and  
16 rebuttal by parties in opposition. Parties' presentations may consist of testimony, oral  
17 argument, or a combination of both. The Administrator may ask any questions or  
18 engage in any discussion with any of the participating parties that he or she deems  
19 appropriate.
- 20 3) Within five (5) Business Days of the oral presentations, the Administrator shall  
21 provide the Hearing Officer a written statement that the Administrator either adopts  
22 or does not adopt the Hearing Officer's decision in whole or in part. If and to the  
23 extent that the Administrator adopts the Hearing Officer's decision, that shall be  
24 conclusive on BPA for remaining purposes of the rate case hearing. If the  
25 Administrator does not adopt the Hearing Officer's decision in whole or in part, the  
26 Administrator shall summarize the basis for his or her decision, but may elect to

1 change his or her decision at the conclusion of the rate case hearing in the  
2 Administrator's Record of Decision.

3  
4 **13.9 Process Applicable to Alleged Irreconcilable Conflict with the TRM Outside a**  
5 **7(i) Process**

6 In the event a Customer(s) believes that a BPA action or inaction implementing the TRM outside  
7 a 7(i) Process, other than BPA actions or inaction encompassed by the matters described in  
8 section 13.10 ("BPA Proposal") is in Irreconcilable Conflict with the TRM, it shall promptly, but  
9 no later than ten (10) Business Days after the earlier of when BPA posts its proposal or it learns  
10 of the BPA Proposal, notify BPA in writing of the BPA Proposal with which it takes issue, and  
11 why it believes the BPA Proposal is in Irreconcilable Conflict with the TRM. Matters related to  
12 proposed revisions subject to section 13.2, 13.3, or 13.4 are not actions or inactions subject to  
13 this section 13.9.

14  
15 If BPA agrees with the Customer, it shall suspend the action contemplated by or take the action  
16 omitted by the BPA Proposal that BPA and the Customer agreed were in Irreconcilable Conflict  
17 with the TRM. BPA may seek to revise the TRM to reconcile it with such BPA Proposal using  
18 the procedures for revising the TRM set forth in sections 12 and 13.

19  
20 If BPA disagrees with the Customer, BPA will notify all Customers and interested parties of the  
21 receipt of the Customer's notice within ten (10) Business Days thereof, and shall, if possible,  
22 provide a summary of the BPA Proposal and why the Customer believes it is and BPA believes it  
23 is not in Irreconcilable Conflict with the TRM. BPA shall promptly convene a public meeting  
24 with Customers and interested parties to discuss the notice and the BPA Proposal. BPA shall  
25 specify in writing at such public meeting and shall notice the date by which each Customer may  
26 express its support for the Customer's notice that the BPA Proposal is in Irreconcilable Conflict  
27 with the TRM, and the means for registering its support.

1 If, within fifteen (15) Business Days after the conclusion of the public meeting held pursuant to  
2 the previous paragraph, Customers totaling both 1) at least 70 percent of Customers (utility  
3 count) and 2) at least 50 percent of the sum of the CHWMs, with both of the foregoing measured  
4 by the individual vote of each Customer, do not indicate in writing or by electronic means  
5 specified in BPA's notice that they believe that the BPA Proposal is in Irreconcilable Conflict  
6 with the TRM, then BPA shall proceed in the ordinary course. In determining the total, BPA  
7 shall count each abstention and absence of a vote as a vote that the Customer does not object to  
8 the BPA Proposal.

9  
10 If, within fifteen (15) Business Days after the conclusion of the such public meeting, Customers  
11 totaling both 1) at least 70 percent of Customers (utility count), and 2) at least 50 percent of the  
12 sum of the CHWMs, with both of the foregoing measured by the individual vote of each  
13 Customer, indicate in writing or by electronic means specified in BPA's notice that they believe  
14 that the BPA Proposal is in Irreconcilable Conflict with the TRM, then BPA shall refer the  
15 matter to a third-party neutral for a binding decision whether BPA's Proposal is in Irreconcilable  
16 Conflict with the TRM. The third-party neutral shall be selected at random from a roster of  
17 neutrals maintained by BPA and selected by BPA in consultation with Customers. BPA will  
18 post on its website the name of the neutral selected.

19  
20 Within ten (10) Business Days of posting of the neutral's appointment, any Customer may  
21 submit a written statement to the neutral, BPA, and other Customers in support of its position  
22 that the BPA Proposal is in Irreconcilable Conflict with the TRM. Within the same ten (10)  
23 Business Days period, BPA and any Customer may submit written statements to the neutral,  
24 BPA, and other Customers supporting the position that the BPA Proposal is not in Irreconcilable  
25 Conflict with the TRM. No written statement shall exceed fifty (50) double-spaced pages  
26 (12 point font; 26 lines, except for single-spaced quotes), together with exhibits not in excess of  
27 one hundred (100) pages.

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1 Within five (5) Business Days of receipt of the last of the written statements submitted pursuant  
2 to the paragraph immediately above, the neutral shall notify the parties whether the neutral  
3 wishes to hear argument or otherwise discuss the parties' statements and, if so, the date for the  
4 hearing, provided such hearing shall occur within ten (10) Business Days of the notification by  
5 the neutral.

6  
7 The neutral shall issue a written determination as to whether the BPA Proposal is in  
8 Irreconcilable Conflict with the TRM, which determination shall be made in accordance with the  
9 standard set forth in section 13.5. Such written determination shall be issued within ten (10)  
10 Business Days of the later of 1) the date the last written statement was submitted to the neutral or  
11 2) the date of the hearing conducted by the neutral.

12  
13 The decision of the neutral shall be binding on and accepted by the Administrator. If the neutral  
14 determines that the BPA Proposal is in Irreconcilable Conflict with the TRM, BPA shall suspend  
15 the action contemplated by or take the action omitted by the BPA Proposal that was determined  
16 by the neutral to be in Irreconcilable Conflict with the TRM. BPA may seek to revise the TRM  
17 to reconcile it with such BPA Proposal using the procedures for revising the TRM set forth in  
18 sections 12 and 13.

19  
20 If prior to or during the process set forth in this section 13.9 BPA has taken the action or  
21 refrained from taking the action that the neutral subsequently determines to be in Irreconcilable  
22 Conflict with the TRM, BPA shall take all actions necessary to revoke such action or rectify such  
23 inaction. In no event shall the BPA Proposal, any decision made pursuant to this section 13.9, or  
24 any action by BPA pursuant to such decision be construed to provide a basis for a claim of  
25 damages; liability for loss of profits; or special, incidental, or consequential damages.

1 **13.10 Dispute Resolution Process for Certain CHWM, RHWM, and Tier 1 System**  
2 **Capability Determinations**

3 One or more third-party neutrals shall be retained by BPA, acting in consultation with  
4 Customers, for the purpose of developing an understanding of factual matters determined by  
5 BPA in connection with its establishment of CHWMs, RHWMs, and Tier 1 System Capability,  
6 and if requested pursuant to this section, providing non-binding decisions concerning disputes  
7 over such factual matters. The third-party neutral shall have a strong engineering or other  
8 technical background and experience sufficient to make an independent assessment of facts in  
9 dispute in connection with such CHWM, RHWM and Tier 1 System Capability determinations.

10  
11 In the case of CHWMs, such factual matters could involve matters such as Non-Federal  
12 Resource capability that is different from the final determination of Existing Resources for  
13 CHWMs (Attachment C); Measured FY 2010 load; and any adjustments to those values, such as  
14 Weather Normalization data or load anomalies, and the Conservation Adjustment, pursuant to  
15 section 4.1. In the case of RHWM, such factual matters could involve matters such as correct  
16 application of the CHWM and the Tier 1 System Capability in the RHWM calculation, pursuant  
17 to section 4.2. In the case of Tier 1 System Capability determinations, factual matters could  
18 include whether the appropriate data source was used to determine Tier 1 System Capability.

19  
20 BPA will brief the third-party neutral and answer questions regarding the processes BPA  
21 employs to make CHWM, RHWM, and Tier 1 System Capability determinations. The neutral  
22 will have access to relevant information from both BPA and the Customers, including  
23 information necessary to developing an understanding of BPA's conclusions, subject to  
24 appropriate confidentiality arrangements. Since the neutral cannot be expected to be conversant  
25 with every matter, BPA and the Customers will collaborate to identify and communicate to the  
26 neutral as early as practicable in the process matters that they anticipate may result in disputes.

