

Tiered Rate Methodology Rate Case

Tiered Rate Methodology Redline for BPA Rebuttal Testimony

August 2008

TRM-12-E-BPA-20



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[This document reflects BPA’s rebuttal testimony, TRM-12-E-BPA-15 through 19. BPA used the Public Power Group’s proposed TRM \(Attachment to TRM-12-E-PPG-01\) that was a red-lined version of the TRM Supplemental Proposal \(TRM-12-E-BPA-09\). BPA reviewed the parties’ edits and has added subsequent revisions in a color different from the parties’ revisions \(additions and deletions show up in the “BPA color.” For further explanation of the evolution of this document since the Supplemental Proposal, see Cherry et al., TRM-12-E-BPA-15, section 2.](#)

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Supplemental Proposal
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TIERED RATE METHODOLOGY DEFINITIONS

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

Above-RHWM Load means the ~~amount by which a customer's~~ forecast annual Total Retail Load, less Existing Resources, ~~and~~ NLSLs, and the customer's RHWM, as determined in the exceeds its RHWM Process.

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

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

Actual Hourly Tier 1 Load means the actual amount of a customer's electric load (measured in kilowatthours) that is recorded on the appropriate metering equipment, adjusted as specified in the applicable agreement, that was served at Tier 1 Rates during the relevant hour. Generally, for Load Following customers, the Actual Hourly Tier 1 Load is the customer's Total Retail Load^{TRL} in each hour, less 1) the applicable Dedicated Resource amounts (excluding Super Peak Amounts and Dedicated Resources serving NLSLs) serving the customer's TRL in that hour and 2) power purchased at a Tier 2 Rates in that hour. For Block customers with shaping capacity, the Actual Hourly Tier 1 Load is the sum of the Tier 1 monthly amount of Block Product in each hour and the monthly Block Product shaping capacity amount for the relevant Heavy Load Hour^{HLH} period.

Additional CHWM means the CHWMs established for DOE-Richland, New Publics formed in whole or in part out of loads previously served by an entity other than an Existing Public, and load growth for New Tribal Utilities ~~that is in addition to Initial CHWMs~~. Additional CHWM

1 will not include CHWMs for New Publics formed out of Existing Publics or other Initial
2 CHWMs.

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

6 **Augmentation for Additional CHWM** means the amount of annual average firm energy BPA
7 forecasts, calculated in accordance with sections 3.2.1.1 and 3.2.1.2 during the RHWM Process,
8 that is equal to the amount of Additional CHWMs used in the calculation of RHWM
9 augmentation ~~included in RHW M Tier 1 System Capability~~.

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

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

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

19 **Balancing Authority Area** means the collection of generation, transmission, and loads within
20 the metered boundaries of the Balancing Authority. ~~The Balancing Authority maintains load-~~
21 ~~resource balance within this area.~~

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

Definitions

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

3 ~~[This could become a global change, but is under consideration.]~~

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

6 **Block Product** means BPA's power product defined in section 4 of a planned amount of BPA
7 ~~firm power service under~~ the Block ~~and/or~~ Slice/Block CHWM Contracts.

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

9 **CHWM.** See Contract High Water Mark.

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

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

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

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

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

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

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

7 **Contract CSP** means ~~a customer's~~ the average of a customer's ~~the same--month~~ Customer
8 System Peak for FY 2005, 2006, and 2007 as described in section 5.3.5.1.

9 **Contract aHLH** means ~~a customer's~~ the average of a customer's ~~the same--month~~ Heavy Load
10 Hour energy for FY 2005, 2006, and 2007 as described in section 5.3.5.1.

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

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

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

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

Definitions

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

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

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

8 **Cost Verification Process** means the two processes that provide customers and interested parties
9 with an opportunity to review financial information related to Cost Pools; see sections 2.7.5,
10 2.7.5.1, and 2.7.5.2.

11 **Cost Verification Process for the Slice True-Up Adjustment Charge** means a public process
12 that will permit Slice customers, ~~and other BPA customers, and other interested parties,~~ to ~~assess~~
13 ~~whether BPA has correctly calculated the amount of each expense or revenue credit subject to~~
14 ~~review~~ the Slice True-Up Adjustment; see section 2.7.5.1.

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

20 **Critical Streamflows Period** means the ~~historical streamflows from October 1936 through~~
21 ~~September 1937, unless modified pursuant to section 3.1.3.2.~~ period when the expected regulated
22 ~~and independent hydroelectric power generation from water available from reservoir releases~~
23 ~~plus historical natural streamflows produces the least amount of power to meet system load~~
24 ~~requirements while taking into account power and non-power operating constraints, the planned~~
25 ~~operation of non-hydro resources, and expected net contract obligations.~~

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

3 **Customer System Peak (CSP)** means the customer's maximum Actual Hourly Tier 1 Load
4 (measured in kilowatts) during the Heavy Load Hours of each month.

5 ~~means the sum of 1) the customer's single highest Heavy Load Hour Tier 1 Load hourly energy~~
6 ~~purchase from BPA during each month and 2) if the CSP occurs during the Super Peak Period,~~
7 ~~the amount of the Super Peak Credit to which the customer is entitled in that month.~~

8 **Dedicated Resource** means a Specified Resource or an Unspecified Resource Amount listed in
9 Exhibit A of the CHWM Contract that a customer is required by statute to provide or obligates
10 itself to provide or is required by statute to provide under the CHWM Contract for use to serve
11 its Total Retail Load.

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

14 **Demand Rate** means the rate established in accordance with section 5.3.6 and charged for
15 demand under Tier 1 Rates ~~established in accordance 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, regulations, court order, treaties, executive orders, memoranda of
18 agreement, and contracts that require the generation or delivery of power, forbearance from
19 generating power, or receipt of power, in order to support the operation of the FCRPS, including
20 any obligations to the BPA Balancing Authority (Transmission Services).

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

Definitions

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

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

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

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

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

14 **Existing Resources** means ~~a those~~ Specified Resources listed in section 2 of Exhibit A of ~~the a~~
15 ~~customer's~~ -CHWM Contract that such customer was obligated by contract or statute to use to
16 serve its ~~were dedicated to the Existing Customer's~~ Total Retail Load prior to October 1, 2006.

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

- 21 1) **Renewable Resources.** The output of renewable resources added during the term of
22 the Subscription Contracts will be excluded from the calculation of CHWMs.
- 23 2) **Centralia Resource.** Contingent on the signing of a CHWM Contract by an Existing
24 Customer, the output of the Centralia resource will be excluded from BPA's calculation
25 of such Existing Customer's CHWM.

- 1 3) **Grant PUD.** Grant PUD has indicated that it will be recalling from purchasers
2 hydropower from the Priest Rapids and Wanapum projects. This action will result in a
3 redistribution of resources for Grant PUD and the affected BPA customers, for CHWM
4 purposes, as shown in Attachment C. These changes are reflected as a zero FY 2010
5 resource value for Priest Rapids and Wanapum hydro resource shares for Cowlitz PUD,
6 Eugene Water and Electric Board, Seattle City Light, and Tacoma Public Utilities.
7 Correspondingly, Grant PUD's Priest Rapids and Wanapum hydro resource shares will
8 be increased by the amount necessary to result in a zero CHWM for Grant PUD, except
9 for the town of Grand Coulee load currently served by BPA as full requirements
10 service.
- 11 4) **Raft River Annexation.** The Non-Federal Resources associated with the transfer of
12 Idaho Power's Nevada service territory to Raft River will be excluded by BPA from the
13 calculation of the Raft River CHWM.
- 14 5) **PURPA Resources.** PURPA resources with a capability of less than 3 aMW will not
15 be counted for CHWM calculations as a resource; however, any load that the resource
16 serves in FY 2010 that would otherwise be retail load served by the BPA customer will
17 be included in the Measured FY 2010 Load for that customer. For PURPA resources
18 with a capability greater than 3 aMW, amounts used by BPA to calculate a customer's
19 CHWM will be the smaller of 1) the declared amount of such resource designated for
20 use to serve a customer's retail load in FY 2010 in Exhibit C of such customer's
21 Subscription Contract, in effect as of September 30, 2006, or 2) the actual output of
22 such resource used to serve the customer's load in FY 2010.
- 23 6) **Consumer-owned Resources.** Customers will identify in their CHWM Contracts what
24 consumer-owned generation amounts their consumers will apply to serve the
25 customer's Total Retail Load. Consumer-owned generation amounts will be listed
26 ~~established~~ by BPA in Exhibit A at the time of CHWM Contract signing for each

Definitions

1 customer. ~~Customers will identify in their CHWM Contracts what consumer-owned~~
2 ~~generation amounts their consumers will apply to serve the customer's Total Retail~~
3 ~~Load.~~

- 4 (7) **Resource Clarifications.** In FY 2008, BPA conducted a public process to establish
5 amounts for certain customers' Non-Federal Resources for CHWM purposes. This was
6 done in cases where the declared amount of resources designated for use in FY 2010 in
7 Exhibit C of such customers' Subscription Contracts, in effect as of September 30,
8 2006, were missing or in error. The amounts established for those resources are
9 reflected in Attachment C.

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

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

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

17 **Firm Critical Output** means the forecast output from Tier 1 System Resources that is
18 determined in accordance with sections 3.1.3.1, 3.1.3.3, and 3.1.3.4.
19 output from Tier 1 System Resources that is determined (i) by the use of Critical Streamflows for
20 regulated hydroelectric projects, in accordance with the Pacific Northwest Coordination
21 Agreement; (ii) by the resource owner in accordance with the resource planning criteria
22 applicable to such resource for each independent hydroelectric project; and (iii) by the terms of
23 the applicable acquisition contracts for each designated non-Federally owned resource. ~~forecast~~
24 ~~output from Federal system resources that is expected to be available to serve system load~~
25 ~~obligations over the Fiscal Year(s) that most encompasses the Critical Period.~~

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

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

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

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

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

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

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

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

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

21 [Joint Operating Entity \(JOE\) means a joint operating entity as defined pursuant to 16 U.S.C.](#)
22 [§ 839c\(b\)\(7\).](#)

Definitions

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

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

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

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

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

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

14 **Monthly/Diurnal** refers to the 24 periods of the year, consisting of 12 Heavy Load Hour (HLH)
15 periods (one for each month) and 12 Light Load Hour (LLH) periods (one for each month).

16 [New Credit means an amount of revenue credited to the applicable Cost Pool under this TRM](#)
17 [but for which no credit category exists on Table 2.](#)

18
19 **New Expense** means an expense allocable to the applicable Cost Pool under this TRM but for
20 which no expense category exists on Table 2.

21 **New Large Single Load (NLSL)** has the meaning specified in section 3(13) of the Northwest
22 Power Act and in BPA's NLSL policy.

23 **New Public** means a Public that is not an Existing Customer.

1 ~~New Credit means an amount of revenue credited to the applicable Cost Pool under this TRM~~
2 ~~but for which no credit category exists on Table 2.~~

3 **New Tribal Utility** means a Public formed by a tribal government to which service by BPA
4 commenced after FY 2000.

5 **Non-Federal Resource** means a generating facility or other source of electric power or
6 capability not obtained from BPA.

7 **Non-Slice Cost Pool** means the Tier 1 Cost Pool to which expenses and revenue credits are to be
8 allocated by BPA in accordance with sections 2.1 and 2.2.3, and which are set out on Table 2,
9 section D. The Non-Slice Cost Pool is the basis for the Non-Slice Customer Rate.

10 **Non-Slice Customer Charge** means the product of a customer's Non-Slice TOCA and the Non-
11 Slice Customer Rate. The Non-Slice Customer Charge applies to purchases of the Load
12 Following or Block products, including the Block portion of the Slice/Block product, under the
13 CHWM Contract.

14 **Non-Slice Customer Rate** means the rate used in the calculation set forth in section 5.1.4 that
15 recovers only the costs allocated by BPA to the Non-Slice Cost Pool. The Non-Slice Customer
16 Rate is expressed in dollars per percentage point of TOCA.

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

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

21 **Obligations to Balancing Authority** means the obligations, if any, of Power Services to provide
22 to the Balancing Authority generation inputs that are required by the Balancing Authority to
23 reliably operate the transmission facilities of the FCRPS. These generation inputs may include,
24 but shall not be limited to, the energy and/or capacity utilized or reserved to provide spinning

Definitions

1 and non-spinning reserves, reactive power and voltage control, regulation and frequency
2 response, remedial action schemes, substation service, and energy imbalance.

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

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

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

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

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

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

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

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

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

22 **Rate Period High Water Mark (RHWM)** means the amount, calculated by BPA in each
23 RHWM Process pursuant to the formula in section 4.2.1 and expressed in average megawatts,
24 that BPA establishes for each customer based on the customer's CHWM and the RHWM Tier 1

1 System Capability. The maximum planned amount of power a customer may purchase under
2 Tier 1 Rates each Fiscal Year of the Rate Period is equal to the RHWM for Load Following
3 customers and the lesser of RHWM or Annual Net Requirement for Block and Slice/Block
4 customers.

5 **Regional Dialogue Contract** means a contract offered by BPA to a customer—Public, Investor-
6 Owned Utility, or Direct-Service Industrial Customer—consistent with the terms of the Policy
7 and the Northwest Power Act.

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

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

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

17 **Resource Support Services (RSS)** presently includes Diurnal Flattening Service (DFS), Forced
18 Outage Reserve Services (FORS), Transmission Curtailment Management Service (TCMS), and
19 Secondary Crediting Service (SCS), and may in the future include other related services that are
20 priced ~~proposed~~ in the applicable 7(i) Process consistent with this TRM.

21 **RHWM.** See Rate Period High Water Mark.

22 **RHWM Augmentation** means the amount of augmentation to the ~~Firm Critical Output of the~~
23 Tier 1 System Firm Critical Output Resources BPA calculates in each RHWM Process that is
24 needed to meet the total of all RHWMs, ~~subject to applicable limits.~~ This calculation assumes

Definitions

1 every customer is able to purchase [at Tier 1 Rates up to](#) its full RHW M and is determined by
2 adding Augmentation for Initial CHWM and Augmentation for Additional CHWM.

3 **RHW M Process** means the public process conducted during the Forecast Year prior to each
4 7(i) Process (beginning with the WP-14 7(i) Process), in which BPA will calculate, as described
5 in section 4.2, the following values for the upcoming Rate Period:

- 6 1) RHW M Tier 1 System Capability, including RHW M Augmentation
- 7 2) each customer's RHW M
- 8 3) each customer's Forecast Net Requirement
- 9 4) each customer's Above-RHW M Load

10 **RHW M Tier 1 System Capability** means the Tier 1 System Firm Critical Output plus RHW M
11 Augmentation.

12 **RP Augmentation** means the 7(i) Process forecast of the amount of [augmentation-power](#) BPA
13 needs [on an annual basis](#) to purchase for each Rate Period to meet [all customers' its](#) Forecast
14 Tier 1 Load.

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

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

20 **Shared Rate Cost Allocator (SRCA)** is a Shared Rate Plan purchaser's Billing Determinant,
21 [which is equal for each SRP participant to—the customer's](#) share of the total Forecast Net
22 Requirement for all SRP purchasers.

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

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

4 **Slice Customer Charge** means the product of a customer's Slice Percentage and the Slice
5 Customer Rate. The Slice Customer Charge applies to the purchase of the Slice product under
6 the CHWM Contract.

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

10 **Slice Percentage** means the percentage used to determine that represents the amount of the Slice
11 Product a customer ~~shall~~ purchases, ~~as established~~ pursuant to itsthe Slice/Block CHWM
12 Contract.

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

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

17 **Slice True-Up Adjustment Charge** means the amount charged to each Slice Product customer
18 determined in the Slice True-Up Adjustment in accordance with section 2.7~~2.7~~.

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 HLH energy~~capacity~~, defined in
23 section 5.3.4, a customer contractually commits to provide with Non-Federal Resources during
24 the Super Peak Period.

Definitions

1 **Super Peak Period** means ~~a specific subset of the Heavy Load Hours~~, defined pursuant to the
2 CHWM Contract for each Rate Period into which a customer must reshape its HLH energy from
3 its Specified and Unspecified Resources to receive a Super Peak Credit. in section 5.3.4,
4 established by The hours BPA establishes for the Super Peak Period may vary by month and will
5 be either two 3-hour periods each day or a single 6-hour period each day. before each 7(i)
6 Process to establish Tier 1 Rates, during which a customer has contractually committed to
7 deliver an amount of additional capacity to qualify for the Super Peak Credit.

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

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

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

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

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

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

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

- 1 **Tier 1 Secondary Energy** means the amount of electric energy BPA forecasts in a 7(i) Process
 2 that will be produced by the Tier 1 System in excess of the Tier 1 System Firm Critical
 3 Output Capability, plus forecast output of RP Augmentation resources in excess of RP
 4 Augmentation forecast amounts.
- 5 **Tier 1 Secondary Energy Credit** means ~~the amount of~~ the revenue credit ~~that BPA~~
 6 ~~determines in the applicable 7(i) Process should appropriately be~~ allocated to the Non-Slice
 7 Cost Pool from the disposition of Tier 1 Secondary Energy, as forecast in a 7(i) Process.
- 8 **Tier 1 System** means the collection of resources and contract purchases that comprise the Tier 1
 9 System Resources and the collection of contract loads and obligations that comprise the
 10 Designated BPA System Obligations.
- 11 **Tier 1 System Capability** means the Tier 1 System Firm Critical Output plus RP Augmentation.
- 12 **Tier 1 System Firm Critical Output** means the Firm Critical Output of Tier 1 System
 13 Resources less Tier 1 System Obligations.
- 14 **Tier 1 System Obligations** means the forecast amount of energy- and capacity that BPA
 15 forecasts for the Designated BPA System Obligations over a specific time period, reductions to
 16 the Firm Critical Output of Federal system resources arising from Designated BPA System
 17 Obligations for each during the Fiscal Year(s) that most encompasses the Critical of the Rate
 18 Period.
- 19 **Tier 1 System Resources** means the Federal System Hydro Generation Resources listed in
 20 Table 3.1; the Designated Non-Federally Owned Resources listed in Table 3.2; and the
 21 Designated BPA Contract Purchases listed in Table 3.3.
- 22 **Tier 2 Cost Pools** ~~means is a general term to encompass~~ all of the Cost Pools to which Tier 2
 23 Costs will be allocated by BPA.

Definitions

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

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

5 **Tier 2 Rate Alternatives** means ~~at the~~ rate options established by BPA in a 7(i) Process for ~~a~~
6 customers with a CHWM ~~e~~Contract ~~that who~~ elects to purchase power from BPA to serve ~~their~~
7 ~~its~~ Above-RHWM Load.

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

11 **TOCA.** See Tier 1 Cost Allocator.

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

14 **Total Retail Load (TRL)** means ~~BPA's forecast of~~ all retail electric power consumption,
15 including electric system losses, within a customer's electrical system, excluding:

- 16 • ~~those loads BPA and the customer have agreed are~~ -nonfirm or interruptible loads;
- 17 • ~~transfer loads of other utilities served by such the customer, and~~
- 18 • ~~any loads not on such the customer's electrical system~~ and not within such customer's
19 continuous service territory, unless that are not specifically agreed to by BPA-

20 As used in the TRM, TRL is always BPA's forecast of the customer's TRL.

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

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

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

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

7 **Weather Normalization** is the process by which Measured FY 2010 Load is adjusted by BPA
8 ~~pursuant to section 4.1.1.2 [4.1.1.2](#) to remove the effects of atypical weather in the determination~~
9 ~~of a customer's CHWM.~~

10

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) If the next two-year 7(i) Process is not imminent, An alternative cost recovery
20 mechanism resulting from section 2.6 is developed to prevent Tier 2 Costs from being
21 reallocated into a Tier 1 Cost Pool ~~and the next two-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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6

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

[BPA is working on a revised and expanded introductory paragraph.]

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 the a-Tier 1-Composite 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~~Cost separation between the Cost Pools will not affect the operation or dispatch of the FCRPS. BPA will serve system load in the most

1 efficient and cost effective manner possible, without considering the ratemaking
2 aspects of tiering.

- 3 6) The ratemaking separation of costs between Tier 1 and Tier 2 Cost Pools, and
4 among the Tier 2 Cost Pools, will not necessarily be the same as BPA's
5 accounting treatment of the costs. When differences arise between ratemaking
6 and accounting, the ratemaking allocations determined in accordance with this
7 section ~~will~~ should govern BPA's ratemaking.
- 8 7) BPA's allocation of costs among the Composite, Non-Slice, and Slice Cost Pools
9 will recognize the types of costs distinct to the type of service associated with
10 each Cost Pool.

11
12 ~~8) [[All forecast revenues from the sale by BPA of secondary energy produced~~
13 ~~by FBS and new resources will be, for rate making purposes, applied as an~~
14 ~~offset to costs that are properly allocable to rates for BPA sales of power for~~
15 ~~use within the region.]]~~

16 ~~9) [[Costs or benefits associated with the sales of or inability to sell excess power~~
17 ~~allocated under section 7(g) of the Northwest Power Act will be allocated to~~
18 ~~the Cost Pools to which the costs of the resources generating such excess~~
19 ~~power are allocated.]]~~

20
21 Section 3.4 contains additional guidance regarding the allocation of specific resource costs.

22 23 **2.2 Cost Allocation Method and Cost Allocation Table**

24 In each 7(i) Process during the term of the CHWM Contracts, BPA will allocate Tier 1 Costs
25 among three Tier 1 Cost Pools for determining Tier 1 Rates, and Tier 2 Costs to one or more
26 Tier 2 Cost Pools corresponding to each Tier 2 Rate Alternative. The Tier 1 Cost Pools are the

1 Composite Cost Pool, Slice Cost Pool, and Non-Slice Cost Pool. The allocation of costs into
2 Cost Pools is a ratemaking exercise that is performed in a 7(i) Process according to the directives
3 in section 7 of the Northwest Power Act.

4
5 The Cost Allocation Table, Table 2, sets out the cost allocations that will be used for allocating
6 costs in future 7(i) ProcessesRate Periods. Any Changes to the Cost Allocation Table to
7 accommodate New Expenses or New Credits will be pursuant to section 2.3. Any Changes to
8 the Cost Allocation Table to accommodate a need to allocate a Tier 2 Cost to a Tier 1 Cost Pool
9 will be pursuant to section 2.6. All other changes to the Cost Allocation Table will be pursuant
10 to sections 12 and 13. All BPA costs functionalized by BPA to ~~the power function with respect~~
11 to service at Tier 1 and Tier 2 Rates will be included in the Cost Allocation Table. The addition
12 of new Tier 2 Cost Pools will not be considered changes to the Cost Allocation Table for
13 purposes of sections 12 and 13.

14
15 BPA will conform the description or grouping of costs in the Cost Allocation Table to the
16 grouping of costs in the Power Services Statement of Revenues and Expenses, but changes to
17 cost groupings or descriptions in BPA's Power Services Statement of Revenues and Expenses
18 will not change the Cost Pools to which the underlying costs are assigned. IfAny modifications
19 to BPA's Power Services Statement of Revenues and Expenses change the categorization of
20 costs, then the manner of maintaining the separation of costs for purposes of the TRM will be
21 reviewed for cost allocation issues, and such issues will be addressed in the next a7(i) Process
22 following the modification. Such modifications will not change the underlying allocation of
23 costs to the respective Cost Pools, which form the basis for setting Tier 1 and Tier 2 Rates.

24
25 ~~[BPA considering restoration of last sentence that was deleted.]~~
26

1 **2.2.1 The Composite Cost Pool**

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

10
11 **2.2.2 The Slice Cost Pool**

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

22
23 **2.2.3 The Non-Slice Cost Pool**

24 Table 2, Section D, sets out the costs that are allocated to the Non-Slice Cost Pool, including all
25 Tier 1 Costs and Tier 1 Credits that are specifically and uniquely attributable to the Load
26 Following or Block products, including the Block portion of the Slice/Block product. The Non-
27 Slice Cost Pool includes the costs and credits of converting resource output into load service

1 (e.g., Balancing Power Purchases); the costs of Tier 1 risk mitigation not recovered through rates
2 for the Slice product; and the costs or credits arising from capacity resource purchases. The
3 Non-Slice Cost Pool also includes the Tier 1 Secondary Energy Credit, which includes any costs
4 or credits specifically attributable to BPA's marketing of Tier 1 Secondary Energy.
5

6 **2.2.4 Tier 2 Cost Pools**

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

17 **2.3 Inclusion of New Expenses or New Credits**

18 BPA will allocate New Expenses or New Credits to the Cost Pools based on the cost allocation
19 principles in section 2.1. BPA will propose an allocation of the New Expenses and New Credits
20 to the appropriate Cost Pools in the next applicable 7(i) Process.
21

22 **2.4 Tier 1 Secondary Energy Credit**

23 The Slice Product includes an advance sale of surplus energy, which is delivered when and if
24 available. As a consequence, the Composite Cost Pool and Slice Cost Pools do not contain any
25 ~~revenue~~ ~~cost or or~~ credit associated with ~~the~~ Tier 1 Secondary Energy ~~Credit~~. The
26 Load Following and Block Products do not receive any Tier 1 Secondary Energy. Therefore, the

1 Non-Slice Cost Pool will be allocated a Tier 1 Secondary Energy Credit. ~~Equivalent to the~~
2 ~~advance sale of surplus power included as part of the Slice Product.~~

3
4 Notwithstanding the above, in the event of unused RHW, the Tier 1 Secondary Energy Credit
5 associated with the unused RHW will be included in the Composite Cost Pool rather than in
6 the Non-Slice Cost Pool.

7
8 **2.5 Interest Earned on the Bonneville Fund**

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

15
16 BPA will allocate to the Composite Cost Pool an interest credit based on that pre-FY 2002 level
17 of reserves, \$495.6 million, as adjusted for any eventual resolution of the uncertain assets and
18 liabilities described above. BPA will allocate to the Non-Slice Cost Pool a credit equal to the
19 total anticipated credit earned on Bonneville Fund balances attributed to the Power function less
20 the amount of interest credit included in the Composite Cost Pool. The credit to the Non-Slice
21 Cost Pool will be negative if the interest credit allocated to the Composite Cost Pool is greater
22 than the total interest credit for a particular year. Table 2, the Cost Allocation Table, line 4,
23 shows the allocation of the interest credit.

24
25 BPA may receive funds as collections of outstanding receivables, or it may make or receive
26 payments for settlements or judgments, pertaining to power marketing transactions that occurred

1 before FY 2002. Any amounts of such receipts that have not been shared (e.g., through the Slice
2 True-up) with Slice customers in proportion to the Slice Percentage will be added to the
3 \$495.6 million used for calculating the interest credit included in the Composite Cost Pool.
4 Similarly, any amounts of such payments that have not been proportionally collected from the
5 Slice customers will be subtracted from the \$495.6 million value. Any amounts of such receipts
6 that have been shared with Slice customers and any amounts of such payments that have been
7 proportionally collected from the Slice customers are the gross amounts; i.e., they are equal to
8 the net size of the payments to or collection from the Slice customers, divided by the Slice
9 Percentage. If funds of this type are received by BPA or if payments of this type are made by
10 BPA, and the entire amounts are proportionally shared with or collected from Slice customers,
11 the receipts or payments will not result in a change to the \$495.6 million value.

12
13 It is possible that future circumstances will occur that make it reasonable and fair to make
14 additional adjustments to the size of the base amount (the \$495.6 million) on which an interest
15 credit is calculated for ratemaking purposes for crediting to the Composite Cost Pool. The
16 amount of such adjustments will be decided in a 7(i) Process.

18 **2.6 BPA Actions Prior to Allocating Tier 2 Cost to a Tier 1 Cost Pool**

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

- 22 a. BPA will make reasonable efforts to recover the costs from the party(s) that would
23 otherwise be responsible for such costs. Such efforts may include making demand on
24 any available credit support and pursuing legal action when BPA determines it is
25 appropriate.

Section 2

1 b. BPA will make good faith efforts to reduce the costs that are proposed to be reallocated,
2 so as to offset the cost that would otherwise occasion the need for a reallocation to ensure
3 cost recovery.

4 c. Prior to a BPA proposal in a 7(i) Process to reallocate costs from a Tier 2 Cost Pool to a
5 Tier 1 Cost Pool, BPA will convene a public meeting with customers and interested
6 parties to discuss the proposal to reallocate and to elicit alternatives to reallocating the
7 costs. If an alternative cost recovery mechanism appears to be viable, BPA would
8 propose such alternative cost recovery mechanism in the next 7(i) Process.

9
10 These actions, or disputes over whether the Administrator has satisfied them, do not override and
11 will not be allowed to frustrate the Administrator's responsibility to recover costs and timely
12 repay the U.S. Treasury.

14 **2.7 Slice True-Up**

15 Slice customers will have an annual Slice True-Up Adjustment for expenses and revenue credits
16 allocated to the Composite Cost Pool (see Table 2, Section B) and to the Slice Cost Pool (see
17 Table 2, Section C). The annual Slice True-Up Adjustment will be calculated for each Fiscal
18 Year as soon as BPA's audited actual financial data are available (usually in November). Actual
19 expenses during a Fiscal Year to implement a request of and for the benefit of an individual Slice
20 customer will be billed and paid in accordance with the contract governing the implementation of
21 such request.

23 **2.7.1 Composite Cost Pool True-Up**

24 The annual Slice True-Up Adjustment for each Slice customer for the Composite Cost Pool will
25 be calculated by 1) subtracting the average of the forecast annual expenses and revenue credits
26 allocated to the Composite Cost Pool for the Fiscal Years of the applicable Rate Period, from the

1 actual expenses and revenue credits in the applicable Fiscal Year of the Rate Period and that are
2 allocable to the Composite Cost Pool, and 2) multiplying the difference determined in 1) above
3 by each Slice customer's Slice Percentage. The dollar amount calculated may be positive or
4 negative, and in either event constitutes the Slice True-Up Adjustment Charge for the Composite
5 Cost Pool.

6
7 The actual expenses and revenue credits allocable to the Composite Cost Pool will include a
8 component (Minimum Required Net Revenue; MRNR) for the amount in a Fiscal Year by which
9 BPA's actual cash requirements exceed the total actual non-cash expenses in the Composite Cost
10 Pool. When BPA's actual cash requirements do not exceed the total actual non-cash expenses in
11 the Composite Cost Pool, MRNR will equal zero. Any revisions to this MRNR treatment will be
12 proposed by BPA in a 7(i) Process.

14 **2.7.2 Slice Cost Pool True-Up**

15 The annual Slice True-Up Adjustment for the Slice Cost Pool will be calculated by
16 1) subtracting the average of the forecast annual expenses and revenue credits allocated to the
17 Slice Cost Pool for the Fiscal Years of the applicable Rate Period from the actual expenses and
18 revenue credits that are allocable to the Slice Cost Pool in the applicable Fiscal Year of the Rate
19 Period and 2) multiplying the difference from 1) above by each customer's Slice Percentage
20 divided by the sum of all Slice Percentages. The dollar amount calculated may be positive or
21 negative, and in either event constitutes the Slice True-Up Adjustment Charge for the Slice Cost
22 Pool.