27

## Section 13

1 Consistent with its need to make timely, final decisions on each of the matters, BPA shall not  
2 make final decisions on CHWMs, RHWMs, or Tier 1 System Capability until after it has  
3 1) posted its determination on its website; 2) provided information concerning the matter in  
4 response to reasonable information requests; 3) held a public meeting where BPA will explain its  
5 determination and Customers and BPA would discuss and seek to resolve issues; 4) reposted its  
6 determinations; and 5) concluded the dispute resolution process provided for below. BPA shall  
7 specify in writing at such public meeting and shall electronically post the date by which each  
8 Customer may express its support for a non-binding decision on CHWMs, RHWMs, and/or Tier  
9 1 System Capability and the means for registering its support. BPA will allow 30 calendar days  
10 from the first posting (Step 1) through the reposting of its determination (Step 4).

11  
12 Within ten (10) Calendar days of BPA reposting its determinations, a Customer may seek a non-  
13 binding decision by the neutral on factual matters, subject to any materiality requirement,  
14 concerning BPA's initial determination of 1) a CHWM, 2) a RHWM, or 3) Tier 1 System  
15 Capability, but only if the neutral is concurrently provided with the written votes in support of  
16 the neutral providing such a non-binding decision by at least 70 percent of Customers (utility  
17 count), as measured by the individual written vote of each Customer.

18  
19 The decision standard on BPA's initial determinations for which the TRM provides standards is  
20 whether the BPA initial determination is reasonably consistent with the applicable TRM  
21 standard. An example of an applicable TRM standard is the threshold criteria for load  
22 anomalies. In that case, the decision standard would be whether BPA's initial determination of  
23 load anomalies is reasonably consistent with the threshold criteria for load anomalies; BPA  
24 would not revisit the threshold criteria themselves. The decision standard for BPA's initial  
25 determinations where the TRM provides no standard is whether BPA's initial determination is a  
26 reasonable one.

27

1 The dispute process will be a single hearing open to all Customers and shall last no longer than  
2 necessary, but in any event no longer than 30 calendar days, to permit the presentation of  
3 relevant information, consistent with BPA's need to render timely, final decisions. The dispute  
4 process shall be appellate in nature. The neutral's findings and conclusions may be summary in  
5 nature and shall be based upon all relevant information known by or previously made available  
6 to the neutral, including but not limited to materials that BPA has made publicly available,  
7 materials the parties have previously provided to BPA and the neutral, new or additional  
8 materials submitted with the consent of the neutral, and written submittals made to the neutral by  
9 BPA and the Customers. Written submissions shall not exceed fifty (50) double-spaced pages  
10 (12 point font; 26 lines, except for single-spaced quotes), together with exhibits not in excess of  
11 one hundred (100) pages. Testimony, cross examination, and oral argument will occur only  
12 upon request of the neutral. The neutral shall transmit his or her decision in writing to the  
13 Customers and Administrator, who shall make a final decision on each disputed issue after  
14 consideration of the neutral's report.

# Tables

<b>Table 2</b>	<b>Cost Allocation Table</b>
<b>Table 3.1</b>	<b>Federal System Hydro Generation</b>
<b>Table 3.2</b>	<b>Designated Non-Federally Owned Resources</b>
<b>Table 3.3</b>	<b>Designated BPA Contract Purchases</b>
<b>Table 3.4</b>	<b>Designated BPA System Obligations</b>
<b>Table 3.5</b>	<b>Augmentation Contract Purchases</b>

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**Table 2  
Cost Allocation Table**

- *Grayed shading in “Actual Data” columns indicates that item is not subject to Slice True-Up.*
- *Blackened row indicates that item is wholly assigned to another Cost Pool.*

**A. Allocation Between Composite and Non-Slice Cost Pools**

	A	B	C	D	E	F
	COST ITEM	Year 1 Composite Cost Pool	Year 1 Non-Slice Cost Pool	Year 2 Composite Cost Pool	Year 2 Non-Slice Cost Pool	Resultant allocation shown on Lines:
1	Transmission & Ancillary Services					45 and 159
2	Bad Debt Expense					84 and 161
3	Depreciation					102 and 162
4	Interest Earned on BPA Fund for Power					111 and 163

**B. Composite Cost Pool**

	A	B	C	D	E	F
	COSTS AND RATE ADJUSTMENTS	Year 1 Forecast	Actual Data	Year 2 Forecast	Actual Data	Total Rate Period
5	<b>COMPOSITE COST</b>					
6	<b>Expenses:</b>					
7	<b>Power System Generation:</b>					
8	<b>Operating Generation</b>					
9	Columbia Generating Station (WNP-2)					
10	Bureau of Reclamation					
11	Corps of Engineers					
12	Long-Term Contract Gen Projects (FBS)					
13	Long-Term Contract Gen Projects (NR)					
14	<b>Operating Generation Settlement Payment</b>					
15	Colville Generation Settlement					
16	Spokane Generation Settlement					
17	<b>Non-Operating Generation</b>					
18	Trojan Decommissioning					
19	WNP-1&3 Decommissioning					
20	<b>Contracted Power Purchases</b>					
21	DSI Monetized Power Sale					
22	PNCA Headwater Benefit					
23	Hedging/Mitigation (Non-Slice cost)					
24	Other Power Purchases (Non-Slice cost)					
25	Bookout Adjustments to Contracted Power Purchases					

Table 2 section B (continued)

	A	B	C	D	E	F
	<b>COSTS AND RATE ADJUSTMENTS</b>	<b>Year 1 Forecast</b>	<b>Actual Data</b>	<b>Year 2 Forecast</b>	<b>Actual Data</b>	<b>Total Rate Period</b>
26	<b>Augmentation Power Purchases</b>					
27	Tier 1 Augmentation Power Purchases					
28	Augmentation RSS Adder					
29	<b>Exchanges &amp; Settlements</b>					
30	IOU Residential Exchange (gross costs)					
31	Less IOU Residential Exchange revenue					
32	Public Residential Exchange (gross costs)					
33	Less Public Residential Exchange revenue					
34	Other Settlements					
35	<b>Renewable Generation</b>					
36	<b>Generation Conservation</b>					
37	DSM Technologies					
38	Low Income Weatherization & Tribal					
39	Energy Efficiency Development					
40	Legacy Conservation					
41	Market Transformation					
42	<b>Power System Generation Subtotal</b>					
43						
44	<b>Transmission Acquisition and Ancillary Services:</b>					
45	Transmission & Ancillary Services					
46	Third Party GTA Wheeling					
47	Third Party Trans & Ancillary Services (Non-Slice cost)					
48	Generation Integration					
49	Telemetry/Equip Replacement					
50	Extra-regional Transmission Acquisitions					
51	<b>Transmission Acquisition and Ancillary Services Subtotal</b>					
52						
53	<b>Power Non-Generation Operations:</b>					
54	<b>PS System Operations</b>					
55	Efficiencies Program					
56	Information Technology					
57	Generation Project Coordination					
58	Slice Implementation (Slice cost)					
59	<b>PS Scheduling</b>					
60	Operations Scheduling					
61	Operations Planning					
62	<b>PS Marketing and Business Support</b>					
63	Sales & Support					
64	Public Communication & Tribal Liaison					
65	Strategy, Finance & Risk Mgmt					
66	Executive and Administrative Services					
67	Conservation Support (EE staff costs)					
68	<b>Power Non-Generation Operations Subtotal</b>					
69						

**Table 2 section B (continued)**

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>
	<b>COSTS AND RATE ADJUSTMENTS</b>	<b>Year 1 Forecast</b>	<b>Actual Data</b>	<b>Year 2 Forecast</b>	<b>Actual Data</b>	<b>Total Rate Period</b>
70	<b>Fish and Wildlife/USF&amp;W/Planning Council:</b>					
71	BPA Fish and Wildlife (includes F&W Shared Services)					
72	USF&W Lower Snake Hatcheries					
73	Planning Council					
74	Environmental Requirements					
75	<b>Fish and Wildlife/ USF&amp;W/Planning Council/Env. Reqt. Subtotal</b>					
76						
77	<b>General &amp; Administrative/Shared Services</b>					
78	CSRS/FERS Post-Retirement Contribution					
79	Agency Services G&A (excludes Direct Project Support)					
80	Corporate Support – Shared Services (excludes Direct Project Support)					
81	TBL Supply Chain – Shared Services					
82	<b>General and Administrative/Shared Services Subtotal</b>					
83						
84	<b>Bad Debt Expense</b>					
85	<b>Other Income, Expenses, Adjustments</b>					
86						
87	<b>Non-Federal Debt Service</b>					
88	<b>Operating Generation Debt Service</b>					
89	Columbia Generating Station Debt Service					
90	Cowlitz Falls Debt Service					
91	Northern Wasco Debt Service					
92	<b>Non-Operating Generation Debt Service</b>					
93	WNP-1 Debt Service					
94	WNP-3 Debt Service					
95	Trojan Debt Service					
96	Conservation Debt Service					
97	ENW Retired Debt					
98	ENW LIBOR Interest Rate Swap					
99	<b>Non-Federal Debt Service Subtotal</b>					
100						
101	<b>Other Expenses:</b>					
102	Depreciation					
103	Amortization (FBS)					
104	Amortization (Conservation)					
105	Interest Expense					
106	Appropriated Interest					
107	Capitalization Adjustment					
108	Gross Bonds Interest Expense					
109	Amortization of Cap Bond Premium					
110	AFUDC					