24 **2.7.3 Treatment of New Costs and New Credits, and Costs and Revenues Not** 25 **Subject to Slice True-Up**

26 In the annual Slice True-Up Adjustment, BPA may make an interim allocation of New Expenses
27 or New Credits for which categories do not exist on Table 2 and that arise or become known

1 during any year of a Rate Period. If BPA makes such an interim allocation, it will do so among
2 the Cost Pools based on the TRM cost allocation principles (see section 2.1). BPA will make a
3 final decision on the allocation of new expenses or revenue credits among the Cost Pools in the
4 next scheduled power rate 7(i) Process. If the cost allocation finally adopted in the 7(i) Process
5 is different from the interim allocation implemented by BPA through the Slice True-Up
6 Adjustment, the Slice customers will be compensated or charged based on their over-payment or
7 under-payment, in either case with interest (at the rate specified in the Slice customer's CHWM
8 Contract) from the first calendar day of the Fiscal Year in which the True-Up Adjustment Charge
9 containing the interim allocation was calculated to the due date of the bills containing payment(s)
10 or credit(s) related to the final allocation.

11
12 For forecast expenses or revenue credits allocated to either the Composite Cost Pool or the Slice
13 Cost Pool that are not subject to the Slice True-Up, for purposes of all Slice True-Up Adjustment
14 calculations, the actual expenses and revenue credits allocable to such Cost Pools for each Fiscal
15 Year will be deemed to be equal to the forecast of such expenses or revenue credits in the
16 applicable 7(i) Process. The expenses and revenue credits that are not subject to true-up to actual
17 expenses and revenue credits in the Slice True-Up Adjustment are designated on the Cost
18 Allocation Table, Table 2, by gray shaded cells under the column headings entitled "Actual
19 Data."

21 **2.7.4 Slice True-Up Adjustment Charge**

22 BPA will provide Slice customers a preliminary estimate of the Slice True-Up Adjustment
23 Charge before completion of BPA's financial audit for each Fiscal Year. The Slice True-Up
24 Adjustment Charge for each customer will be a sum of the Slice True-Up Adjustment Charge for
25 the Composite Cost Pool and the Slice True-Up Adjustment Charge for the Slice Cost Pool
26 calculated for each Slice customer. BPA will notify Slice customers of their Slice True-Up

1 Adjustment Charge that is calculated after audited actual financial data is available. The Slice
2 True-Up Adjustment Charge is included in customer bills in the month (or months) following
3 notification.

4
5 The Slice True-Up Adjustment Charge for the Composite Cost Pool and the Slice True-Up
6 Adjustment Charge for the Slice Cost Pool will be added together if both are negative or both are
7 positive, and will be netted against each other if one adjustment is positive (adjustment is a
8 charge) and the other adjustment is negative (adjustment is a credit). The result of this summing
9 or netting, as applicable, will be the final Slice True-Up Adjustment Charge.

10
11 The final Slice True-Up Adjustment Charge for each customer will be applied either as a one-
12 month credit (if the adjustment is negative) or as a three-month charge (if the adjustment is
13 positive) spread equally across the three months following the month the final Slice True-Up
14 Adjustment Charge is determined by BPA. Slice customers have the option to pay the entire
15 charge in one month.

16
17 Interest will be computed and added to the Slice True-Up Adjustment Charge for each Slice
18 customer at the rate and for the period specified in the Slice customer's CHWM Contract. ~~The~~
19 ~~interest period is defined as follows:~~

20 ~~1) If the Slice True-Up Adjustment Charge is a credit to the Slice customer, the period for~~
21 ~~interest computation will begin with the first calendar day of the Fiscal Year in which~~
22 ~~the Slice True-Up Adjustment Charge is calculated and end at the due date of the bill~~
23 ~~that contains such credit.~~

24 ~~2) If the Slice True-Up Adjustment Charge is a charge payable to BPA, the period for~~
25 ~~interest computation will begin with the first calendar day of the Fiscal Year in which~~
26 ~~the Slice True-Up Adjustment Charge is calculated and end at the due date for each of~~

~~the three bills in which the Slice True-Up Adjustment Charge appears. For Slice customers who opt to pay the charge in one month, the period for interest computation will begin with the first calendar day of the Fiscal Year in which the Slice True-Up Adjustment Charge is calculated and end at the due date for the one bill.~~

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

2.7.5 Cost Verification Process

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

BPA will conduct a Cost Verification Process that will permit Slice customers and other customers to assess whether BPA has correctly calculated the amount of each expense or revenue credit subject to the Slice True-Up Adjustment, and whether the final Slice True-Up Adjustment contains only those expenses and revenue credits permitted to be included in, and does not contain any expenses or revenue credits excluded from, the Slice Rate pursuant to the TRM. The Cost Verification Process will not enable customers to question or dispute BPA's accounting policies, and standards, management decisions, or other policies. The Cost Verification Process for the Slice True-Up Adjustment Charge will be conducted in accordance with Attachment A to this TRM.

1 **2.7.5.2 Cost Review Public Process**

2 Consistent with the Policy, BPA will establish, outside the TRM, a Cost Review Public Process.

3 This public process will include periodic meetings to allow customers and interested parties to
4 review and obtain information from BPA, such as BPA’s financial performance, comparison of
5 BPA’s actual costs to its forecast costs, and assignment of costs among cost categories and Cost
6 Pools. For any issues raised in this Cost Review Public Process, BPA will determine if
7 resolution is needed in a future 7(i) Process.

8

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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 (together with RHWM Augmentation) 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 3.1.3.3), and Designated BPA Contract Purchases (section 3.1.3.4).

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 [PeriodStreamflowsPeriod](#) and include information from any agreed-upon or anticipated
22 operations 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 **3.1.3.2 3.1.3.2 — Determination of Critical Streamflows Period**

13 The Critical Period adopted by BPA as of the effective date of this TRM is September 1936
14 through April 1937. To be consistent with the corresponding Fiscal Years, BPA will use the
15 historical streamflows from October 1936 through September 1937 in the determination of the
16 Firm Critical Output of the Tier 1 System Resources. BPA may revise the Critical Period after a
17 good faith determination that the proposed Critical Period provides a reasonable basis for
18 forecasting the available output of hydroelectric projects after incorporating power and
19 nonpower requirements with which BPA is obligated to comply. Examples of these
20 requirements include, but are not limited to, biological opinions, court orders, treaties, statutes,
21 regulations, executive orders, changes in thermal operations, changes in forecast loads, and flood
22 control.

23 ~~The Critical Period adopted by BPA Critical Streamflows used in the determination of Firm~~
24 ~~Critical Output as of the effective date of this TRM uses September 1936 through April 1937~~
25 ~~historical streamflows. Accordingly, this TRM will initially use are the historical streamflows~~
26 ~~from October 1936 through September 1937 historical streamflows in the determination of the~~

1 ~~Firm Critical Output of Federal System Hydro Generation. BPA may revise the Critical Period,~~
2 ~~as needed, depending on changes in power and non-power constraints and other factors that~~
3 ~~would affect the determination of the Critical Period. Notwithstanding the initial use of~~
4 ~~historical streamflows from FY 1937 as Critical Streamflows, if the parties to the Pacific~~
5 ~~Northwest Coordination Agreement elect to use a reference period other than FY 1937 after the~~
6 ~~adoption of this TRM, then BPA may (i) continue to use historical streamflows from FY 1937;~~
7 ~~(ii) use the historical streamflows from the new reference period adopted by the parties to the~~
8 ~~Pacific Northwest Coordination Agreement; or (iii) use the historical streamflows from another~~
9 ~~reference period; in each of the foregoing cases subject to BPA's good faith determination that it~~
10 ~~provides a reasonable basis for forecasting available output of hydroelectric projects after giving~~
11 ~~effect to those non-power requirements (such as biological opinions, flood control) with which~~
12 ~~BPA is obligated to comply.~~

14 **3.1.3.3 Firm Critical Output of Designated Non-Federally Owned Resources**

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

18
19 The Designated Non-Federally Owned Resources included as Tier 1 System Resources are listed
20 in Table 3.2. This list of resources will not be changed for the duration of this TRM. The Firm
21 Critical Output of these resources may change, but the entire Firm Critical Output of these
22 resources will be included in the Firm Critical Output of Tier 1 System Resources. If BPA's
23 contract for a Designated Non-Federally Owned Resource expires during the term of this TRM,
24 and the contract is renewed, then the entire Firm Critical Output of the contracted resource will
25 be included in Firm Critical Output of Tier 1 System Resources. If the contract is not renewed,
26 then the Firm Critical Output of the resource will be set to zero.

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3.1.3.4 Firm Critical Output of Designated BPA Contract Purchases

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

1 of these obligations, the Tier 1 System Obligations may be based on [energy and capacity](#)
 2 [requirements stated in or estimated by BPA based on](#) ~~(or BPA estimates of the amount of~~
 3 ~~power required to comply with)~~ signed contract provisions, ~~MOAs,~~ treaty, statute, [regulations,](#)
 4 court orders, [memoranda of agreement,](#) or ~~[[BPA estimates, executive orders,]]~~ or a combination
 5 of the foregoing. The Tier 1 System Obligations arising from these Designated BPA System
 6 Obligations can vary from year to year ~~[[and change through time]]~~. Any costs related to or
 7 revenues recovered from Designated BPA System Obligations will be assigned to the Composite
 8 Cost Pool.

9
 10 ~~Statutory, treaty]]~~, regional reliability, public purpose, public safety,]] and ~~[[contract system~~
 11 ~~stability]] obligations~~ ~~[[88BP-92436 and 89BP-92524 (required to effectuate federal power~~
 12 ~~service to identified customers not on the FCRTS) identified on Table 3.4 specified]]~~ as
 13 Designated BPA System Obligations, [as identified on Table 3.4,](#) may continue even if the
 14 implementing contract expires, and the successor contract will replace the listed contract. The
 15 Designated BPA System Obligations listed on Table 3.4 will not be removed for the duration of
 16 this TRM. If there is a cessation of any such Designated BPA System Obligation, the Tier 1
 17 System Obligation for such obligation amount will be set to zero when the obligation expires.
 18 ~~[[Table 3.4 may be updated in a Tier 1 System firm Critical Output study to include new~~
 19 ~~Designated BPA System Obligations, provided however that no new Designated BPA~~
 20 ~~System Obligation will be added to Table 3.4 except for those obligations that BPA is~~
 21 ~~required by regulatory authority, legislation or court order to provide from the Teir 1~~
 22 ~~Sstem Firm Critical Output.]]~~

23
 24 [Table 3.4 may be updated to include new Designated BPA System Obligations.](#)
 25

~~Upon written request of 15 percent of Publics (utility count) that have signed CHWM Contracts. If there is a new Designated BPA System Obligation or the total of existing obligations increases such that BPA's forecast of Tier 1 System Obligations increases by 10 percent over the most recently published forecast of Tier 1 System Obligations, then BPA shall notify all customers with CHWM Contracts of such change. Upon written request of not less than 25 percent of the customers with CHWM Contracts (by number), BPA will hold at least one two or more open meeting with its Public customers to review its Designated BPA System Obligations and forecast Tier 1 System Obligation associated amounts. BPA will not be obligated to respond to such request by its Public customers more often than once every Rate Period. At the second or any subsequent such meeting, BPA will respond to reasonable requests by its Public customers to provide information that is non-confidential and is reasonably related to its determination of the amount of Designated BPA Tier 1 System Obligations and associated expenses and revenues. Such information may relate to Designated BPA System Obligations for the current Rate Period or for any future Rate Period to the extent such information can reasonably be provided. The purpose of such a meeting(s) is to inform parties of revisions to the Tier 1 System Obligations and to allow comment on such revisions will be to allow input by Public customers into BPA's determination of the appropriate or required amounts of such obligations and the appropriate pricing, if any, associated with BPA's performance of such obligations. In addition to conducting the open meeting(s) with its Public customers, BPA will consider written comments submitted by its Public customers in connection with such meeting(s).~~

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

1 recovered from the listed Discretionary Contracts will be assigned to the Composite Cost Pool.
2 Discretionary Contracts entered into after September 30, 2006, will not be added to Table 3.3 or
3 3.4 ~~(and therefore will not increase or decrease Tier 1 System Firm Critical Output.)~~ but a Any
4 costs pertaining to or revenues recovered from such new Discretionary Contracts will be
5 assigned to the Non-Slice Cost Pool.
6

7 **3.2 Augmentation of Tier 1 System Firm Critical Output**

8 **3.2.1 Augmentation Limit in the CHWM Process**

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

- 12 1) If the difference is zero or less, then this amount of augmentation will be zero.
- 13 2) If the difference is greater than zero, then this amount of augmentation is the lesser of
14 the result or 300 aMW, subject to the limit in 3) below.
- 15 3) This amount of Augmentation plus Tier 1 System Firm Critical Output cannot exceed
16 7,400 aMW.

17 This amount of augmentation, after the limitations have been applied, will be the Augmentation
18 Limit.
19

20 **3.2.1.1 Augmentation for Additional CHWM for DOE-Richland**

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

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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~~ 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

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

6 **3.2.2.3 Rate Treatment of Augmentation Costs**

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

15 **3.2.2.4 Rate Treatment for Excess Augmentation Purchases**

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

23 **3.3 Rate Treatment of Balancing Power Purchases**

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

1 If Tier 1 System Capability determined in a 7(i) Process differs from RHWMTier 1 System
2 Capability, the RHWMTs determined in the RHWMT 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. (Deletion rejected)

13 ~~For ratemaking purposes, such remarketing will be forecast to occur at the market price~~
14 ~~of power during the period when the remarketing occurs, as forecast in the applicable 7(i)~~
15 ~~Process, and the revenues resulting from such remarketing will be credited, in proportion~~
16 ~~to their contribution of excess power, to the Cost Pool(s) to which the cost of such resource~~
17 ~~is allocated.~~

18
19 To ensure proper cost allocation among Cost Pools, BPA will allocate the cost of certain Federal
20 resource acquisitions as follows:

- 21 1) RP Augmentation—costs allocated to the Composite Cost Pool.
- 22 2) Balancing Power Purchases—costs allocated to the Non-Slice Cost Pool.
- 23 3) Energy purchases or acquisitions for BPA loads served at Tier 2 Rates—costs allocated
24 to applicable Tier 2 Cost Pools.
- 25 4) Capacity for following customer load—costs allocated to the Non-Slice Cost Pool.
- 26 5) Transmission Services capacity obligations—costs allocated to the Composite Cost Pool,

1 offset by revenue from Transmission Services related to the specific obligation being
2 met.

3 6) RSS capacity obligations—costs allocated to the Composite Cost Pool, offset by revenue
4 from RSS.

5 7) Acquisitions other than the foregoing—costs allocated to the Cost Pool determined in the
6 applicable 7(i) Process.

7 8 **3.5 Augmentation Used for the Slice Product**

9 When BPA determines RHWMAugmentation, [such augmentation](#) is assumed, for ratemaking
10 purposes, to be in the shape of an annual flat block purchase. Slice purchasers will receive a
11 Slice Percentage share of RHWMAugmentation, which will be delivered to Slice customers in a
12 flat annual shape. However, Slice purchasers will be charged a share of the costs of RP
13 Augmentation through the Composite Customer Rate. The forecast costs of RP Augmentation
14 will not be subject to the Slice True-Up.

15 16 **3.6 Adjustments to Slice Percentages**

17 Each Slice customer's Slice Percentage is determined and set forth in the customer's CHWM
18 Contract before FY 2012 and will not change during the CHWM Contract term, except as
19 described in sections 3.6.1 and 3.6.2 below.

20 21 **3.6.1 Adjustment for Additional CHWM**

22 If BPA establishes Additional CHWMs, then BPA will proportionally adjust all Slice
23 Percentages, pursuant to the terms of the CHWM Contract. [To determine the adjusted Slice](#)
24 [Percentage, e](#)Each Slice Percentage will be multiplied by the ratio of 1) Initial CHWM to 2)
25 Initial CHWM plus Additional CHWM ~~to determine the adjusted Slice Percentage~~. The adjusted

1 Slice Percentage will be in effect for the Rate Period, and, unless further adjusted pursuant to
2 section 3.6.2, will be used as the Slice Billing Determinant for the applicable Rate Period.