**Table 2 section B (continued)**

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>
	<b>COSTS AND RATE ADJUSTMENTS</b>	<b>Year 1 Forecast</b>	<b>Actual Data</b>	<b>Year 2 Forecast</b>	<b>Actual Data</b>	<b>Total Rate Period</b>
111	Interest Earned on BPA Fund for Power					
112	<b>Interest Expense Sub-Total</b>					
113	<b>Total Expenses</b>					
114						
115	<b>Revenue Credits:</b>					
116	Firm Surplus and Secondary Credit (from Unused RHWM)					
117	Secondary Energy Credit (non-Tier 1 or Tier 2)					
118	Revenues from BPA Contract Obligations					
119	RSS Revenues					
120	Generation Inputs for Ancillary and Other Services Revenue					
121	4(h)(10)(C) Credit					
122	Colville and Spokane Settlements					
123	Downstream Benefits and Pumping Power					
124	Energy Efficiency Revenues					
125	Miscellaneous Revenues					
126	Green Tag Revenue					
127	Tier 2 Overhead Credit					
128	Tier 2 Risk Adder					
129	<b>Total Revenue Credits</b>					
130						
131	<b>Minimum Required Net Revenue Calculation:</b>					
132	Principal Payment of Federal Debt for Power					
133	Irrigation Assistance					
134	Depreciation					
135	Amortization					
136	Capitalization Adjustment					
137	Bond Premium Amortization					
138	Principal Payment of Federal Debt exceeding Non Cash Expenses					
139	<b>Minimum Required Net Revenues Sub-Total</b>					
140						
141	<b>Rate Design Adjustments:</b>					
142	Low Density Discount					
143	Irrigation Rate Mitigation Costs					
144	FPS (Surplus)/Shortfall					
145	7(c)(2) Delta Allocation					
146	7(b)(3) Protection Amount Allocation					
147	7(b)(2) Industrial Adjustment					
148	Conservation Rate Credit					
149	<b>Rate Design Adjustments Sub-Total</b>					
150	<b>Total Composite Cost</b>					

**Table 2 (continued)**

**C. Slice Cost Pool**

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>
	<b>COSTS AND RATE ADJUSTMENTS</b>	<b>Year 1 Forecast</b>	<b>Actual Data</b>	<b>Year 2 Forecast</b>	<b>Actual Data</b>	<b>Total Rate Period</b>
151	<b>SLICE COST:</b>					
152	Slice Implementation Expenses (100 percent allocated to Slice customers)					
153	<b>Total Slice Cost for 100 percent allocated expense</b>					
154	<b>Total Slice Cost for allocation according to Slice Percentage</b>					

**D. Non-Slice Cost Pool**

155	<b>NON-SLICE COST:</b>					
156	Other Power Purchases (Balancing)					
157	Other Power Purchases (Capacity)					
158	Hedging/Mitigation					
159	Transmission & Ancillary Services					
160	Third Party Trans & Ancillary Services					
161	Bad Debt Expense					
162	Depreciation					
163	Interest Earned on BPA Fund for Power					
164	Planned Net Revenues for Risk					
165	Accrual revenues (MRNR adjustment, if applicable)					
166	Less Revenue Credits:					
167	Tier 1 Secondary Revenue Credit (less Secondary associated with Unused RHWM)					
168	Demand Revenue					
169	Load Shaping Revenue					
170	<b>Total Non-Slice Cost</b>					

**E. Tier 2 Cost Pool**

171	<b>TIER 2 COST (calculated for each T2 Rate):</b>					
172	Acquisition Costs					
173	BPA Overhead Costs					
174	RSS Adder					
175	Other costs, including risk-related, if appropriate					
176	<b>Total Tier 2 Cost</b>					

Table 2 (continued)

**F. Customer Charge Rate Calculations**

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
		<b>Customer Charge Rates</b>		
		<b>Composite</b>	<b>Slice</b>	<b>Non-Slice</b>
178	Annual Revenue Requirement (2-year total)	(Line 150, Col F)	(Line 153, Col F)	(Line 170, Col F)
179	Monthly Revenue Requirement (2-year total divided by 24 months)			
180	Sum of Billing Determinants			
181	One Percent of Monthly Requirement (Rate Per Percent = Monthly Revenue Requirement divided by Line 182)			

**Table 3.1  
FEDERAL SYSTEM HYDRO GENERATION**

<b>1</b>	<b>Regulated Hydro Projects</b>	<b>Expiration</b>
2	Albeni Falls	n/a
3	Bonneville	n/a
4	Chief Joseph	n/a
5	Dworshak	n/a
6	Grand Coulee	n/a
7	Hungry Horse	n/a
8	Ice Harbor	n/a
9	John Day	n/a
10	Libby	n/a
11	Little Goose	n/a
12	Lower Granite	n/a
13	Lower Monumental	n/a
14	McNary	n/a
15	The Dalles	n/a
<b>16</b>	<b>Independent Hydro Projects</b>	<b>Expiration</b>
17	Anderson Ranch	n/a
18	Big Cliff	n/a
19	Black Canyon	n/a
20	Boise River Diversion	n/a
21	Chandler	n/a
22	Cougar	n/a
23	Cowlitz Falls	6/30/2032
24	Detroit	n/a
25	Dexter	n/a
26	Foster	n/a
27	Green Peter	n/a
28	Green Springs – USBR	n/a
29	Hills Creek	n/a
30	Idaho Falls (Upper, City, and Lower Plants)	9/30/2011
31	Lookout Point	n/a
32	Lost Creek	n/a
33	Minidoka	n/a
34	Palisades	n/a
35	Roza	n/a

**Table 3.2**  
**DESIGNATED NON-FEDERALLY**  
**OWNED RESOURCES**

1	Project	Expiration
2	Ashland Solar Project	4/4/2020
3	Columbia Generating Station	n/a
4	Condon Wind Project	9/30/2022
5	Dworshak/Clearwater Small Hydropower	n/a
6	Elwha Hydro	(year to year)
7	Foote Creek 1 (37% share)	7/21/2022
8	Foote Creek 2	12/31/2014
9	Foote Creek 4	8/1/2020
10	Fourmile Hill Geothermal	(year to year)
11	Georgia-Pacific Paper (Wauna)	5/26/2016
12	Glines Canyon Hydro	(year to year)
13	Klondike I Wind Project	5/31/2022
14	Stateline Wind Project (30% share)	12/31/2026

**Table 3.3  
DESIGNATED BPA CONTRACT PURCHASES**

1	Contract	Contract Number	Expiration Date	Discretionary Contract?
2	Priest Rapids CER for Canada	97PB-10099	9/15/2024	
3	Rock Island #1 CER for Canada	97PB-10102	9/15/2024	
4	Rock Island #2 CER for Canada	97PB-10102	9/15/2024	
5	Rock Reach CER for Canada	97PB-10103	9/15/2024	
6	Wanapum CER for Canada	97PB-10100	9/15/2024	
7	Wells CER for Canada	97PB-10101	9/15/2024	
8	BCHP to BPA Power Sale	99PB-22685	9/15/2024	Yes
9	PASA to BPA Peak Replacement	94BP-93658	4/30/2015	Yes
10	PASA to BPA Seasonal/Energy/Exchange	94BP-93658	4/30/2015	Yes
11	PASA to BPA Exchange Energy	94BP-93658	4/30/2015	Yes
12	PPL to BPA Southern Idaho	89BP-92524	Mutually agreed (contract expected to be replaced)	
13	RVSD to BPA Peak Replacement	94BP-93958	5/1/2016	Yes
14	RVSD to BPA Seasonal Exchange	94BP-93958	5/1/2016	Yes
15	RVSD to BPA Exchange Energy	94BP-93958	5/1/2016	Yes
16	SPP to BPA Harney Wells	88BP-92436	2/25/2018 (contract expected to be replaced)	
17	PPL to BPA Seasonal Power Exchange	94BP-94332	6/1/2014	Yes
18	PPL to BPA Seasonal Energy Exchange	94BP-94332	6/1/2014	Yes