3
4 **3.6.2 Decrease in Slice Percentage Due to Annual Net Requirement**

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

8
9 BPA will, however, determine the Annual Net Requirement for each Slice customer before each
10 Fiscal Year according to the provisions of the customer's CHWM Contract. If, in BPA's
11 determination of a Slice customer's Annual Net Requirement, BPA adjusts the customer's Slice
12 Percentage pursuant to its CHWM Contract, then BPA will use this adjusted Slice Percentage as
13 the customer's Billing Determinant for the applicable Fiscal Year.

14
15 If a Slice customer's Slice Percentage is so adjusted for a Fiscal Year, BPA will calculate the
16 value of the related unused Slice RHW power and include the value as an actual revenue credit
17 in the Composite Cost Pool for Slice True-Up purposes. Such value will be based on the forecast
18 market prices determined in the applicable 7(i) Process. This value will not be trued up to actual
19 market prices. Through the Slice True-Up, Slice customers will receive their Slice Percentage
20 share of the forecast value of the unused Slice RHW power due to Slice customers' load loss.

21
22 **3.7 Federal System Resources Acquired for Tier 2 Service**

23 BPA will acquire the resources necessary to serve customers' Above-RHW Load that the
24 customers elect to place on BPA, the costs of which will be recovered through Tier 2 Rates.

25 ~~Subject to section 4.3,~~ BPA may use energy from the Tier 1 System for service to loads at Tier 2
26 Rates to the extent any such energy is forecast by BPA for ratemaking purposes to be available

1 for the Rate Period as a result of unused RHWM amounts. The forecast market value of such
2 energy will be allocated to the appropriate Tier 2 Cost Pool, and BPA will credit the same market
3 value to the appropriate Tier 1 Cost Pools—the credit from such unused RHWM amounts will be
4 allocated to the Composite Cost Pool, and the credit from secondary energy will be allocated to
5 the Non-Slice Cost Pool.

6

1 **4 ELIGIBILITY TO PURCHASE AT TIER 1 RATES**

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

6
7 BPA will calculate a Transition Period High Water Mark (THWM), Contract High Water Mark
8 (CHWM), and Rate Period High Water Mark (RHWM) for each Public, as described in detail in
9 later subsections. A brief overview of the timing and purpose of these HWMs follows:

- 10 1) The **THWM** is calculated by BPA in FY 2009 and will be used to establish a Public’s
11 Above-RHWM Load for all or part of the Transition Period, depending on the
12 customer’s product choice.
- 13 2) The **CHWM** is calculated by BPA in FY 2011 and sets each Public’s initial eligibility
14 to purchase at Tier 1 Rates. The CHWM determination process also defines the
15 Augmentation Limit.
- 16 3) The **RHWM** is set by BPA in the RHWM Process prior to each 7(i) Process and
17 defines a Public’s maximum eligibility to purchase at Tier 1 Rates for that Rate Period,
18 limited by the customer’s Annual Net Requirement [for Slice and Block customers and](#)
19 [Actual Net Requirement for Load Following customers](#).

20
21 **4.1 Contract High Water Mark**

22 In FY 2011, BPA will calculate, as set forth below, a CHWM for each Public purchasing power
23 at a PF Preference rate during FY 2010. This calculation by definition will not include New
24 Publics. The CHWM calculation establishes the CHWM for each CHWM Contract but provides
25 no rate certainty for non-CHWM contracts, because the extent to which the rates for purchases
26 under non-CHWM contracts would reflect the costs of the Tier 1 System and other Federal

1 resources will be addressed in 7(i) Processes other than this TRM. The calculation of such
2 CHWMs is illustrated in Figures 4.1, 4.2, and 4.3 and Attachment B. CHWMs for New Publics
3 will be established pursuant to section 4.1.6.

4 5 **4.1.1 Step 1: Determine Measured FY 2010 Load**

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

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

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

25

1 New Large Single Loads (NLSLs) are excluded from the Measured FY 2010 Load. If, after
2 CHWMs are calculated, a load included in a customer's Measured FY 2010 Load is determined
3 to have been an NLSL in FY 2010, then the customer's CHWM will be reduced by the NLSL
4 amount.

5
6 **4.1.1.1 Adjust Measured FY 2010 Load for Anomalies**

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

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

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

- 1 3) The load affected must be a verifiable load for which three previous years of load data
2 is available. If BPA determines that an adjustment to the ~~m~~Measured FY 2010 ~~H~~Load
3 for a customer's historical load amount is appropriate, then the adjusted load amount
4 will not exceed the average of the previous three years. Load that does not occur even
5 though it was expected to occur in FY 2010 will not qualify as a reason to adjust
6 Measured FY 2010 Load. Accordingly, for purposes of determining CHWMs,
7 measured load amounts will not be adjusted to account for a customer's yet-to-be-
8 realized Contracted for/Committed to (CF/CT) loads as defined by section 3(13)(A) of
9 the Northwest Power Act. Requests for load adjustments to compensate for lost load
10 that was not captured in Measured FY 2010 Load will be considered only if there is
11 substantial evidence that the lost load will return in FY 2011 and is reasonably
12 projected to exist for the duration of the CHWM Contract.
- 13 4) BPA will not adjust Measured FY 2010 Load as an anomaly to reflect a full year's load
14 in the case of a new consumer load that comes on line during FY 2010. For such
15 consumers, only the load measured in FY 2010 will be included in Measured FY 2010
16 Load.
- 17 5) The anomaly must not have been caused by an action or inaction of the customer. This
18 requirement includes intentional and unintentional acts and omissions.

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

1 **4.1.1.2 Adjust Measured FY 2010 Load for Atypical Weather (Weather**
2 **Normalization)**

3 Following any adjustments pursuant to sections 4.1.1 and 4.1.1.1, BPA will adjust the Measured
4 FY 2010 Load for the cumulative effect on load of atypical weather. Different normalization
5 methods will be used for non-irrigation loads, such as residential loads, and for irrigation loads.
6 If the utility has both types of loads, BPA will separate each customer’s Measured FY 2010 Load
7 into non-irrigation load and irrigation load, ~~if the utility has both types of loads. BPA will~~
8 weather normalize these loads separately, and then recombine them.

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

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

25
26 For utilities submitting irrigation load data, BPA will use an adjusted historical load average to
27 weather normalize the irrigation loads for each utility. BPA will calculate a five-year historical

1 load average of each customer's irrigation load for years FY 2006 through FY 2010. BPA will
2 adjust the historical load average by the average annual growth rate, calculated from the
3 difference between the highest recorded annual irrigation loads in Calendar Year (CY) 2000-
4 2002 and the highest recorded in CY 2008-2010. In any event, this average annual growth rate
5 cannot be negative. If this average annual growth rate is unusually high in comparison to the
6 others being adjusted, BPA will conduct further verification with the customers and either
7 confirm or adjust the growth rate. Finally, BPA will adjust the customer's actual FY 2010
8 irrigation load to meet the growth rate-adjusted historical load average.

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

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

22
23 In 2011, but prior to completing the weather normalization calculation for irrigation loads and
24 non-irrigation loads, BPA will determine whether a different weather normalization technique
25 should be applied in the normalization of irrigation~~these~~ loads.

1 **4.1.2 Step 2: Determine Existing Resources for CHWMs**

2 Attachment C, Existing Resources for CHWMs, reflects the Existing Resource determinations
3 made in BPA’s FY 2008 public process and will further reflect the amounts, once they are
4 known, of consumer-owned generation and PURPA resources, consistent with the definition of
5 Existing Resources for CHWMs. Revisions to Attachment C to reflect the amounts of
6 consumer-owned generation and PURPA resources are considered to fall under section 12.5,
7 number 3, and are thus not considered a revision to the TRM.

8
9 **4.1.3 Step 3: Calculation of Scaled Eligible Load**

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

14
15 **4.1.3.1 Determine Augmentation Limit**

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

20
21 This augmentation amount established in the CHWM Process will be the Augmentation Limit.

22
23 **4.1.3.2 Determination of Scaled Eligible Loads**

24 In the following manner, BPA will proportionally scale each customer’s Eligible Load such that
25 the sum of all Eligible Loads is equal to the average of the Tier 1 System Firm Critical Output
26 plus Augmentation for Initial CHWM~~amount~~ determined in the previous step for FY 2012-2013.
27 BPA will multiply each customer’s Eligible Load by the ratio of 1) the augmented average of the

1 Tier 1 Firm Critical Output plus Augmentation for Initial CHWM System amount determined in
2 the previous step to 2) the sum of all Eligible Loads. The result is to scale each customer's
3 Eligible Load by the same percentage to arrive at each customer's Scaled Eligible Load.
4

5 **4.1.4 Step 4: Conservation Adjustment**

6 The final step in determining CHWMs is to adjust Scaled Eligible Load for conservation. For
7 BPA to credit conservation toward the Conservation Adjustment, the conservation must be cost-
8 effective, verified, and achieved from FY 2007 through FY 2010 and must have reduced the
9 customer's load in FY 2010 below what it would have otherwise been without such
10 conservation. For calculation purposes, each utility's Scaled Eligible Load will be credited
11 100 percent (1 aMW for each 1 aMW) of customer self-funded conservation achieved and
12 75 percent (0.75 aMW for each 1 aMW) of BPA-funded conservation achieved (e.g., through the
13 Conservation Rate Credit or bilateral contracts).
14

15 BPA then will multiply each customer's Scaled Eligible Load, adjusted for conservation, by the
16 ratio of 1) the sum of all Scaled Eligible Loads to 2) the sum of all Scaled Eligible Loads
17 adjusted for conservation. The result is each customer's CHWM. This adjustment redistributes
18 the Scaled Eligible Loads CHWM amounts among customers and does not change the total
19 CHWM a Scaled Eligible Loads amount calculated in section 4.1.3.2.
20
21

22 Attachment D describes the implementation of the Conservation Aadjustment.
23

24 **4.1.5 Publishing and Finalizing CHWMs**

25 After calculating each customer's CHWM, BPA will conduct a public process consistent with
26 section 13.10. BPA will publish the results of the CHWM calculation on its website. A two-

1 week public comment period will follow publication of these CHWMs, providing customers an
2 opportunity to reasonably request information regarding inputs and calculations from BPA and to
3 comment on the individual CHWMs and adjustments BPA made to account for weather
4 normalization, data or load anomalies, and ~~e~~Conservation ~~Adjustment~~~~achieved~~. Prior to the
5 close of the comment period, BPA will hold a publicly noticed meeting to gather further input.
6 Following the close of the comment period, BPA will work with customers to resolve any issues
7 raised by the comments. Within two weeks following the close of the comment period, BPA will
8 republish the CHWMs, which will reflect any updates or changes. Any republished CHWM that
9 is not disputed under section 13.10 will be considered final after the tenth calendar day following
10 the republication and will be incorporated into the customer's CHWM Contract.

11
12 If the dispute resolution process set out in section 13.10 is invoked, upon receipt of the decision
13 of the neutral on all disputed matters, the Administrator will decide whether or not to adopt the
14 decision of the neutral on each disputed matter. The Administrator's decisions with regard to all
15 disputed matters will constitute the final adjustments to the disputed individual CHWMs. The
16 finalized CHWM so determined for each customer will be incorporated into each customer's
17 CHWM Contract.

18
19 **4.1.6 CHWM for New Publics ~~Utility Customers~~**

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

1 **4.1.6.1 Calculating CHWM for a New Public Formed with Loads Previously Served**
2 **by an Existing Public**

3 If a New Public ~~that~~ forms in whole or in part out of loads previously served by an Existing
4 Public, and has qualified under BPA's Standards for Service, then it will receive a share of the
5 Existing Public's CHWM. If the New Public and Existing Public cannot agree on the
6 apportionment of the Existing Public's CHWM, then BPA will apportion the CHWM between
7 the New Public and the Existing Public based on the percentage share of the Existing Public's
8 TRL that is transferred to the New Public, after adjusting for NLSLs and Existing-Non-Federal
9 Resources and additional information provided by the customers, based on the procedure
10 established in the CHWM Contract.

11
12 The transfer of CHWM and associated RHWM from the Existing Public to the New Public will
13 be effective on the date that the New Public begins service to the transferred load. The CHWM
14 transferred from the Existing Public will not count toward the aggregate 250 aMW or 50 aMW
15 Rate Period CHWM limits for New Publics. The same methodology described in this subsection
16 will be used to determine the additional CHWM that a Public with a CHWM will receive if it
17 annexes load from an Existing Public.-

18
19 **4.1.6.2 Calculating CHWM for a New Public Formed with Loads Previously Served**
20 **by an Entity Other Than an Existing Public**

21 If a New Public forms in whole or in part out of loads previously served by an entity other than
22 an Existing Public and has qualified under BPA's Standards for Service, then BPA will calculate
23 the Potential CHWM Eligibility for the New Public, as provided below. A New Public that is
24 forecast by BPA to have, at the time of its formation, TRL of less than 10 aMW must provide
25 binding notice to purchase under a CHWM Contract to BPA before July 1 of the Forecast Year
26 to be eligible for CHWM in the next Rate Period. A New Public that is forecast by BPA to have
27 TRL of 10 aMW or greater must provide binding notice to BPA by the earlier of three years

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1 before the date on which service to the New Public at Tier 1 Rates is to begin or July 1 of the
2 Forecast Year to receive a CHWM for the next Rate Period.

3
4 In the RHW process for the Rate Period during which a New Public will first be eligible to
5 receive a CHWM, BPA will calculate the New Public's Potential CHWM Eligibility as follows:

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

14
15 The CHWM for a New Public forming ~~partially~~ from an Existing Public and another entity will
16 be the sum of the CHWM calculated using section 4.1.6.1 for the load amount acquired from the
17 Existing Public and this section 4.1.6.2 for the remainder of its load. A New Public's CHWM
18 amount acquired during its initial Rate Period, exclusive of CHWM from an Existing Public, will
19 be the portion of its Potential CHWM Eligibility to which the New Public is ultimately entitled
20 after the application of the 250 aMW limit described in section 4.1.6, together with the Rate
21 Period limitation and phase-in provisions described in sections 4.1.6.3 through 4.1.6.5
22 (collectively, the "New CHWM Cap and Phase-in Provisions").

23
24 If none of the New CHWM Cap and Phase-in Provisions applies, then the New Public's CHWM
25 will be equal to its Potential CHWM Eligibility, as of the date the Potential CHWM Eligibility is
26 established.

1
2 If the New Public is, or may be, subject to any of the New CHWM Cap and Phase-in Provisions,
3 then the New Public's CHWM in each Rate Period will be the amount of its Potential CHWM
4 Eligibility that remains after the application of the New CHWM Cap and Phase-in Provisions in
5 each Rate Period (except to the extent it may later be increased by application of the load growth
6 exception for New Tribal Utilities in section 4.1.6.4).

7 8 **4.1.6.3 Rate Case CHWM Limit for New Publics**

9 Additional CHWM for New Publics (~~CHWM for New Publics formed out of another entity~~),
10 including New Tribal Utilities, is limited to 50 aMW for each Rate Period, except for amounts
11 provided under the exceptions for small New Publics and New Tribal Utilities described below.
12 If total amounts of Potential CHWM Eligibility exceed the 50 aMW Rate Period limit, BPA will
13 phase in such CHWM for New Publics by proportionally reducing CHWMs for New Publics so
14 that the total increase in CHWMs for each Rate Period is capped at 50 aMW. If requests for
15 CHWMs from New Publics, including New Tribal Utilities, exceed the remaining amount of the
16 250 aMW aggregate limit, each new request for CHWM will be proportionately reduced such
17 that the sum of the new requests equals the amount of the remaining 250 aMW aggregate limit
18 for New Publics.

19 20 **4.1.6.3.1 Exceptions to Rate Period CHWM Limit**

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

- 23 1) If requests for CHWM by New Publics exceed the 50 aMW Rate Period limit, BPA
24 will provide additional CHWM for New Publics whose Potential CHWM Eligibility is
25 less than 10 aMW and that otherwise would have had their requests adjusted
26 downward. BPA will provide these utilities with the additional CHWM needed to

1 make up the difference between their prorated “phase-in” CHWM amount and their
2 Potential CHWM Eligibility. These additional amounts will exceed the 50 aMW Rate
3 Period limit. This exception is limited for the duration of this TRM to the first five
4 requesting utilities that meet the size threshold and that would otherwise have had their
5 CHWM prorated downward due to application of the 50 aMW Rate Period limit.

- 6 2) New Tribal Utilities that already have a CHWM may have their CHWM increased to
7 account for load growth or load they annex, as described in section 4.1.6.4. This
8 includes load that a New Tribal Utility acquires when it is formed, if the load has never
9 been served by any other utility. Any CHWM amounts provided for this purpose
10 would not be subject to the 50 aMW Rate Period limit. Correspondingly, the initial
11 CHWM amount provided to a New Tribal Utility does not count toward the 40 aMW
12 limit for load growth, as described below.

13
14 **4.1.6.4 Rate Period Limit for CHWMs for New Tribal Utility Load Growth**

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

22
23 **4.1.6.5 Phasing In CHWM Amounts for New Publics**

24 When competing requests for CHWMs by New Publics exceed the 50 aMW Rate Period limit,
25 each New Public that has requested CHWM for the Rate Period (each, a Competing New Public)

1 will have the amount of its request for CHWM phased in over subsequent Rate Periods (Phase-in
2 Amount). The phase-in process will be implemented as follows:

3
4 **Step 1.** After allocating the smaller of a utility's Potential CHWM Eligibility or 10 aMW to
5 each Competing New Public, each Competing New Public will have 33.3 percent of the next
6 24 aMW of its Phase-in Amount allocated across Rate Periods starting with the Rate Period for
7 which the Competing New Public gives its initial CHWM notice and in each of the succeeding
8 two Rate Periods. Twenty percent of any remaining Phase-in Amount will be phased in starting
9 with the Rate Period for which the Competing New Public gives its initial CHWM notice, and
10 continuing in each of the succeeding four Rate Periods.

11
12 **Step 2.** If, after completing Step 1, the combined requests for CHWMs for all Competing New
13 Publics are greater than 50 aMW, then the Competing New Publics' Phase-in Amounts may be
14 subject to further reduction on a proportional basis for each Rate Period due to the application of
15 the 50 aMW Rate Period limit discussed in section 4.1.6.3. This would be implemented by
16 reducing the Phase-in Amount of all Competing New Publics by a scaling factor, of which the
17 numerator will be 50 and the denominator will be the total of the Phase-in Amounts established
18 for the Rate Period for all Competing New Publics. Although the calculation of this scaling
19 factor takes into account the Potential CHWM Eligibility for New Publics with Potential CHWM
20 Eligibility ~~at or~~ below 10 aMW, the CHWMs for such New Publics will be established pursuant
21 to section 4.1.6.3.1, paragraph 1.

22
23 If, after completing Step 1, the combined Potential CHWM Eligibility for all Competing New
24 Publics totals less than 50 aMW, then the amounts allowed to be phased in for Competing New
25 Publics will be proportionately increased until the 50 aMW limit is reached for that Rate Period.
26 The amount of any increase allowed to a Competing New Public by operation of this provision
27 will reduce Phase-in Amounts that would have otherwise been carried into future Rate Periods,

1 beginning with the Phase-in Amounts that would have been permitted last (i.e., during the fourth
2 Rate Period following the initial request for service at Tier 1 Rates).

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

9
10 **4.1.7 Calculating CHWM for a Joint Operating Entity (JOE)**

11 The CHWM for a JOE will be calculated by summing the CHWMs of its individual utility
12 members. The CHWMs for the individual utility members will be calculated in accordance with
13 the provisions in sections 4.1 through 4.1.6.5 of this TRM.

14
15 **4.2 Rate Period High Water Mark**

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

21
22 During the first Rate Period (FY 2012-2013), BPA will use the CHWM. In the event BPA does
23 not have a finalized CHWM for a customer due to an ongoing dispute over its determination,
24 BPA will use its most recent determination of the CHWM for such customer, until such time as
25 the CHWM dispute process has been concluded. At the conclusion of the dispute process, BPA
26 will adjust the customer's CHWM consistent with the results of the dispute process as practical.

1 given the timing of the decision. ~~for the best available alternative if CHWMs have not yet been~~
 2 ~~finalized, as the RHWM~~ **BPA is composing a replacement sentence if final CHWM is**
 3 **delayed due to 13.10 process**. -As set forth in section 4.3.2, for the first Rate Period (FY 2012-
 4 2013), the Transition Period method will be used for determining Above-RHWM Load.

5
 6 If RHWM Augmentation has been reduced to zero pursuant to section 3.2.1, any remaining
 7 forecast increase in the Tier 1 System Firm Critical Output will result in increased RHWMs. If
 8 RHWM Augmentation has been increased to the maximum allowed pursuant to section 3.2.1,
 9 further forecast decreases of the Tier 1 System Firm Critical Output will result in decreased
 10 RHWMs.

12 4.2.1 RHWM Calculation

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

$$15 \quad RHWM = \frac{CHWM}{\sum CHWM} \times RTISC$$

16 ~~["R" was added to "TISC" above, but I could not redline it for some reason.]~~

17 where:

18 $RHWM$ = Rate Period High Water Mark, expressed in average megawatts

19 $CHWM$ = Contract High Water Mark

20 $\Sigma CHWM$ = sum of all ~~customers~~ Publics' Contract High Water Marks, including
 21 those for Public~~customers~~ without a CHWM Contract

22 $RTISC$ = forecast RHWM Tier 1 System Capability, averaged for the Rate Period

23
 24 The RHWM Process for a JOE will be performed on an individual member basis and will use the
 25 CHWMs of the individual members rather than a single CHWM for the JOE.

1 **4.2.2 RHW M Timing and Transparency**

2 The RHW M is an input to the 7(i) Process and will be developed by BPA through the separate
3 RHW M Process prior to each 7(i) Process. See Table 4.1.

4
5 Consistent with section 13.10, BPA will publish the RHW M for each customer, including the
6 determination of the ~~available~~ RHW M Tier 1 System Capability, including the Tier 1 System
7 Firm Critical Output study, for the upcoming Rate Period, on its website. A public comment
8 period and publicly noticed meeting will follow publication of the RHW Ms, during which BPA
9 will respond to reasonable information requests. BPA will then work with customers to resolve
10 any issues raised by the comments. Following the close of comment, BPA will republish the
11 RHW Ms, reflecting any updates or changes. The republished RHW Ms may be revised pursuant
12 to section -13.10.

13
14 **4.3 Determination of Above-RHW M Loads**

15 In the RHW M Process, BPA will calculate each customer’s Above-RHW M Load for each year
16 of the applicable Rate Period by subtracting its RHW M from the difference between 1) its
17 forecast TRL less NLSLs and 2) its Existing Resources ~~for CHW M~~. For the Transition Period,
18 Above-RHW M Loads will be established as described in section 4.3.2.2 below.

19
20 If a customer’s annual Above-RHW M Load is forecast to be equal to or greater than
21 8,760 MWh, the customer will be required to arrange service for its entire Above-RHW M Load
22 with purchases at Tier 2 Rates, Non-Federal Resources, or a combination of the two. Amounts
23 less than 8,760 MWh may be served with Non-Federal Resources, consistent with the notice
24 provisions of the CHW M Contract. -If a Load Following customer’s annual Above-RHW M
25 Load not served with Non-Federal Resources is forecast to be less than 8,760 MWh, the Above-
26 RHW M 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:

$THWM =$

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

1 where:

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

3 *2010 forecast TRL₂₀₀₉* = 2009 BPA forecast of a customer's Total Retail Load for

4 FY 2010, less NLSLs

5 *ExistingResources2010-nonFederal-resources₂₀₀₈* = Existing Resources for

6 CHWM; see section 4.1.2

7 *Average of 2012, 2013 TISC₂₀₀₉* = 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
$$\textit{Above-RHWM Load} = [(\textit{2012, 2013, 2014 forecastTRL}_{2009}) - \textit{ExistingResources} -$$

23
$$\textit{THWM}]$$

24 where:

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

1 *2012, 2013, 2014 forecast TRL₂₀₀₉* = FY 2009 BPA forecast of a customer's Total

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

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

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

5
6 The Transition Period Above-RHWM Load for the JOE will be the sum of the Transition Period

7 Above-RHWM amounts for each individual member.

8

5 TIER 1 RATE DESIGN

The Tier 1 ~~r~~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, for that Fiscal Year rather than using 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 estimate 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 updated estimate 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

1 TOCA. A customer and BPA may agree to change a TOCA for a difference of less than 20
2 percent.

3
4 The TOCA for the JOE will be the sum of the TOCAs of each individual member as calculated
5 in the applicable 7(i) Process.

6
7 **5.1.2 Non-Slice TOCA**

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

10
11 The Non-Slice TOCA for the Block Product purchased by Slice/Block customers is defined as
12 the customer's annual TOCA (as defined in section 5.1.1) minus its Slice Percentage. Expressed
13 as a formula, the Non-Slice TOCA for athe Block Product purchased by a Slice/Block customer
14 is calculated as follows:

15
16
$$NonSliceTOCA = TOCA - Slice\%$$

17 where:

18 $NonSliceTOCA$ = annual TOCA for a customer's Slice/Block purchase

19 $TOCA$ = customer's Tier 1 Cost Allocator

20 $Slice\%$ = customer's Slice Percentage, also equal to its Slice TOCA

21
22 The Non-Slice TOCA for a JOE will be the sum of the Non-Slice TOCAs of each individual
23 member as calculated in the applicable 7(i) Process.

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 PF Preference Rate from 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.

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

~~Daniel is fixing Σ TOCA in these equations because it is not meant to be a percentage.~~

where:

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

CompositeCost = total of costs and credits in the Composite Cost Pool allocated to PF Preference Rates

$\sum TOCA$ = 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 to customers purchasing for Load Following and Block pProducts, ~~including the Block portion of the Slice/Block product.~~ The Non-Slice Customer Rate will collect all costs allocated to PF Preference Rates from 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.

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

[Daniel is fixing Σ TOCA in these equations because it is not meant to be a percentage.]

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 allocated to
the PF Preference rates

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

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

where:

SliceRate = monthly rate expressed in dollars per one percentage point of Slice
Percentage

SliceCost = total of costs and credits in the Slice Cost Pool

$\sum SPercent$ = sum of Slice Percentages as forecast in each 7(i) Process

5.1.6 Shaping of Customer Charges during Fiscal Year

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

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

5.2 Load Shaping Charge

The Load Shaping Charge is designed to recover costs associated with shaping the Tier 1 System Capability to the Monthly/Diurnal shape of a customer's Actual Tier 1 Load. BPA will apply this charge to purchases of Block ~~(including the Block portion of the Slice/Block product)~~ and

1 Load Following products. BPA will not apply the Load Shaping Charge to purchases of the
2 Slice portion of the Slice/Block product. In the 7(i) Process for each Rate Period, BPA will
3 forecast revenues from the Load Shaping Charge for inclusion as a credit to the Non-Slice Cost
4 Pool.

5
6 **5.2.1 Load Shaping Billing Determinants**

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

8 In the 7(i) Process for each Rate Period, BPA's first step in calculating the Load Shaping Billing
9 Determinants will be to distribute the RHWMTier 1 System Capability determined in the
10 RHWMTier 1 Process to each diurnal Heavy Load Hour (HLH) and Light Load Hour (LLH) period in
11 each month of each Fiscal Year of the Rate Period (yielding 24 Monthly/Diurnal energy values
12 for each Fiscal Year). Once established, these 24 Monthly/Diurnal values for each Fiscal Year
13 will not be modified for the duration of the Rate Period.

14
15 For the second step, BPA will multiply the customer's annual TOCA by the 24 Monthly/Diurnal
16 values from the first step to calculate the customer's System Shaped Load. Each customer's
17 System Shaped Load represents the amount of energy the customer would receive in each
18 Monthly/Diurnal period if its TOCA Load was in the shape of the RHWMTier 1 System
19 Capability. Each customer's System Shaped Load will be calculated as follows:

1
$$\text{SystemShapedLoad}_i = \text{RTISC}_i \times \text{TOCA}$$

2 where:

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

4 SystemShapedLoad = a customer's Forecast Tier 1 Load distributed to the 24
5 Monthly/Diurnal periods in the shape of the RHWMTier 1 System
6 Capability for each Fiscal Year of the Rate Period

7 RTISC = RHWMTier 1 System Capability for each of the 24 Monthly/Diurnal
8 periods for each Fiscal Year of the Rate Period, expressed in
9 kilowatthours, as determined in the RHWMTier 1 Process

10 TOCA = a customer's TOCA, or Non-Slice TOCA for Slice/Block product
11 purchasers, for each Fiscal Year

12
13 The Load Shaping Billing Determinants for the JOE will be the aggregate loads of the JOE's
14 member utilities and the aggregated System Shaped Load of these utilities rather than calculating
15 it on an individual utility basis.

17 **5.2.1.2 Calculation of Billing Determinants**

18 In the third step, BPA will calculate the Monthly/Diurnal Load Shaping Billing Determinants by
19 subtracting the customer's System Shaped Load from its Actual Tier 1 Load for each
20 Monthly/Diurnal period.

22 **5.2.2 Load Shaping Rates**

23 BPA will establish the Load Shaping Rates in each 7(i) Process. The Load Shaping Rates, one
24 for each of the 24 Monthly/Diurnal periods for each Fiscal Year, will be BPA's forecast of the
25 market price for each Monthly/Diurnal period during that Rate Period. Such market prices are
26 currently calculated using an hourly deterministic model holding the expected natural gas price

1 and the expected load forecast constant, while assuming average hydroelectric conditions. The
2 specific methodology used in each Rate Period will be established in each 7(i) Process.

3
4
5 **5.2.3 Calculating the Load Shaping Charges**

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

13
14 **5.2.4 True-Up of Load Shaping Charge for Load Following Customers**

15 BPA will calculate the Load Shaping Charge True-Up only for Load Following customers. The
16 purpose for the Load Shaping Charge True-Up is to avoid charging or crediting the market-based
17 Load Shaping Rate for energy within the customer's RHWM. BPA will apply the Load Shaping
18 Charge True-Up only when a Load Following customer's TOCA Load or Actual Annual Tier 1
19 Load is less than its RHWM. Forecast market prices, used to set the Load Shaping Rates, will
20 not be trued-up to actual market prices.

21
22 The Load Shaping Charge True-Up for the JOE will be the sum of the calculations on an
23 individual member basis, using the values calculated in the RHWM Process for the individual
24 utilities and the Actual Annual Tier 1 Load for the individual utilities.

~~BPA will add something to clarify that BPA's forecast of market prices will not be true up to actuals, only amounts of power will be trued up]~~

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:

$$AnnualDeviation = ActualLoad - [TOCALoad]$$

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

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

~~*RTISC* = RHWM Tier 1 System Capability~~

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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 RHWL 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:

$$\textit{AboveForecast} = [\textit{RHWL} \times 1,000 \times \textit{hours}] - [\textit{TOCALoad}]$$

where:

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

RHWL = 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)

~~$\textit{TOCALoad} = \textit{TOCA Load} - \frac{\textit{TOCA} - \textit{customer's Tier 1 Cost Allocator}}{\textit{RTISC} - \textit{RHWL Tier 1 System Capability}}$~~

~~$\textit{RTISC} = \textit{RHWL Tier 1 System Capability}$~~

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

$$\textit{AboveRHW}M = \textit{Forecast Net Requirement} - [\textit{RHW}M \times 1,000 \times \textit{hours}]$$

where:

*AboveRHW*M = amount of Above-RHW Load (expressed in kilowatthours) for a customer

Forecast Net Requirement = customer's Forecast Net Requirement

*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)

If *AboveRHW*M is equal to or greater than the absolute value of *AnnualDeviation*, then no Load Shaping Charge True-Up is needed. If *AboveRHW*M is positive, but less than the absolute value of *AnnualDeviation*, then BPA will charge the customer the absolute value of *AnnualDeviation* minus *AboveRHW*M, multiplied by the Load Shaping True-up Rate. If *AboveRHW*M is negative, then BPA will charge the customer the absolute value of *AnnualDeviation* multiplied by the Load Shaping True-up Rate.