**Table 3.4  
DESIGNATED BPA SYSTEM OBLIGATIONS**

1	Obligation	Contract Number	Expiration Date	Discretionary Contract?
2	BPA to BRCJ	14-03-49151	8/23/2024	
3	BPA to BRCJ	14-03-17506	12/31/2023	
4	BPA to BRRCR	14-03-73152	Mutually agreed	
5	BPA to BREG	14-03-49151	8/23/2024	
6	BPA to BRGC	14-03-001-12160	6/30/2017	
7	BPA to BROP	14-03-79239	Mutually agreed	
8	BPA to BRSI	14-03-49151	8/23/2024	
9	BPA to BRSID	14-03-99106	Mutually agreed	
10	BPA to BRSV	14-03-63656	Mutually agreed	
11	BPA to BRTD	14-03-32210	Mutually agreed	
12	BPA to BRTV	14-03-49151	8/23/2024	
13	BPA to BRYK	00PB-12132	9/30/2011 (year to year)	
14	BPA to BCHA Canadian Entitlement	99EO-40003	9/15/2024 (contract expected to be replaced)	
15	BPA to BHEC Power Sale	97PB-10051	12/3/2017	
16	BPA to CMEC Power Sales	97PB-10055	6/22/2020 (deliveries expected to end 9/30/2011)	
17	BPA to PASA Capacity Energy Exchange	94BP-93658	4/30/2015	Yes
18	BPA to PASA Seasonal Energy Exchange	94BP-93658	4/30/2015	Yes
19	BPA to RVSD C/N/X	94BP-93958	5/1/2016	Yes
20	BPA to RVSD Seasonal Exchange	94BP-93958	5/1/2016	Yes
21	BPA to SMGT Power Sale	04PB-11446	6/30/2017 (deliveries expected to end 9/30/2011)	
22	BPA to SPP Harney Wells	88BP-92436	2/25/2018 (contract expected to be replaced)	
23	Federal System Intertie Transmission Losses	n/a	(year to year)	
24	BPA to AVWP WP3 Settlement	85BP-92186	6/30/2017	
25	BPA to PPL Capacity Sale	88BP-92497	8/31/2011	Yes
26	BPA to PPL Seasonal Energy Exchange	94BP-94332	6/1/2014	Yes
27	BPA to PPL Southern Idaho	89BP-92524	Mutually agreed (contract expected to be replaced)	
28	BPA to PSE WP3 Settlement	85BP-92185	6/30/2019	

**Table 3.4 (continued)**  
**DESIGNATED BPA SYSTEM OBLIGATIONS**

29	Obligation	Contract Number	Expiration Date	Discretionary Contract?
30	1997 Pacific Northwest Coordination Agreement and associated provisions	97PB-10130	9/15/2024 (contract expected to be replaced)	
31	PNCA MOU (COE, Bureau, BPA)	97PB-10129	(year to year)	
32	Hourly Coordination	98BP-10389	6/30/2017 (contract expected to be replaced)	
33	Non-Treaty Storage Agreement w/BC Hydro	DE-MS79-90BP92754	6/30/2004 (year to year)	
34	Non-Treaty Storage Agreement w/Mid-C	DE-MS79-91BP92785	6/30/2004 (year to year)	
35	Non-Power Uses Agreement	n/a	(year to year)	
36	Summer Storage Agreement	n/a	(year to year)	
37	Disposal Agreement Entity Agreement dated March 29, 1999	00PB-23197	(year to year)	
38	Libby Coordination Agreement (LCA), Libby-Arrow Swap, and subsequent updates	99BP-22685	9/15/2024 (contract expected to be replaced)	
39	Arrow Local	n/a	(year to year)	
40	Upper Baker	05PB-11542	(year to year)	
41	Whitefish Operations	n/a	(year to year)	
42	AOP's/Entity Agreements	n/a	(year to year)	
43	DOP's/Entity Agreements	n/a	(year to year)	
44	Power/Transmission Services MOA for generation inputs for ancillary, control, and other services	07PB-11856	9/30/2009 (contract expected to be replaced)	
45	Federal system transmission losses for power deliveries	n/a	(year to year)	
46	Interchange	n/a	(year to year)	
47	Loop flow support	n/a	(year to year)	
48	Voltage support (VAR)	n/a	(year to year)	
49	Project use loads not included in USBR	n/a	(year to year)	
50	Resource Support Services	n/a	(year to year)	
51	Other reserve obligation	n/a	(year to year)	

**Table 3.5**  
**AUGMENTATION CONTRACT PURCHASES**

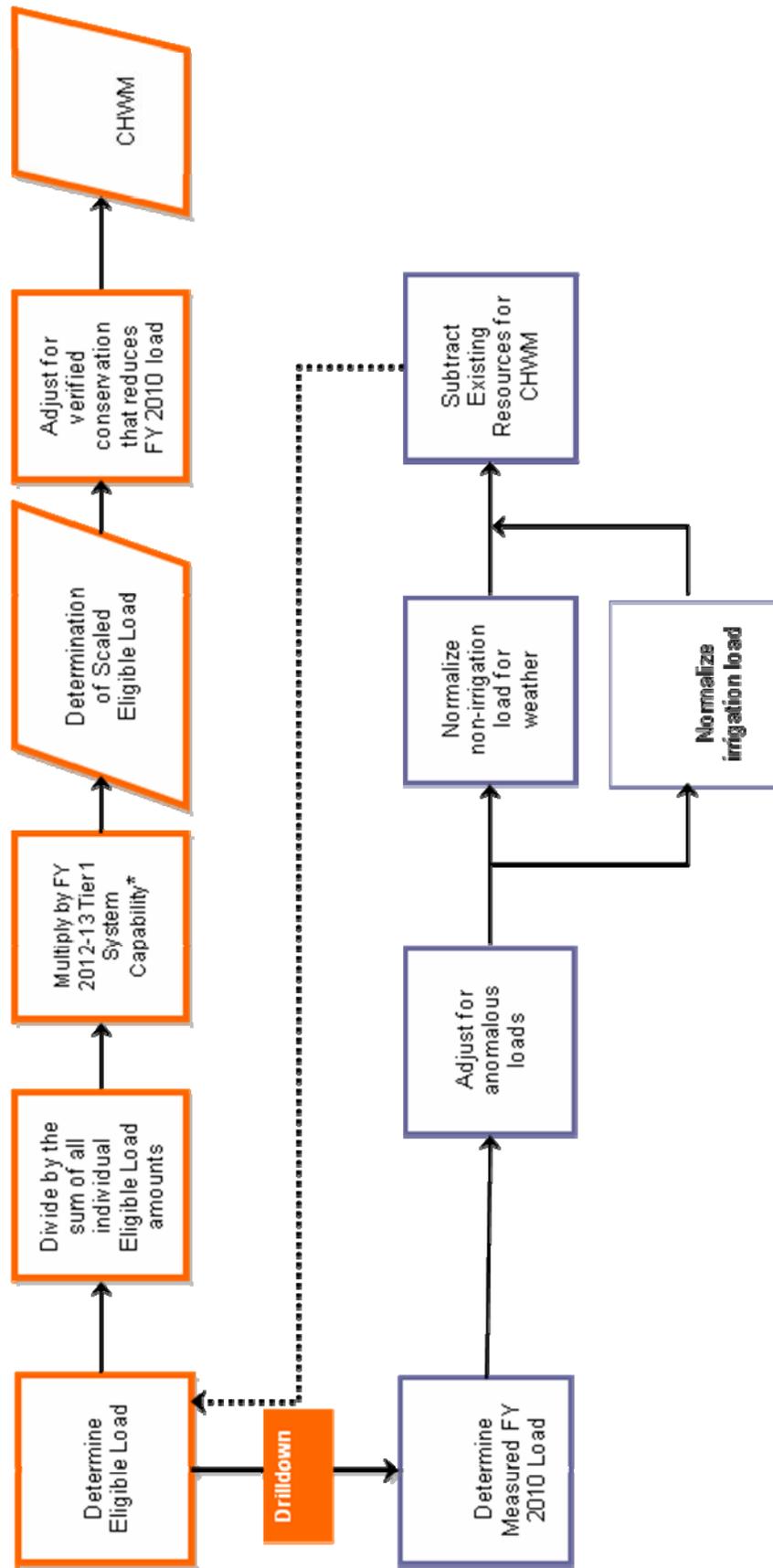
1	<b>Section A - Augmentation for Initial CHWM</b>		
2	<b>Obligation</b>	<b>Contract Number</b>	<b>Expiration Date</b>
3	Klondike III (22.62% BPA share)		10/05/2027
4	<b>Section B - Augmentation for Additional CHWM</b>		
5	<b>Obligation</b>	<b>Contract Number</b>	<b>Expiration Date</b>
6	None listed	n/a	n/a