5.2.4.2 Load Shaping Charge True-up Rate

BPA will determine the Load Shaping Charge True-up Rate in each 7(i) Process as the difference between 1) the system weighted average of the Load Shaping Rates (expressed in dollars per

Section 5

1 megawatthour) for each Fiscal Year of the Rate Period and 2) the Composite Customer Rate plus
2 the Non-Slice Customer Rate, converted to dollars per megawatthour.

3
4 Four equations are used to calculate the Load Shaping Charge True-up Rate. The first step
5 (equation *MktR*) calculates a forecast market value of the Forecast Tier 1 Loads of Load
6 Following and Block purchases for the Rate Period, including the Block portion of the
7 Slice/Block product. The second step (equations *BLFRnDLS* and *BLFRnD*) calculates the
8 forecast Customer Charge and Load Shaping revenue received from Load Following and Block
9 purchases for the Rate Period, including the Block portion of the Slice/Block product. The third
10 step (numerator in equation *LSTUR*) computes the difference between the forecast market value
11 and the forecast Customer Charge plus Load Shaping revenue. The fourth step (denominator in
12 equation *LSTUR*) divides this differential by the sum of the Forecast Tier 1 Load of Load
13 Following and Block purchases for the Rate Period, ~~including the Block portion of the~~
14 ~~Slice/Block product,~~ in megawatthours, yielding a dollars per megawatthour discount from the
15 market, which is the Load Shaping Charge True-up Rate.

16
17 **Step 1.** Equation *MktR* calculates a forecast of revenues received by BPA during the Rate Period
18 assuming the Load Shaping Rates were applied to the corresponding Forecast Tier 1 Loads for
19 Load Following and Block ~~(including the Block portion of the Slice/Block product)~~. The
20 revenue calculated in *MktR* is enough to meet the Forecast Tier 1 Loads for Load Following,
21 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

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

$LoadShapingRate$ = Load Shaping Rates (expressed in dollars per megawatt-hour);

see section 5.2.2

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

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

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

where:

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

from the Composite and Non-Slice Customer Charges from Load

Following and Block purchases (~~including the Block portion of the Slice/Block product~~)

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

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

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

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

$$BLFRnD = BLFRnDLS + LoadShaping$$

where:

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

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

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

1
2 **Step 4.** Equation *LSTUR* calculates the Load Shaping True-up Rate, which is the dollar per
3 megawatthour difference (~~discount Tier 1 Rates are from market~~) between the Tier 1 Rate and
4 the forecast market rates.

$$5 \quad LSTUR = \frac{[MktR - BLFRnD]}{\sum FTIEBD}$$

7 where:

8 *LSTUR* = Load Shaping True-up Rate, expressed in dollars per megawatthour

9 *MktR* = Forecast of revenue that would be received by BPA during the Rate

10 Period if the Load Shaping Rates were applied to the corresponding

11 Forecast Tier 1 Loads for Load Following and Block purchases (~~including~~

12 ~~the Block portion of the Slice/Block product~~)

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

14 *FTIL* = Forecast Tier 1 Load for the Rate Period for Load Following ~~and~~, Block,

15 ~~and the Block portion of the Slice/Block product~~

17 **5.3 Demand Charge**

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

22 **5.3.1 Demand Charge Billing Determinant**

23 BPA will use four quantities in calculating a customer's Demand Charge Billing Determinant (or
24 billing demand): 1) the Customer's System Peak ~~on BPA~~ (CSP), 2) the customer's average
25 Heavy Load Hour energy purchase each month (aHLH), 3) the customer-specific CDQ, and

1 4) the amount of Super Peak Credit. The following formula will be used to calculate a
2 customer's monthly Demand Charge Billing Determinant:

$$3 \text{ BillingDemand} = \max(0, \text{CSP} - \text{aHLH} - \text{CDQ} - \text{SuperPeak})$$

4 where:

5 *BillingDemand* = Demand Billing Determinant, expressed in kilowatts

6 *CSP* = Customer System Peak, ~~which is the customer's maximum hourly Tier 1~~
7 ~~Load placed on BPA during the Heavy Load Hours of each month plus the~~
8 ~~Super Peak Credit, but only if the CSP occurs during the Super Peak~~
9 ~~Period~~

10 *aHLH* = ~~actual~~ average ~~Actual~~hourly Tier 1 Load (expressed in average kilowatts)
11 ~~served/purchased~~ during the Heavy Load Hours of each month

12 *CDQ* = Contract Demand Quantity (expressed in kilowatts)

13 *SuperPeak* = Super Peak Credit (expressed in kilowatts)

14
15
16 For a JOE, the calculation of the Demand Charge Billing Determinant will use the aggregate data
17 of the individual utility members.

18 19 **5.3.2 Customer System Peak**

20 The Customer System Peak is the customer's ~~maximum Actual Hourly~~single highest Heavy
21 ~~Load Hour~~ Tier 1 Load ~~hourly purchased from BPA~~ during the Heavy Load Hours of each
22 month.

23 ~~When the customer qualifies for the Super Peak Credit and the CSP occurs during the Super~~
24 ~~Peak Period, the measured CSP already reflects the reduction of the Super Peak Credit. Under~~
25 ~~such circumstances it is necessary to add the amount of the Super Peak Credit to the measured~~

1 ~~CSP in order to avoid double-counting the Super Peak Credit, the Credit is subtracted later in the~~
2 ~~formula.~~

4 **5.3.3 ~~Actual~~ Average Actual Hourly Tier 1 Load in Heavy Load Hours**

5 The ~~actual~~ average ~~hourly~~ Actual Tier 1 Load during Heavy Load Hours (aHLH) is the monthly
6 Actual Tier 1 Load in Heavy Load Hours, expressed in kilowatthours, divided by the number
7 amount of Heavy Load Hours in that particular month. The resulting aHLH amount, expressed
8 in average kilowatts, is subtracted from CSP in the calculation of the Demand Charge Billing
9 Determinant, because the cost of demand associated with this amount of diurnally flat energy is
10 inherent in a market-priced block of such energy.

12 **5.3.4 Super Peak Credit**

13 A Load Following customer can qualify for a Super Peak Credit to its CSP by contractually
14 committing a Non-Federal Resource to serve its TRL for the Rate Period and shaping into the
15 Super Peak Period as defined by BPA. The Super Peak Period, which may vary by month, will
16 be either two three-hour periods each day or a single six-hour period each day, all as determined
17 by BPA prior to each 7(i) Process. The reduction to the CSP for the Super Peak Credit is equal
18 to the amount of additional energy capacity the customer contractually commits to provide from
19 its a Non-Federal Resources during each hour of the Super Peak Period compared to the amount
20 of capacity of energy that would be provided if the same amount of energy was provided flat
21 within the monthly Heavy Load Hour period. This reduction will be applied regardless of when
22 the customer's actual CSP occurs. The total Demand Charge Billing Determinant cannot be
23 reduced below zero for any reason.

1 **5.3.5 Contract Demand Quantity**

2 The CDQ is a quantity of demand that is subtracted from a customer's CSP as part of the process
3 of determining the Demand Charge Billing Determinant. For all customers, BPA will calculate
4 12 CDQs, one for each month. Each customer's CDQs will be derived from the weighted
5 average of each customer's FY 2005-2007 monthly HLH load factors applied to the customer's
6 average adjusted Measured FY 2010 Load for monthly ~~average Heavy Load Hours~~ less the HLH
7 Existing Resources for CHWM amounts for the corresponding months for Fiscal Year 2012 as
8 set forth in Exhibit A of the customer's CHWM Contract on September 30, 2009. The
9 determination of CDQs will be performed concurrent with CHWM determinations, and the
10 CDQs will be included in the CHWM Contracts at the same time as the CHWM. Because CDQs
11 cannot be determined until late in FY 2011, BPA may use a forecast of CDQ for each customer
12 for setting rates in the WP-12 7(i) Process. The actual CDQs determined in accordance with
13 section 5.3.5.2 or 5.3.5.3 will be used for billing during FYs 2012-2013 and in all subsequent
14 Rate Periods.

15
16 The 12 CDQs for a JOE will be calculated as described above using the aggregate loads of the
17 individual members of the JOE.

18
19 **5.3.5.1 Calculation of the Historical (FY 2005-2007) Load Factor**

20 The first step in determining the CDQs for each customer is the calculation of the HLH load
21 factor for each customer for each month of the year using FY 2005, 2006, and 2007 load data.
22 The aHLH energy amounts for each month in FY 2005, 2006, and 2007 will be calculated using
23 the metered HLH TRL for the month less the HLH Existing Resources for CHWM amounts for
24 the corresponding months for Fiscal Year 2012 as set forth in Exhibit A of the customer's
25 CHWM Contract on the effective date of the CHWM contract. The CSP for each month will be
26 the highest hourly TRL amount during HLH in the month less the same respective Existing
27 Resources for CHWM amounts in average HLH form.

1
2 The Contract CSP for each month will be calculated by averaging the same-month CSPs for
3 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
4 aHLH energy for each month will be calculated by averaging the same-month aHLH energy for
5 each of FYs 2005, 2006, and 2007. To calculate the HLH load factor for each month, BPA will
6 divide the Contract aHLH by the Contract CSP for each respective month. BPA will take into
7 account anomalies such as recovery peaks when calculating a customer's HLH load factor (a
8 recovery peak may occur after a significant interruption of electric service to a customer as an
9 unusually large use of energy measured for the first hour immediately following return to
10 service).

11
12 BPA will adjust the HLH load factor of each customer by dividing its HLH load factor by
13 91 percent. The adjusted HLH load factor will be limited so as not to exceed 100 percent.

14 15 **5.3.5.2 Calculating CDQs**

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

Section 5

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

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, calculated pursuant to as described in section 5.3.5.1

Before the CDQs are finalized, BPA will determine whether the Demand Charge Billing Determinant for any Customer 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, is equal to zero or will equal or exceed 25200 percenttwo times of the average of all Customers' Demand Charge Billing Determinants as a percentage of their CSP for such montha customer's CSP. If so, BPA will determine 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. If BPA concludes that the calculated Demand Charge Billing Determinant is not an anomaly and is likely to recur, then BPA will adjust the CDQ for such month as follows. If the initially calculated CDQ produced a calculated Demand Charge Billing Determinant that exceeds 200 percent of two times the average of all Customers' Demand Charge Billing Determinants as a percentage of their CSPs for such month, then BPA will establish the CDQ for such month for such Customer so that the calculated Demand Charge

1 Billing Determinant equals 200 percent of two times the average of all Customers' Demand
2 Charge Billing Determinants as a percentage of their CSPs for such month. If the initially
3 calculated CDQ produced a calculated Demand Charge Billing Determinant equal to zero
4 percent of the Customer's CSP for such month, BPA will establish the CDQ for such month at
5 the highest number that will produce a calculated Demand Charge Billing Determinant of zero.
6 That is, BPA will remove excess CDQ headroom only without establishing the CDQ so as to
7 expose the Customer to a Demand Charge in such month.¶

8
9
10 ~~Conversely, if the determined percentage of the customer's CSP computed consistent with this~~
11 ~~section 5.3.5.2 is equal to zero, BPA may modify the adjusted HLH load factor for such month,~~
12 ~~pursuant to section 5.3.5.1, with application of a number larger than 91 percent. In determining~~
13 ~~whether to recalculate the adjusted HLH load factor, BPA will give consideration to whether~~
14 ~~1) there was a discrete event that caused the reduced size of the Demand Charge Billing~~
15 ~~Determinant and 2) the size of the Billing Determinant is likely to recur in the future. In these~~
16 ~~circumstances, the objective will be to remove excess CDQ headroom and not to reduce the~~
17 ~~CDQ, so as to place the customer back on the margin for the cost of capacity.~~

19 **5.3.5.3 Calculating New Publics' CDQs**

20 A New Public that forms out of all or part of the TRL of an Existing Public will receive a share
21 of the Existing Public's CDQ. Such an assignment will be based on the forecast new load
22 profiles of the New Public and Existing Public, and will be proportionate to the share (measured
23 in kilowatts) of the forecast monthly CSP of the Existing Public that is transferred to the New
24 Public, net of any Non-Federal Existing Resources for CHWM that are either transferred to the
25 New Public by the Existing Public ~~or are dedicated by the New Public to serve its TRL.~~

1 The CDQ for New Publics that are formed from another entity other than an Existing Public will
2 be calculated with the average of all Existing Publics' monthly adjusted Heavy Load Hour load
3 factors as described above and the monthly forecast aHLH energy as determined for calculating
4 the New Public's CHWM. BPA may adjust such CDQs to be more reflective of similarly
5 situated utilities, taking into account such factors as geographic location, Non-Federal Resources,
6 and the nature of the ~~retail load~~ Total Retail Load. When New Publics' CHWMs are phased in
7 as described in section 4.1.6.5, the CDQ will change each Rate Period until the CHWM phase-in
8 process has concluded.

9
10 **5.3.6 Demand Rate**

11 BPA will base the Demand Rate on the annual fixed costs (capital and O&M) of the marginal
12 capacity resource as determined in each 7(i) Process. BPA will identify the marginal capacity
13 resource and the annual fixed costs associated with that resource for each Rate Period. To
14 determine the Demand Rates, BPA will spread such annual fixed costs to months in proportion to
15 the monthly Heavy Load Hour energy prices used to set the Load Shaping Rates. Such marginal
16 capacity resource may be based on BPA's Resource Program and/or costs of BPA's recent
17 capacity additions, or on third-party sources, which may include, but are not limited to, the
18 Energy Information Administration, EPRI Technical Assessment Guide, the Northwest Power
19 and Conservation Council, and Integrated Resource Plans of Pacific Northwest electric utilities.
20 The shape of the Demand Rate may be subject to a dampening methodology proposed in each
21 7(i) Process if there proves to be significant volatility in the shape of the Demand Rate from Rate
22 Period to Rate Period. Alternatively, BPA may base the Demand Rate on the market price for
23 capacity if a viable capacity market develops in the Pacific Northwest.

5.4 Other Tier 1 Charges

BPA will limit Tier 1 Rates and Charges to those detailed in this section 5; ~~these may include rates for product switching, as needed, as developed in the applicable 7(i) Process.~~ These limitations pertain to the core charges of the PF rate design, which include Customer Charges, Load Shaping Charge, and Demand Charge, and do not encompass other adjustments, charges, and special rate provisions (e.g., targeted adjustment charges, unauthorized increase charges, conservation credits or surcharges), or any other charges allowed under section 12.5. These limitations do not include rate adjustments due to risk mitigation (e.g., application of a CRAC), new or modified risk mitigation tools, or mid-Rate Period rate adjustments for cost recovery purposes. In addition, BPA may also, without revising the TRM, impose separate rates for product switching, which will be developed as needed in the applicable 7(i) Process. If, notwithstanding the limitations expressed here, BPA or a party in a 7(i) Process wishes to institute a new rate or charge, it may propose a revision to this TRM to reflect such new rate or charge in accordance with the provisions in sections 12 and 13.

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 ~~allocated~~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 transferred Renewable Energy Certificates (RECs), ~~or the revenue from the remarketed RECs~~ that BPA has determined are associated with the resources whose costs are allocated to the Tier 2 Cost Pool for such rate ~~as determined in a 7(i) Process. 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 based on customers' elections
13 BPA will establish quantities of power that will be sold at the Tier 2 Short-Term rate
14 and/or Tier 2 Load Growth rate for each Fiscal Year of the Rate Period. For the first Rate
15 Period (FY 2012-2013), ~~customers will establish~~ such quantities will be established by
16 November 1, 2009, based on the THWM.
- 17 2) Block and Slice/Block customers purchasing at the Tier 2 Short-Term rate will specify
18 the quantity to be purchased for each year of the purchase period by the notice deadline,
19 as described in section 4.3.1.
- 20 3) Block, Slice/Block, and Load Following customers purchasing at a Tier 2 Vintage rate, if
21 offered, will establish purchase quantities for each year the rate is offered, in accordance
22 with the terms of the Vintage rate offering, at the time they select a particular Tier 2
23 Vintage rate.

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.

5
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 ratescharges are
27 the same as those that would be applied to a customer’s purchase of a non-dispatchable Non-

1 Federal Resource to convert the resource delivery to the financial equivalent of a flat annual
2 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.

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 ~~compensate~~offset the Composite Cost Pool for the costs of providing
10 the service, which BPA expects would be comparable to and will be based on typical electricity
11 broker fees. The costs resulting from the application of the adder will be added to each Tier 2
12 Cost Pool. The revenues resulting from allocating the adder to Tier 2 Cost Pools will be credited
13 to the Composite Cost Pool.

15 **6.4 Remarketing of Tier 2 Amounts**

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

21 **6.4.1 Calculating the Remarketed Tier 2 Rate Proceeds**

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

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

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

14
15
16 **6.5 Converting-Transferring to a Tier 2 Vintage Rate Alternative or Modifying a**
17 **Tier 2 Load Growth or Short-Term Purchase**

18 BPA will determine in the applicable 7(i) Process whether any rates or charges should be applied
19 to a customer transferring from the Tier 2 Short-Term rate service to a Tier 2 Vintage rate
20 service so that the rates or charges mitigate cost shifts to other customers. See Attachment F for
21 an example of a Tier 2 Vintage Rate. Similarly, BPA will determine in the applicable 7(i)
22 Process whether any rates or charges should be applied to customers exercising their contract
23 right to modify their Load Growth Rate Purchase or reduce their Short-Term Rate Purchase
24 outside of the standard notice deadlines and purchase periods in order to apply Non-Federal
25 Resources to serve their load. The purpose of these rates or charges would be to mitigate cost
26 shifts to other customers.
27

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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 exclude
9 the larger customers requesting the SRP, accepting as many smaller customers as can be
10 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
23 To calculate the SRP Customer Rate, BPA will estimate revenues to be recovered from the SRP
24 participants by ~~combining-determining~~ the forecast Rate Period revenues associated with each
25 SRP participants under the Composite Customer Rate, the Non-Slice Customer Rate, and the
26 Tier 2 Load Growth rate, ~~s-~~umming these revenues for all participants, and dividing the sum by
27 100. The resulting value yields the SRP Customer Rate in the form of a dollar per one

1 ~~percentage point of SRCA. Dividing these forecast revenues by 100 yields the SRP Customer~~
2 ~~Rate in the form of a dollar per one percentage point of SRCA.~~ Each SRP participant will pay
3 this rate multiplied by its SRCA. The SRCA will be expressed as a percentage on the customer
4 bill, similar to the TOCA.

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

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

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

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

22
23 The Low Density Discount (LDD; see section 10.2) and Irrigation Rate Mitigation (IRM; see
24 section 10.3) may need to be applied differently for eligible customers that participate in the SRP
25 to ensure that they receive comparable treatment to those LDD/IRM-eligible customers that are
26 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 AND RESOURCE SHAPING CHARGE

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~~ ~~and~~ SCS₂ as 5(b) services and FORS and TCMS ~~will offered at rates established in the applicable 7(i) Process~~ as a-9(i) services under the Northwest Power Act ~~under rates established in the applicable 7(i) Process~~. BPA ~~will intends to offer in the CHWM Contract~~ comparable pricing methodology, terms, and conditions for ~~each of these services these services~~ for qualifying resources whether the purchaser is a Load Following, Block, or Slice/Block customer. RSS also is used to make ~~Federal resource 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.

1 **8.1 Diurnal Flattening Service**

2 Diurnal Flattening Service (DFS) makes a variable or intermittent resource, or that portion of the
3 resource that is variable or intermittent, financially equivalent to a resource that is flat within
4 each of the 24 Monthly/Diurnal periods of the year. Because the DFS is applied to only the
5 variable component of the resource(s), coverage of outages in the firm component is not
6 provided through the DFS. Forced Outage Reserve Services (described in section 8.2) isare
7 available for the firm component of a resource.

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

20 21 **8.2 Forced Outage Reserve Services (FORS)**

22 Forced Outage Reserve Services (FORS) isare the services that provides an agreed-to amount of
23 capacity and energy to load during the forced outages of a qualifying resource. BPA may, upon
24 request, also provide limited FORS for outages of related facilities~~other assets~~ that impact the
25 generation associated with a qualifying resource. BPA will decide in a future 7(i) Process
26 whether to offer FORS for such facilities~~other assets~~.

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

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

11 **8.3 Transmission Curtailment Management Service**

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

18 **8.4 Secondary Crediting Service**

19 Secondary Crediting Service provides Load Following customers that dedicate the entire output
20 of an Existing Resource (metered or scheduled hydro) with a credit for the amount of energy
21 produced by the resource in excess of its Firm Critical Output (either dispatchable or non-
22 dispatchable). Secondary Crediting is an optional service available to Load Following customers
23 only. This service will apply to resources for which secondary energy amounts are established.
24 A customer taking the Secondary Crediting Service will receive a credit against its PF rate
25 charges for the amount of secondary energy applied to its retail load in each month. The method
26 for establishing this credit (and any transaction costs) will be determined in the applicable

1 7(i) Process. In order to avoid double counting, only the Firm Critical Output as set forth in
2 Exhibit A of the customer's CHWM Contract will be considered for calculation of the Load
3 Shaping Charge. This ensures that the credit received for secondary energy will be captured only
4 once through the Secondary Crediting Service and not through the Load Shaping Charge as well.

6 **8.5 Resource Shaping Charge**

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

17
18 The Resource Shaping Rate will be equal to the Load Shaping Rate (see section 5.2). The
19 Billing Determinant for the Resource Shaping Charge will be the difference between a flat
20 annual block and the resource's forecast Monthly/Diurnal firm output (flat annual block minus
21 the resource's forecast firm output). This Resource Shaping Charge Billing Determinant may be
22 a positive or a negative number:

- 23 1) A resource forecast to produce less energy than the flat annual block during any of the
24 24 Monthly/Diurnal periods of the year will result in a positive Billing Determinant for
25 that period. When the Billing Determinant is applied to the Resource Shaping Rate, the
26 result is the Resource Shaping Charge. The Resource Shaping Charge will be BPA's

1 forecast market cost of purchasing power to make up the difference between the
2 diurnally flat energy amount and an equivalent diurnal amount that would correspond
3 to the flat annual block, based on the market price forecast used for the Load Shaping
4 Rates (see section 5.2.2).

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

13
14 In each 7(i) Process, BPA will calculate the Resource Shaping Charge for each resource(s) for
15 the Rate Period and bill it flat across all months during the Rate Period.

17 **8.5.1 Resource Shaping Charge Adjustment**

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

1

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.

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 [the](#)
10 [net](#) secondary revenue risk to Slice purchasers (by providing them with secondary energy instead
11 of a rate credit for anticipated [the net](#) secondary revenues) and the Slice True-Up (see section
12 2.7 for more information).

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, [consistent with this TRM](#).

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 The LDD benefit to the JOE will be equivalent to the sum of LDD benefits for all eligible
2 individual members of the JOE. BPA will determine the LDD for the JOE based on each such
3 individual utility member's LDD amount.

5 **10.2.1 Modified Definition of Consumers**

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

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

15
16 Security or safety lights, billed to a residential customer, will not be counted as an
17 additional consumer.

18
19 Seasonal consumers expected to resume service during the next seasonal period
20 will be counted during off-season periods as well.

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

27
28 Consumers for Public Street and Highway Lighting should be counted by the
29 number of billings, regardless of the number of lights per billing.

31 **10.2.2 Adapting the LDD to Tiered Rates**

32 Under tiered rates, the Tier 1 LDD for customers experiencing load growth will be adjusted in
33 order to provide an LDD benefit equivalent to what it would have been under melded rates, and
34 the cost of that benefit will be allocated to the Composite Cost Pool. The LDD will be based on
35 a customer's TRL, minus Existing Resources for CHWM and NLSLs. The base discount will be

determined using the adjusted TRL and the LDD Percentage Discount Table, as published in the applicable GRSPs. To reflect an increase or decrease in a customer's adjusted TRL, the percentage discount will be adjusted for application to the customer's bill. For example, if a customer is eligible for an LDD of 5 percent on its adjusted TRL, and its RHWM is 10 aMW and its Annual Net Requirement load 11 aMW, then the customer would have its LDD percentage adjusted upward to 5.5 percent. The 7 percent cap would also be adjusted upward by the same amount for affected customers. All other GRSP criteria to qualify for the LDD would be retained, as modified in section 10.2. The formula used to calculate the LDD percentage to be applied to the customer's bill during the Rate Period is:

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

where:

applicableLDD = LDD percentage to be applied to a customer's bill

eligibleLDD = LDD percentage indicated by the customer's eligibility factors

adjTRL = customer's Total Retail Load less output of Existing Resources [for](#)

[CHWMs and NLSLs](#)

RHWM = customer's Rate Period High Water Mark

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

10.2.3 Calculation of LDD for Slice

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

10.3 Irrigation Rate Mitigation

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

The IRMP benefit to the JOE will be calculated based on individual utility members and billed to the JOE and earmarked for each eligible utility.

In the applicable 7(i) Process, BPA will propose a fixed IRM percentage. The IRM percentage will be one minus the ratio of 1) the sum of the all Irrigation Rate Mitigation Product (IRMP) participants' estimated charges at the FPS rates paid under the Irrigation Rate Mitigation Product for FY 2009 to 2) the sum of the IRMP participants' estimated charges that would have occurred under May through August HLH and LLH PF energy rates for FY 2009 adjusted for any applicable discounts such as LDD (BPA estimates that the resulting IRM percentage will be approximately 30-34 percent). This percentage will be multiplied by the sum of the Slice and Non-Slice customer charges divided by the Tier 1 System Capability (expressed in MWh) to

1 derive a dollars per MWh discount. This discount will be seasonally available to qualifying
2 loads during May, June, July, August, and September.

3
4 The CHWM Contract will include a provision acknowledging the IRM as a rate adjustment, the
5 terms of which will be determined in 7(i) Processes and subject to BPA's GRSPs. The contracts
6 also will specify qualifying irrigation loads. The amount of the IRM discount to be applied to
7 qualifying irrigation loads for the relevant Rate Period will be determined in the applicable
8 7(i) Process. Any discount, if adopted by the Administrator, will be included in the applicable
9 GRSPs.

10
11 BPA will propose to include in the FY 2012 proposed GRSPs the following basis for IRM
12 eligibility. To qualify for the IRM discount, the customer must meet one of the following
13 criteria:

- 14 1) The customer must have participated in BPA's FY 1997-2001 Summer Seasonal
15 Product.
- 16 2) The customer must have participated in BPA's FY 2007-2011 Irrigation Rate
17 Mitigation Product.
- 18 3) At least 75 percent of the customer's Total Retail Load must be placed on BPA starting
19 October 1, 2011; the customer's irrigation rate schedule sales, May through September
20 in FY 2002-2004, divided by its TRL for FY 2002-2004, is at least 5 percent, or if less
21 than 5 percent, the average megawatthour use for May through September in FY 2002-
22 2004 (15 months/3 years) is 7,500 megawatthours or more.

23
24 Eligibility will be determined twice. The first time will be at the time the customer signs the
25 CHWM Contract in calendar year 2008 and will be for existing Irrigation Rate Mitigation
26 Product customers and qualifying Summer Seasonal Product customers. The second eligibility

1 determination will be made 90 calendar days after BPA issues the TRM ROD, for new eligible
2 customers. Their CHWM Contracts will be amended to reflect the eligible kilowatthour
3 amounts.

4
5 For a Slice/Block customer, BPA will apply the percentage reduction to the lesser of the
6 customer's qualifying irrigation load (in kilowatthours) specified in its CHWM Contract or the
7 sum of its monthly Block purchase at Tier 1 Rates plus the Slice Percentage of the monthly
8 Tier 1 System Capability. No other charges or billing determinants will be affected.

9
10 There will be a true-up process at the end of the May to September irrigation season to ensure
11 that the customer experienced the full amount of irrigation load stated in the CHWM Contract.

12 If a customer's May to September measured irrigation load is less than the amount of load
13 eligible for mitigation, a true-up calculation will determine the amount the customer owes BPA
14 at end of the irrigation season. The details and requirements of the true-up will be developed in
15 the applicable 7(i) Process and included in the GRSPs for each applicable Rate Period.

16
17 BPA will require participating customers to implement cost-effective conservation measures on
18 eligible irrigation systems in their service territories, as described in the GRSPs. The
19 conservation measures may be eligible for future BPA conservation programs; the amount of
20 BPA support will be determined in applicable 7(i) Processes.

21 22 **10.4 Direct-Service Industry Service**

23 BPA may provide service benefits to the DSIs after FY 2011, including a financial mechanism
24 similar to the existing FY 2007-2011 DSI contract. BPA may provide some level of physical
25 power to the DSIs under a Regional Dialogue contract. If BPA were to make such a sale, it
26 might be necessary for BPA to purchase power to provide such service, as described in

1 section 3.2.1.3. Notwithstanding any other provisions in this TRM, all issues associated with
2 allocation of ~~these costs~~ and revenues will be determined in the applicable 7(i) Process. ~~For~~
3 ~~example, BPA may decide to allocate these costs to the Composite Cost Pool. BPA is considering~~
4 ~~this edit~~ This power sale would be priced at the Industrial Firm Power (IP) rate determined in
5 accordance with Northwest Power Act section 7(c). BPA does not intend to tier the IP rate, but it
6 is not prohibited from doing so by this TRM.

8 **10.5 7(b)(2) Rate Test**

9 BPA will develop a PF Exchange Rate for customers that have a CHWM Contract based on all
10 costs as appropriate under section 7(b) and 7(g) of the Northwest Power Act that are allocated to
11 the Tier 1 Cost Pools. BPA will establish an exchange for customers that have a CHWM
12 Contract where Existing Resources for CHWM are exchanged against the Tier 1 System
13 resource costs. The Priority Firm (PF) Exchange Rate for utilities that do not have a CHWM
14 Contract will be based on all costs allocated to Tier 1 and Tier 2 Cost Pools, and for Publics with
15 a CHWM Contract will be a Tier 1 PF Exchange Rate based on all costs allocated to Tier 1 Cost
16 Pools and will exclude all costs allocated to Tier 2 Cost Pools. ~~Because the PF Exchange~~
17 Rate for Publics with CHWM Contracts will have a different cost basis (Tier 1 Cost Pool
18 costs) than the PF Exchange Rate for all other Residential Exchange Program participants
19 (Tier 1 and Tier 2 Cost Pool costs), any § 7(b)(3) surcharge will be applied as an equal
20 percentage to each such PF Exchange Rate. All ~~other~~ issues pertaining to calculation of the
21 section 7(b)(2) rate test and allocation of the section 7(b)(3) surcharge will be determined in the
22 applicable 7(i) Process.