# Figures

- Figure 4.1** CHWM Determination Process
- Figure 4.2** Non-Irrigation Load Weather Normalization
- Figure 4.3** Irrigation Load Weather Normalization
- Figure 4.4** Formation of New Publics - Phasing in of Additional CHWM Amounts

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**Figure 4.1 CHWM Determination Process**



**\* This will include augmentation to the Augmentation Limit**

Figure 4.2 Non-Irrigation Load Weather Normalization

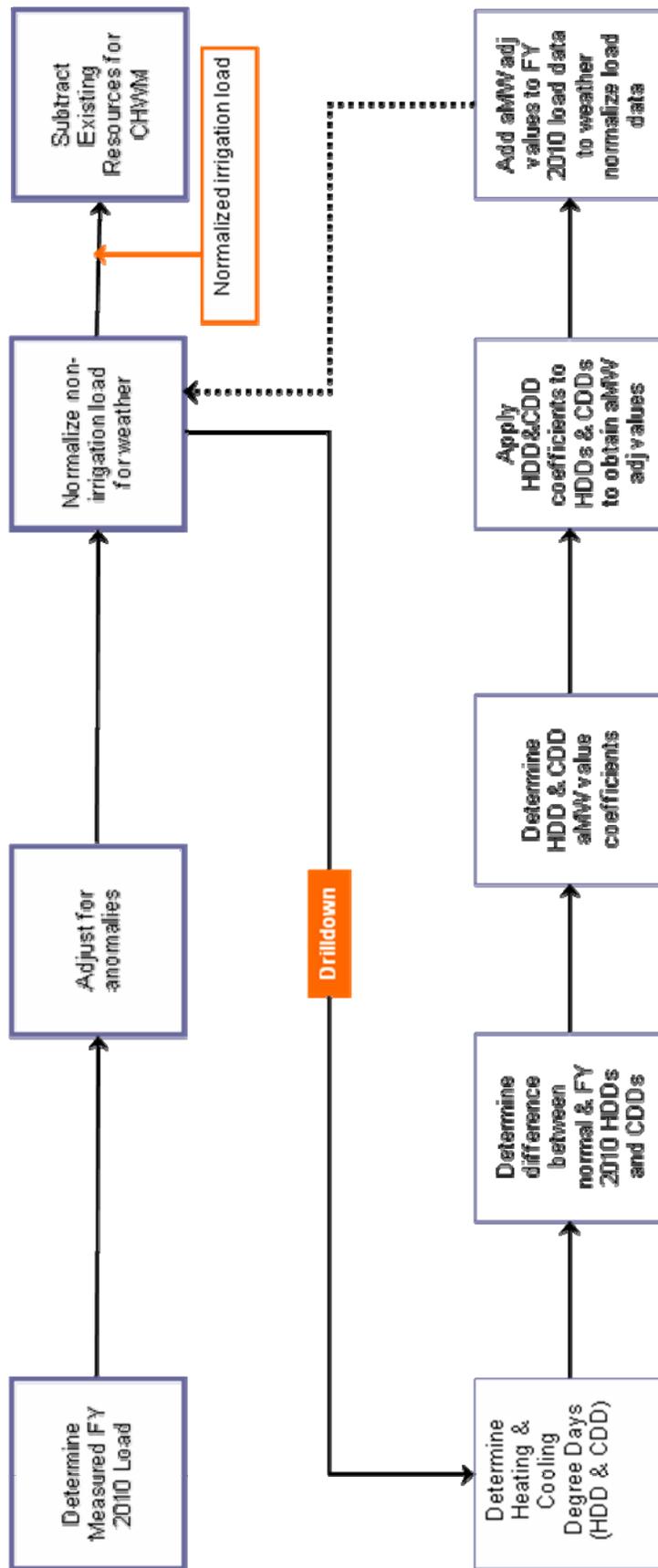
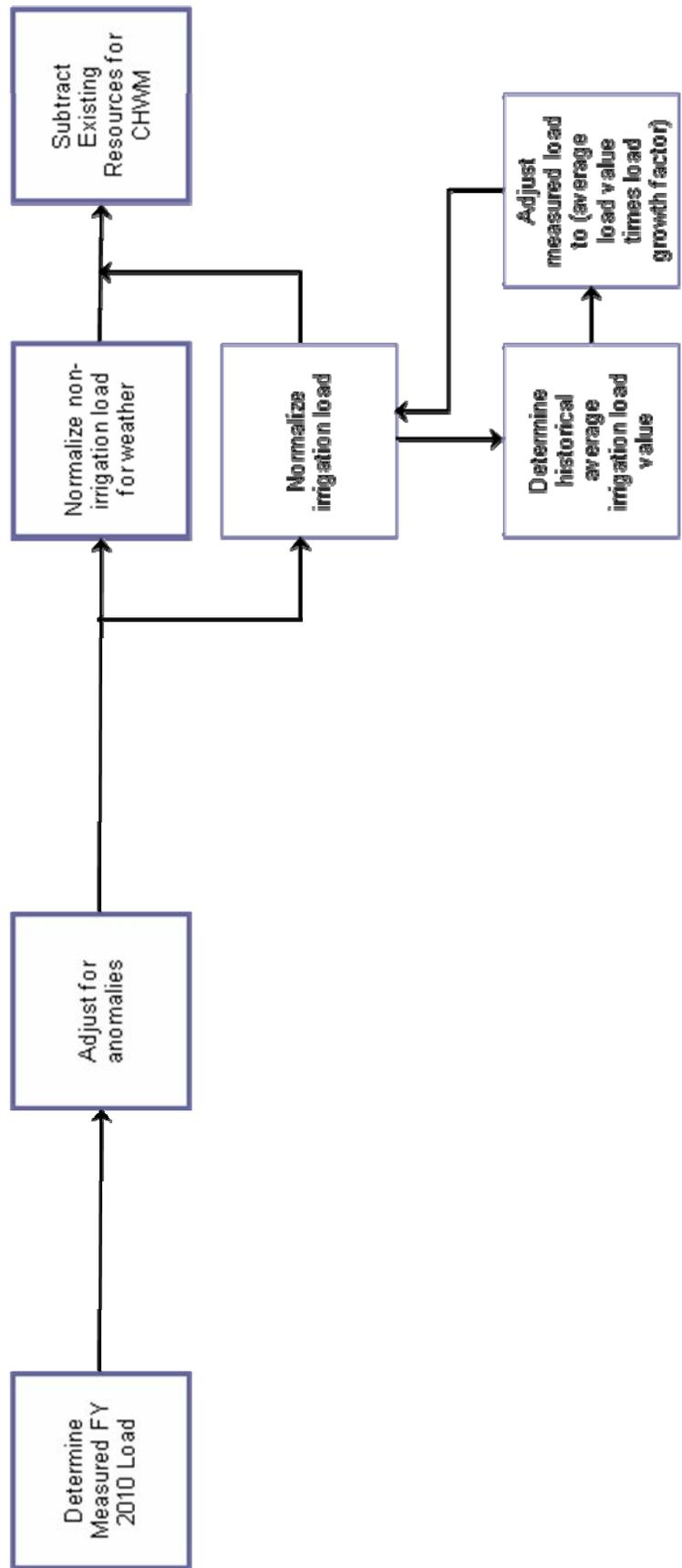


Figure 4.3 Irrigation Load Weather Normalization



**Figure 4.4**

**Formation of New Publics – Phasing in of Additional CHWM Amounts**

As described in section 4.1.6.5, when requests from Competing New Publics exceed the 50 aMW Rate Period limit, Competing New Publics larger than 10 aMW will have the amount of their CHWM requests over 10 aMW phased in over subsequent Rate Periods. The phase-in will be 33.3 percent for the first 24 aMW above the initial 10 aMW and 20 percent for any remaining amounts.

The example below is for a Competing New Public seeking to purchase 64 aMW.

	A	B	C	D	E	F
1		<b>First</b>	<b>Second</b>	<b>Third</b>	<b>Fourth</b>	<b>Fifth</b>
		<b>Rate Period</b>				
2	<b>Initial Amount</b>	10 aMW				
3	<b>33.3% for next 24 aMW</b>	8 aMW	8 aMW	8 aMW		
4	<b>20% for all else</b>	6 aMW				
5	<b>Annual HWM Addition</b>	24 aMW	14 aMW	14 aMW	6 aMW	6 aMW
6	<b>Cumulative HWM</b>	24 aMW	38 aMW	52 aMW	58 aMW	64 aMW

# **Attachments**

**Attachment A - Cost Verification Process for Slice True-Up Adjustment  
Charge**

**Attachment B - CHWM Calculation Summary**

**Attachment C - Existing Resources for CHWMs**

**Attachment D - Conservation Adjustment**

**Attachment E - Example of Calculating the Remarketed Tier 2 Proceeds**

**Attachment F - Tier 2 Vintage Rate Example**

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**ATTACHMENT A**

**COST VERIFICATION PROCESS FOR SLICE TRUE-UP ADJUSTMENT CHARGE**

**1. Slice True-Up Adjustment Charge and Agreed-Upon Procedures**

- a) Upon completion of the BPA annual audit, BPA will calculate the Slice True-Up Adjustment Charge for the Fiscal Year just concluded, consistent with the requirements of section 2.7 of the TRM and the Cost Allocation Table (Table 2 of the TRM) as established in the applicable 7(i) Process. BPA will provide notification to the Slice customers of the Slice True-Up Adjustment Charge applicable to all Slice customers.
- b) After such notification, BPA will post for review by customers the TRM Cost Allocation Tables (i.e., Composite, Non-Slice, and Slice Cost Pools) reflecting the actual expenses and revenue credits from the Fiscal Year just concluded. The Slice True-Up Adjustment Charge applicable to each Slice customer will not be posted. Following the posting of the Cost Allocation Tables, BPA will allow 15 Business Days for the identification by any customer of any Slice True-Up Adjustment Charge issue for consideration by BPA for inclusion in the Agreed Upon Procedures (AUPs). AUPs are defined as services that fall under the category of miscellaneous financial services provided to BPA by an external auditor that are covered contractually between BPA and an external auditor.
- c) After the identification of such issues, BPA will draft the tasks to be included in the AUPs to address such issues. The proposed tasks will be posted for all customers to review. Customers will have an opportunity to consult with BPA regarding the specific tasks for inclusion in the AUPs; however, BPA will decide which specific tasks to include in the AUPs. BPA will finalize the AUPs and decide whether the AUPs will be performed by BPA's auditor or another external auditor selected by BPA.
- d) The AUPs will describe the specific tasks to be performed, the deliverables expected, and the timeframe the auditor will have to complete the specific tasks. The AUPs are

1 procedures for the performance of specific tasks that the auditor agrees to perform and  
2 that specify the depth and scope of the work to be performed. The AUPs are not subject  
3 to, and do not give rise to, audit standards, responsibilities, or liabilities, and the auditor  
4 will not express an audit opinion on the specific tasks performed under the AUPs. For  
5 the Slice True-Up Adjustment Charge, the scope of work will be constrained to verify  
6 that BPA's Slice True-Up Adjustment Charge contains only those expenses or revenue  
7 credits permitted to be included in, and does not contain any expenses or revenue credits  
8 that should be excluded from, the Slice Rate pursuant to the TRM and the applicable Cost  
9 Allocation Table established in the applicable 7(i) Process. BPA and the auditor will  
10 determine the means used to perform the scope of work in the AUPs in order to minimize  
11 the workload of such AUPs. BPA's accounting policies, standards, management  
12 decisions, and other policies are not subject to review and question.

## 14 **2. Cost Verification for Slice True-Up**

- 15 a) The cost verification for Slice True-Up will commence after 1) completion of BPA's  
16 annual audit; 2) Slice customers are notified of the Slice True-Up Adjustment Charge;  
17 3) all customers have been provided the opportunity to review the Cost Allocation Tables  
18 with Fiscal Year actual amounts listed in the applicable expense and revenue credit  
19 categories; (4) all customers have had an opportunity to address Slice True-Up  
20 Adjustment Charge issues for consideration by BPA to be included in the AUPs and an  
21 opportunity to review the draft list of AUP tasks; and (5) the auditor has completed all of  
22 the finalized tasks and provided to BPA the results of the AUPs.
- 23 b) The auditor will have until approximately 120 calendar days after the date the Slice  
24 customers receive their notification of the Slice True-Up Adjustment Charge for a Fiscal  
25 Year to complete the finalized tasks in the AUPs and provide the results to BPA.

1 **3. Cost Verification Workshops**

- 2 a) The cost verification workshops will be publicly noticed and open to all customers and  
3 interested parties. The first workshop will include BPA presentations on and its review  
4 of the calculation of the Slice True-Up Adjustment Charge and the results of the AUPs.  
5 At this workshop, customers will review the materials presented and may pose questions.  
6 Customers will have a reasonable amount of additional time, not to exceed 15 Business  
7 Days, after the conclusion of the initial workshop to formulate and pose to BPA in  
8 writing any further questions regarding the Slice True-Up Adjustment Charge.
- 9 b) BPA will establish a 15 Business Day comment period during which customers and  
10 interested parties may submit written comments on the AUP results and the issues that  
11 were raised during the initial workshop related to the Slice True-Up Adjustment Charge.
- 12 c) BPA will hold at least one follow-up workshop to address all issues raised during the  
13 initial workshop and the comment period. Upon customer request, if agreed to by BPA,  
14 and if provided for in the retention agreement between BPA and the auditor, BPA will  
15 request that the auditor who performed the AUPs attend the follow-up workshop and  
16 provide clarification to questions raised related to the AUPs' results.

17  
18 **4. BPA's Draft Response, Third-Party Review Process, and BPA's Final Response**

- 19 a) BPA will issue within 15 Business Days of the close of the last follow-up workshop a  
20 Draft Response addressing any submitted written comments on the AUP results and  
21 issues raised in the comment period. BPA will provide a copy of such draft response to  
22 all parties who submitted comments on BPA's initial response.
- 23 b) Any customer or interested party who is aggrieved by BPA's Draft Responses regarding  
24 the Slice True-Up Adjustment Charge may request a third-party non-binding review  
25 process by providing written notice within 10 Business Days (notice period) of the

1 issuance of the Draft Response to BPA and all parties who submitted comments. The  
2 notice shall contain a concise statement of each BPA response that is disputed and an  
3 explanation of the nature and basis of the grievance.

4 c) If no party requests the third-party non-binding review process within the notice period,  
5 then third-party review shall be waived by all parties for all purposes for the applicable  
6 cost verification for Slice True-Up, and BPA will take the actions necessary to implement  
7 the decisions set out in its Draft Response document, including but not limited to any  
8 further adjustment of payment(s) or credit(s) to Slice customers.

9 d) BPA will determine which issues raised pursuant to paragraph 4b above will be  
10 forwarded to the third party for consideration. BPA may determine that certain issues of  
11 cost allocation or TRM interpretation are inappropriate for third-party consideration and  
12 should be addressed in the next 7(i) Process. Any Slice True-Up Adjustment Charge(s)  
13 involving or based upon those issues shall be determined by BPA without reference to the  
14 third party, and BPA's decision on those Charges shall be part of, and communicated at  
15 the same time as, BPA's Final Decision provided for in paragraph 4h below. If, as a  
16 consequence of BPA's section 7(i) Process review of the issues deferred to the next  
17 7(i) Process as provided for in this paragraph, different decisions are made and they result  
18 in different Slice True-Up Adjustment Charge(s), the positive or negative difference will  
19 be either charged or credited, as the case may be, to the Slice customers with interest as  
20 provided for consistent with the requirements of section 2.7.3.

21 e) BPA will notify the customer or interested party who is aggrieved by one or more of  
22 BPA's Draft Responses as to whether the issue(s) will be forwarded to a third-party non-  
23 binding review process.

24 f) If the issue(s) is to be submitted to a third-party non-binding review process, the issue(s)  
25 will be submitted to the third-party expert by written submission. Such written  
26 submissions shall be submitted to the third-party expert not later than 20 Business Days

1 after the posting of the third-party appointment on the BPA website, and shall not exceed  
2 fifty (50) double-spaced pages (12 point font; 26 lines, except for single-spaced quotes),  
3 together with exhibits not in excess of fifty (50) pages. The third-party expert may pose  
4 questions to any party making a submittal and may permit oral argument on some or all  
5 of the issues presented, in his or her discretion. The third-party expert will issue a written  
6 opinion on all matters at issue within 30 Business Days of the later of the written  
7 submittals or oral argument.

8 g) The third-party expert must have a level of experience with the utility industry of not less  
9 than 10 years, with knowledge of accounting, cost allocation, and ratesetting  
10 methodology and practices. The third-party expert will be selected by BPA in  
11 consultation with the customers participating in the third-party non-binding process.

12 h) Upon completion of the third-party non-binding review process, BPA will provide a Final  
13 Response disposing of the issues and questions dealt with in the opinion of the third-party  
14 expert. In such Final Response, BPA may either adopt in whole or in part, or reject in  
15 whole or in part, the disposition of the issues and questions in the opinion of the third-  
16 party expert. The Final Response will also include BPA's decisions on the issues not  
17 referred to the third party pursuant to paragraph 4d above. Upon the issuance of such  
18 Final Response, BPA will take the actions necessary to implement the decisions set out in  
19 its Final Response document, including but not limited to any further adjustment of  
20 payment(s) or credit(s) to Slice customers.

21

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1 **Attachment B**

2 **CHWM Calculation Summary**

- 3
- 4 1. BPA will determine customer load eligible for BPA’s calculation of CHWM (Eligible Load)
- 5 by subtracting the customer’s Existing Resources for CHWM from the customer’s adjusted
- 6 Measured FY 2010 Load, as defined below.

7 
$$\text{EligibleLoad} = 2010\text{AdjustedLoad} - \text{ExistingResourcesforCHWM}$$

8 where:

9  $2010\text{AdjustedLoad}$  = Measured FY 2010 Load adjusted for load and data

10 anomalies (see section 4.1.1.1) and Weather Normalization (see

11 section 4.1.1.2)

12  $\text{ExistingResourcesforCHWM}$  = customer’s Existing Resources as shown in

13 Attachment C

- 14 2. If the sum of all utilities’ Eligible Load is greater than the Tier 1 System Firm Critical
- 15 Output, BPA will augment the Tier 1 System, subject to the limits described in section 3.2.1.
- 16 The Firm Critical Output of Tier 1 System Resources for this calculation will be the average
- 17 of the FY 2012 and FY 2013 Tier 1 System Firm Critical Output (the average value will be
- 18 used due to substantial differences in Columbia Generating Station capability in alternate
- 19 years). Tier 1 System Firm Critical Output for the RHW process will be calculated
- 20 similarly (i.e., an average of the two years of the Rate Period) for subsequent Rate Periods.

21

22 The following paragraphs provide a sequential overview of the CHWM calculation process. The

23 sections referenced below and TRM section 4 must be consulted for a full description and

24 necessary related information.

- 1 3. BPA will perform the preliminary calculation of each customer's CHWM by scaling each  
2 customer's Eligible Load to the forecast Tier 1 System Capability:

3

$$4 \quad ScaledEligibleLoad = \frac{EligibleLoad}{\sum EligibleLoad} \times TISFCO_{2012,2013}$$

5 where:

6  $TISFCO_{2012,2013}$  = the average of Tier 1 System Firm Critical Output for FY 2012  
7 and FY 2013 plus Augmentation Limit

- 8
- 9 4. BPA will adjust its preliminary calculation of Scaled Eligible Load for the customer's  
10 credited FY 2007-2010 conservation. Then BPA will rescale the adjusted Scaled Eligible  
11 Load to the same average Tier 1 System Firm Critical Output plus Augmentation Limit used  
12 above (see section 4.1.4):

13

$$14 \quad CHWM_{final} = \frac{ConsAdjSCE}{\sum ConsAdjSCE} \times TISFCO_{2012,2013}$$

15 where:

16  $ConsAdjSCE$  = BPA's preliminary calculation of the customer's Scaled Eligible  
17 Load adjusted for the amount of credited conservation the customer  
18 achieved from FY 2007-2010

**Attachment C**  
**Existing Resources For CHWMs**

**(to be inserted)**

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1 **Attachment D**

2 **Conservation Adjustment**

3 **Example of Conservation Adjustment Calculation**

4 The following table shows a simplified example of how the Conservation Adjustment works for  
5 a single utility doing varying amounts of conservation.

- 6 1) Row 2 shows the credit for the conservation the utility achieved. In this example it is  
7 assumed that all conservation is utility self-funded, and 100 percent credit is given for  
8 achieved conservation.
- 9 2) Row 3 accounts for the amount of conservation achieved in the calculation of Scaled  
10 Eligible Load (load with no conservation (100) minus the conservation achieved).
- 11 3) Row 4 shows the conservation credit being added back to arrive at the conservation-  
12 adjusted Scaled Eligible Load (row 2 + row 3).
- 13 4) Row 5 shows the calculation of the rebalancing factor by taking the individual  
14 conservation-adjusted Scaled Eligible Load (row 4) and dividing it by the sum of the  
15 conservation-adjusted Scaled Eligible Loads for all utilities (7,470 aMW; the sum of the  
16 calculation of all the utilities' Scaled Eligible Loads plus the total conservation by all  
17 utilities).
- 18 5) Row 6 shows the CHWM—calculated by multiplying the rebalancing factor by the Tier 1  
19 System Capability (row 5  $\times$  7,300 aMW).

20 Note that as the amount of conservation achieved increases, the amount of Augmentation  
21 decreases.

1 **Single Utility Conservation Adjustment Scenarios**

2  
3 Assumptions: Tier 1 System Capability amount = 7300 aMW, including 100 aMW RP  
4 Augmentation Limit; total conservation by all other utilities = 170 a MW

5

		<b>Scenario</b>		
		<b>A</b>	<b>B</b>	<b>C</b>
1	Base case = FY 2010 load with no conservation (aMW)	100	100	100
2	Credited conservation FY 2007-2010 (aMW)	0	1	3
3	Scaled Eligible Load calculation	100	99	97
4	Conservation-adjusted CHWM	100	100	100
5	Rebalancing factor <sup>1</sup>	$7300/7470^2$	$7300/7470^2$	$7300/7470^2$
<b>6</b>	<b>CHWM (aMW)<sup>3</sup></b>	<b>97.72</b>	<b>97.72</b>	<b>97.72</b>
	Net change due to conservation adjustment (aMW)	-2.28	-1.28	0.72
	Remaining amount eligible to purchase at Tier 1 Rates (aMW)	0	0	0.72

6 <sup>1</sup> Rebalancing factor = the ratio of the sum of all Scaled Eligible Loads to the sum of all  
7 conservation-adjusted Scaled Eligible Loads

8 <sup>2</sup> The increase in the sum of the conservation-adjusted Scaled Eligible Loads would be offset by  
9 an equal reduction in augmentation; thus the 7470 aMW total would not change

10 <sup>3</sup> CHWM = rebalancing factor (row 5) times the customer's conservation-adjusted Scaled  
11 Eligible Load

12  
13 **Counting the Conservation Credit toward the Adjustment**

14 The figure below shows how the process of counting conservation savings for the Conservation  
15 Adjustment will take place. The process for verifying savings is described in BPA's  
16 Conservation Rate Credit and Conservation Acquisition Agreement Implementation Manual

1 (Implementation Manual). The Implementation Manual must be followed for BPA-funded as  
2 well as utility self-funded conservation measures, projects, and programs.



4  
5 BPA will conduct oversight of all utilities' conservation savings that have been submitted in  
6 biannual and annual reports through the Planning, Tracking, and Reporting (PTR) system. To  
7 count toward the Conservation Adjustment, conservation measures and projects eligible for  
8 reimbursement according to the Implementation Manual must be started after October 1, 2006,  
9 and completed no later than September 30, 2010. Measures must also be effective on load in  
10 FY 2010 (i.e., measures where the measure life does not extend through FY 2010 or a major  
11 plant closing where measures were implemented will not count toward the Conservation  
12 Adjustment, as they do not reduce FY 2010 load).

13  
14 **Cost-Effective Measures**

15 All savings that are claimed for credit toward the Conservation Adjustment must be considered  
16 cost-effective in accordance with the Implementation Manual in effect when the conservation is  
17 reported to BPA. BPA acquires cost-effective conservation as defined by the Council's Power  
18 Plan. In determining cost-effectiveness, the Council looks to section 3(4) of the Northwest  
19 Power Act.

20  
21 Deemed measures in the PTR for which BPA provides a reimbursement are considered cost-  
22 effective. Deemed measures are those measures with a predetermined amount of savings.

1 Custom projects are considered measures or projects for which BPA has not deemed a  
2 reimbursement level or for which cost effectiveness has not been pre-determined. These projects  
3 must be submitted as Custom Project Proposals (CPPs) and meet all of the Custom Project  
4 requirements, outlined in the Implementation Manual.

### 6 **Savings Entry into the PTR System**

7 For savings to be counted toward the Conservation Adjustment, they must be entered into and  
8 reported through the PTR annually, pursuant to the schedule required in the then-current BPA  
9 Implementation Manual. Annual reports in the PTR for FY 2010 must be submitted in suitable  
10 form no later than October 31, 2010. Credit will not be given toward the Conservation  
11 Adjustment for any savings contained in reports that are not submitted on time.

12  
13 Deemed measures must be reported through the PTR and accepted by BPA's Contracting  
14 Officer's Technical Representative (COTR). The acceptance phase is when reports have been  
15 reviewed by the COTR and a determination has been sent by BPA accepting the report. Through  
16 the oversight process the amount of savings may change by 1) a utility notifying BPA that they  
17 made an error, or 2) BPA making an adjustment as a result of findings from an oversight review.

18  
19 For custom projects, the Completion Report must be submitted and accepted no later than  
20 September 30, 2010, and be included in the Conservation Rate Credit (CRC) FY 2010 annual  
21 report and/or CAA invoice. All required measurement and verification must take place and be  
22 final before the Completion Report is submitted to BPA for acceptance. Oversight applies to  
23 custom projects as well.

### 25 **Transparency of the Annual Conservation Savings Amount**

26 BPA will make public the pre- and post-conservation-adjusted CHWM amounts for each  
27 customer, along with the credited conservation amounts used for the adjustment process as

1 further described in section 4.1.5. BPA will also release the conservation achievements for each  
2 customer on an annual basis for achievements in FY 2007 through FY 2010. This will allow all  
3 customers to see the amount of conservation being achieved by other utilities and entities. The  
4 release will include BPA-funded and utility self-funded conservation achievements. Note that  
5 the oversight process takes place throughout the year, and the released numbers may be  
6 subsequently adjusted to reflect findings from the oversight process.

### 7 8 **Verification and Oversight**

9 Verification and oversight will be conducted in a similar manner for both BPA-funded and utility  
10 self-funded claimed conservation. BPA or BPA's agent will review and conduct oversight  
11 inspections of report records; monitor or review the customer's procedures and records; conduct  
12 site visits; and verify energy savings methods and results. The number, timing, and extent of  
13 such inspections shall be at the discretion of BPA and will be coordinated with the customer.  
14 These reviews and inspections will occur at BPA's expense.

15  
16 Oversight may result in a change (increase or decrease) to the energy savings achieved by a  
17 utility after the savings in the reports have been accepted. Therefore, depending on the timing of  
18 the oversight, the published conservation achievements may be adjusted to account for findings  
19 from the oversight process. For FY 2010, the numbers will be finalized by early 2011 and will  
20 not be modified after that.

### 21 22 **Non-Standard Cases and Exceptions**

23 While the standard process as defined above will be followed for the vast majority of measures  
24 and projects, there are some situations that will require exceptions, as described below.

1 **Federal Conservation Projects**

2 Federal conservation projects will not be required to input measure and project savings into the  
3 PTR system. These projects will be imported directly into BPA's Energy Efficiency database.  
4 These savings are not put into the PTR because the Federal entities that would claim the savings  
5 are not standard utility customers and do not necessarily utilize CRC or CAA funding. If a  
6 utility wishes to claim savings for projects completed in its service territory at Federal facilities  
7 for which CRC or CAA funds were used, the utility will need to report the savings through the  
8 PTR as required by the Implementation Manual.

9  
10 **Irrigation Rate Mitigation Product**

11 The Irrigation Rate Mitigation Product (IRMP) provides participants a one-quarter mill credit  
12 (\$0.00025) for irrigation load to be utilized for the installation of cost-effective conservation  
13 measures. Energy savings from the IRMP have not been reported through the PTR system as of  
14 FY 2007. The PTR system will be modified in FY 2008 to accept IRMP reports for deemed  
15 measured and custom projects. There will be a procedure developed to inform customers of the  
16 updated reporting requirements. Additionally, there will be a process developed for adding to  
17 the PTR IRMP measures installed in FY 2007. Oversight for energy savings claimed under the  
18 IRMP conservation incentive will be conducted in a manner similar to other savings attributable  
19 to the Conservation Adjustment.

20  
21 For savings to be reviewed and credited toward the CHWM Conservation Adjustment, measures  
22 and/or projects must be reported through the PTR on the timeline required in the Implementation  
23 Manual. PTR system reports for IRMP in the PTR for FY 2010 must be submitted in suitable  
24 form no later than October 31, 2010. Credit will not be given toward the Conservation  
25 Adjustment for any savings contained in reports that are not submitted on time.

1 **Scientific Irrigation Scheduling**

2 Scientific Irrigation Schedule (SIS) is designed as having a three-year measure life, so any SIS  
3 measure/program initiated prior to FY 2007 will not be eligible for credit toward the  
4 Conservation Adjustment. Savings over the life of the SIS program are measured and collected;  
5 however, only those savings realized in FY 2010 will be credited toward the Conservation  
6 Adjustment. Therefore, irrigation savings will be counted from two different irrigation seasons  
7 (i.e., October 2009 and June-September 2010). Utilities must report all conservation savings  
8 attributable to SIS in the annual report for FY 2010 or a previous report.

9  
10 **Transformer De-energization**

11 Transformer de-energization is designed as having a three-year measure life. Only those savings  
12 actually realized in FY 2010 from transformer de-energization will be credited toward the  
13 Conservation Adjustment.

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1 **Attachment E**

2 **Example of Calculating the Remarketed Tier 2 Proceeds**

3 Assume that in FY 2014 BPA must remarket 1 aMW of a Load Following customer's 3 aMW  
4 purchase of renewable power that is priced at a Tier 2 Vintage rate of \$82.25/MWh. The  
5 summer before the Fiscal Year that BPA had planned to charge this customer for that 1 aMW,  
6 BPA will calculate the average market price used for valuing Tier 2 remarketed amounts.  
7 Assume the average price for a flat block of power is \$60/MWh. Assume that a 10% discount  
8 (\$6/MW) off this market price is the appropriate amount to compensate BPA for costs such as  
9 broker or other marketing fees, transmission costs, transmission losses, and odd-lot sizes. A  
10 sample customer bill is shown below.

11 **POWER BILL**

13 Purchaser: Public Utility #1

Billing Period: October 2013

14 Invoice Number: Oct14-EXAMPLE

Period Ending: October 31, 2013

15 Issue Date: November 12, 2013

Sched	Service Desc	Amount	Unit	Rate	Revenue
Tier 1	...	...	...	...	...
Sub-Total					...
Tier 2	Flat Block	3*1,000*744	kWh @	0.08225	\$183,582
Tier 2	Remarketed Amount	1*1,000*744	kWh @	0.05400	(\$40,176)
Tier 2	RSC Adjustment	...	kWh@	0.04500	...
Sub-Total					\$143,406
Total					...

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1 **Attachment F**

2 **Tier 2 Vintage Rate Example**

3 Assume for purposes of this example only that customers have committed to purchase 20 aMW  
4 of renewable Tier 2 Vintage rate service. In this example, the basis for the Vintage rate is a  
5 70 MW wind farm that BPA acquires at a cost of \$70/MWh. The forecast generation of the wind  
6 farm is 20 aMW. In addition to the cost of the power, the rate will include Resource Support  
7 Services (RSS) components, including the Diurnal Flattening Service (assume a rate of  
8 \$7/MWh) and the Resource Shaping Charge (assume a rate of \$5/MWh) to price it equivalent to  
9 an annual flat block of power. The Overhead Cost Adder is also included (assume \$0.25/MWh).  
10 Also assume that BPA has determined that no risk mitigation or transaction costs are required.

11  
12 The calculation of the Vintage rate for the specified 70 MW wind farm looks like this:

	A	B	C
1	<b>Cost Component</b>	<b>Annual Cost</b>	<b>\$/MWh</b>
2	Resource Cost	\$12,264,000	70.00
3	Diurnal Flattening Service	1,226,400	7.00
4	Resource Shaping Charge	876,000	5.00
5	Overhead Cost Adder	<u>43,800</u>	0.25
6	Total	\$14,410,200	
7			
8	<b>Vintage Rate</b>		<b>\$82.25/MWh</b>

13  
14 A customer that has subscribed to 3 aMW (26,280 MWh) of power at this Tier 2 Vintage rate  
15 would be charged \$2,161,530 for the year. This customer is also subject to any energy true-ups  
16 (through the Resource Shaping Charge Adjustment) and possible remarketing credits/charges.