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1 ~~In a 7(i) Process, BPA may determine a Tier 1 PF Exchange rate applicable solely to Publics~~
2 ~~with a CHWM Contract that do not include the costs of resources acquired after September 30,~~
3 ~~2006, in Average System Costs.~~

5 **11 APPROVAL AND DURATION OF THE TRM**

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

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

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

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1 **12 CRITERIA AND CONDITIONS FOR REVISING THE TRM**

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

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

10
11 BPA will propose only those revisions under sections 12.1 and 12.2 that are necessary to comply
12 with a court ruling or ensure cost recovery and will seek to limit both the number and scope of
13 such revisions. Before proposing any revision to the TRM to ensure timely cost recovery, to the
14 extent practicable BPA will take the following steps in addition to adhering to the applicable
15 process set forth in section 13:

- 16 1) BPA will make reasonable efforts to recover the costs from the party(s) that would
17 otherwise be responsible for such costs. Such efforts may include making demand on
18 any available credit support and pursuing legal action when appropriate.
- 19 2) BPA will make good faith efforts to reduce BPA power costs so as to offset the cost
20 that would otherwise occasion the need for a change in the TRM to ensure cost
21 recovery.
- 22 3) If the cost recovery problem is occasioned by the design of the TRM, BPA will
23 convene a public meeting with customers and interested parties to discuss alternatives
24 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.

- 2) The basic Tier 1 Rate design described in section 5, consisting of: a) the concept of three Tier 1 Cost Allocator (TOCA) Customer Charges (Composite, Slice, and Non-Slice); b) the development of a Load-Shaping Charge for customers purchasing Block or Load-Following products; and c) Demand Charge Billing Determinants, which include a Contract Demand Quantity ~~(i.e., “grandfathered” demand)~~, as set forth in section 5.3.
- 3) The establishment of Tier 2 Rates, as set forth in section 6, that reflect the ~~incremental~~ costs of resource acquisitions and purchases BPA must make to serve Above RHWM Load.
- 4) Cost allocation ~~principles/criteria for allocating costs between Tier 1 and Tier 2 Cost Pools, and among Tier 2 Cost Pools, as~~ set forth in section 2.1. ~~[BPA is considering this edit]~~

12.3 Revision for Unintended Consequences

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

12.4 Improvements and Enhancements

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

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~~ Firm Critical Output (see section 3.1); forecasts of RP 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 ~~1-110.5~~)

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- k) Rates for New Publics (see section 4.1.6)
- l) Rates for unanticipated Above-RHWM Load (see section 10.1)
- m) Rates for product switching (see section 5.4)
- n) Rates for transfer ~~between of~~ Tier 2 Rate Alternatives ~~service to a Vintage~~
~~service~~ or from a Tier 2 Rate Alternative to application of Non-Federal
Resources to serve Above-RHWM Load (see section 6.5)

3) TRM Exhibits will be filled in and revised consistent with the terms of the TRM.

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

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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

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1 determined outside a 7(i) Process. Any dispute concerning determination of such inputs shall not
2 be subject to any of the procedures of this section 13, except as specifically provided for in
3 section 13.10.

4 5 **13.2 Process for Section 12.3 Revisions to TRM (“Unintended Consequences”)**

6 **13.2.1 Unintended Consequence Proposal**

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

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

19
20 Before such an Unintended Consequence Proposal is introduced in a 7(i) Process by BPA or a
21 Customer Group, BPA will notify all Customers in advance of the 7(i) process of the Unintended
22 Consequence Proposal and the proponent’s reasons: 1) why ~~it~~ the Unintended Consequence
23 Proposal will address or rectify the unintended consequence that puts at risk the policy goals
24 underlying the TRM as set forth at pages 5-7 of the Policy; and 2) how the value of the
25 Unintended Consequence Proposal outweighs any detriment ~~harm~~ created by it. The notice will

1 specify the date by which each Customer may object to the Unintended Consequence Proposal
2 and the means for registering its objection.

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

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

15
16 In the event that the Customers objecting to the Unintended Consequence Proposal are less than
17 the voting requirements of this section 13.2, BPA or the Customers Group may propose in a
18 7(i) Process the Unintended Consequence Proposal.

19 20 **13.2.2 TRM Revision within 7(i) Process**

21 Any proposals to revise the TRM to address unintended consequences within the scope of
22 section 12.3, but not within the scope of section 13.2.1, may be proposed, considered, and
23 decided in the normal course through the 7(i) process. However, before such a proposal is
24 introduced in a 7(i) Process by BPA or a Customer Group, BPA will notify all Customers in
25 advance of the 7(i) process of the proposal and the proponent's reasons: 1) why ↵the proposal
26 will address or rectify the unintended consequence that puts at risk the policy goals underlying

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1 the TRM as set forth at pages 5-7 of the Policy; and 2) how the value of the proposal outweighs
2 any detriment-harm created by it.

4 **13.3 Process for Section 12.4 Revisions to the TRM (“Improvements and 5 Enhancements”)**

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

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

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

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

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

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

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

14
15 **13.4.1 Customer Petition Disputing Response/Recovery Proposal**

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

23 Upon receipt of such petition, the Hearing Officer is empowered and required to determine,
24 consistent with the rate case schedule and the procedural requirements of section 13.7, whether
25 BPA’s Response/Recovery Proposal is necessary to ensure cost recovery or respond to court
26 ruling as provided for in section 12.1 or 12.2, and/or whether the Response/Recovery Proposal is

1 unreasonably disproportionate to what is needed to comply with the court ruling or to ensure cost
2 recovery, compared to the alternative proposal(s), if any, offered by the Customer(s).

3 **13.4.2 BPA Petition for Mini-Trial**

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

12
13 **13.5 Standard of Decision for Disputes Under Sections 13.6 and 13.9**

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

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

22
23 When determining whether an Irreconcilable Conflict exists, the interpretation of the TRM and
24 other positions proposed by BPA shall be accorded a high degree of deference, as enunciated in
25 *Chevron U.S.A., Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837, 104 S. Ct. 2778, 81
26 *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.

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

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

18
19 If the Hearing Officer concludes that the BPA Position is in Irreconcilable Conflict with the
20 TRM, and if 1) BPA did not argue in the alternative that the BPA Position warrants a TRM
21 revision as provided for in section 12.1, 12.2, or 12.3; 2) BPA did argue in the alternative that the
22 BPA Position warrants a TRM revision as provided for in section 12.1 or 12.2, but the Hearing
23 Officer concluded the BPA Position does not warrant such a revision and BPA did not petition
24 for a Mini-Trial pursuant to section 13.4.2; or 3) the Hearing Officer concludes that the BPA
25 Position either does or does not warrant a TRM revision as provided for in section 12.3 and BPA
26 has not argued that the BPA Position-proposal falls within the coverage of section 13.2.2, then
27 the Hearing Officer shall strike all materials concerning the BPA Position from the record of the

1 7(i) Process and shall prohibit BPA from introducing such materials into the record of the
2 7(i) Process after it is closed, and such determination and actions by the Hearing Officer shall be
3 conclusive and binding on BPA and the parties to the 7(i) Process. Nothing in this section 13.6
4 prohibits BPA from proposing in any subsequent ~~section 7(i) Pp~~ process to revise the TRM to
5 reconcile it with such BPA Position using the procedures for revising the TRM set forth in
6 sections 12 and 13.

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

20
21 **13.7 Process for Disputes Before the Hearing Officer Brought Pursuant to TRM**
22 **Sections 13.4 or 13.6**

23 The Hearing Officer is empowered to establish and employ such procedures as he or she deems
24 necessary and appropriate to, consistent with the 7(i) Process schedule, efficiently, fairly, and
25 impartially hear disputes and make the determinations under section 13.4 or 13.6. In that regard,
26 the Hearing Officer shall provide all parties a reasonable opportunity to present their position on
27 such disputed matters, which may include submission of briefs, testimony, affidavits, and oral

1 argument as determined by the Hearing Officer. The decision of the Hearing Officer shall be in
2 writing, shall be based upon a consideration of the record presented on the disputed matter, and
3 shall include findings of fact and conclusions of law, with reasons and bases therefore, upon each
4 material issue of fact, law, or discretion presented on the record. The Hearing Officer may at any
5 time render an accelerated decision in favor of a party as to any or all parts of the disputed
6 matter, without further hearing or upon such limited additional evidence, such as affidavits or
7 briefing, as he or she may require, if no genuine issue of material fact exists and a party is
8 entitled to judgment as a matter of law.

9
10 **13.8 Mini-Trial Before the Administrator Regarding Proposed TRM Change**

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

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

1 or does not adopt the Hearing Officer’s decision in whole or in part. If and to the
2 extent that the Administrator adopts the Hearing Officer’s decision, that shall be
3 conclusive on BPA for remaining purposes of the [rate case hearing 7\(i\) Process](#). If
4 the Administrator does not adopt the Hearing Officer’s decision in whole or in part,
5 the Administrator shall summarize the basis for his or her decision, but may elect to
6 change his or her decision at the conclusion of the [rate case hearing 7\(i\) Process](#) in the
7 Administrator’s Record of Decision.

8
9 **13.9 Process Applicable to Alleged Irreconcilable Conflict with the TRM Outside a**
10 **7(i) Process**

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

19
20 If BPA agrees with the Customer, it shall suspend the action contemplated by or take the action
21 omitted by the BPA Proposal that BPA and the Customer agreed were in Irreconcilable Conflict
22 with the TRM. BPA may seek to revise the TRM to reconcile it with such BPA Proposal using
23 the procedures for revising the TRM set forth in sections 12 and 13.

24
25 If BPA disagrees with the Customer, BPA will notify all Customers and interested parties of the
26 receipt of the Customer’s notice within ten (10) Business Days thereof, and shall, if possible,
27 provide a summary of the BPA Proposal and why the Customer believes it is and BPA believes it

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1 is not in Irreconcilable Conflict with the TRM. BPA shall promptly convene a public meeting
2 with Customers and interested parties to discuss the notice and the BPA Proposal. BPA shall
3 specify in writing at such public meeting and shall notice the date by which each Customer may
4 express its support for the Customer's notice that the BPA Proposal is in Irreconcilable Conflict
5 with the TRM, and the means for registering its support.

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

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

25
26 Within ten (10) Business Days of posting of the neutral's appointment, any Customer may
27 submit a written statement to the neutral, BPA, and other Customers in support of its position

1 that the BPA Proposal is in Irreconcilable Conflict with the TRM. Within the same ten (10)
2 Business Days period, BPA and any Customer may submit written statements to the neutral,
3 BPA, and other Customers supporting the position that the BPA Proposal is not in Irreconcilable
4 Conflict with the TRM. No written statement shall exceed fifty (50) double-spaced pages
5 (12 point font; 26 lines, except for single-spaced quotes), together with exhibits not in excess of
6 one hundred (100) pages.

7
8 Within five (5) Business Days of receipt of the last of the written statements submitted pursuant
9 to the paragraph immediately above, the neutral shall notify the parties whether the neutral
10 wishes to hear argument or otherwise discuss the parties' statements and, if so, the date for the
11 hearing, provided such hearing shall occur within ten (10) Business Days of the notification by
12 the neutral.

13
14 The neutral shall issue a written determination as to whether the BPA Proposal is in
15 Irreconcilable Conflict with the TRM, which determination shall be made in accordance with the
16 standard set forth in section 13.5. Such written determination shall be issued within ten (10)
17 Business Days of the later of 1) the date the last written statement was submitted to the neutral or
18 2) the date of the hearing conducted by the neutral.

19
20 The decision of the neutral shall be binding on and accepted by the Administrator. If the neutral
21 determines that the BPA Proposal is in Irreconcilable Conflict with the TRM, BPA shall suspend
22 the action contemplated by or take the action omitted by the BPA Proposal that was determined
23 by the neutral to be in Irreconcilable Conflict with the TRM. BPA may seek to revise the TRM
24 to reconcile it with such BPA Proposal using the procedures for revising the TRM set forth in
25 sections 12 and 13.

26

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

7
8 **13.10 Dispute Resolution Process for Certain CHWM and, RHW, ~~and Tier 1~~
9 ~~System Capability~~ Determinations**

10 One or more third-party neutrals shall be retained by BPA, acting in consultation with
11 Customers, for the purpose of developing an understanding of factual matters determined by
12 BPA in connection with its establishment of CHWMs, RHWs, and Tier 1 System Firm Critical
13 Output Capability, and if requested pursuant to this section, providing non-binding decisions
14 concerning disputes over such factual matters. The third-party neutral shall have a strong
15 engineering or other technical background and experience sufficient to make an independent
16 assessment of facts in dispute in connection with such CHWM, RHW and Tier 1 System Firm
17 Critical Output Capability determinations.

18
19 In the case of CHWMs, such factual matters could involve matters such as Tier 1 System Firm
20 Critical Output, Non-Federal Resource capability that is different from the final determination of
21 Existing Resources for CHWMs (Attachment C); Measured FY 2010 Load; and any adjustments
22 to those values, such as Weather Normalization data or load anomalies, and the Conservation
23 Adjustment, pursuant to section 4.1. In the case of RHW, such factual matters could involve
24 matters such as correct application of the CHWM and the RHW Tier 1 System Capability in
25 the RHW calculation, pursuant to section 4.2. In the case of RHW Tier 1 System Capability
26 determinations, factual matters could include whether the appropriate data source was used to
27 determine RHW Tier 1 System Capability.

1
2 BPA will brief the third-party neutral and answer questions regarding the internal procedures
3 processes BPA employs to make determinations in the CHWM; and RHWM Processes; and
4 Tier 1 System Capability determinations. The neutral will have access to relevant information
5 from both BPA and the Customers, including information necessary to developing an
6 understanding of BPA's conclusions, subject to appropriate confidentiality arrangements. Since
7 the neutral cannot be expected to be conversant with every matter, BPA and the Customers will
8 collaborate to identify and communicate to the neutral as early as practicable in the process
9 matters that they anticipate may result in disputes. ¶ Within 3 days of the conclusion of the
10 public meeting described in (3) below, Customers shall submit to BPA a written statement
11 describing any issues for which a Customer it may request neutral third party review. Failure to
12 timely submit such a list by a Customer will constitute a waiver of the right of such Customer to
13 request neutral third party review.

14 ¶

15
16 Consistent with its need to make timely, final decisions on each of the matters, BPA shall not
17 make final decisions on CHWMs, RHWMs, or RHWM Tier 1 System Capability until after it
18 has 1) posted its determination on its website; 2) provided information concerning the matter in
19 response to reasonable information requests; 3) held a public meeting where BPA will explain its
20 determination and Customers and BPA will~~would~~ discuss and seek to resolve issues; 4) reposted
21 its determinations; and 5) concluded the dispute resolution process provided for below. BPA
22 shall specify in writing at such public meeting and shall electronically post the date by which
23 each Customer may express its support for a non-binding decision on CHWMs, RHWMs, and/or
24 RHWM Tier 1 System Capability and the means for registering its support. BPA will allow 30
25 calendar days from the first posting (Step 1) through the reposting of its determination (Step 4).
26

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1 Within ten (10) Calendar days of BPA reposting its determinations, a Customer may seek a non-
2 binding decision by the neutral on factual matters, ~~subject to any materiality requirement~~
3 ~~contained in this TRM,~~ concerning BPA's initial determination of 1) a CHWM, 2) a RHWM, or
4 3) RHWM Tier 1 System Capability. A material factual matter must be one that, if decided in
5 the requesting customer's favor, would result in an adjustment to the subject CHWM or RHWM
6 of ten (10) percent or more. In the case of RHWM Tier 1 System Capability, the materiality
7 requirement is deemed to be met if the following voting requirement is met. Such request for a
8 non-binding decision by the third-party neutral regarding BPA's determination of RHWM Tier 1
9 System Capability will be considered only ~~Tier 1 System Capability, but only~~ if the neutral is
10 concurrently provided with the written votes in support of ~~such request~~ the neutral providing such
11 ~~a non-binding decision~~ by at least 70 percent of Customers (utility count), as measured by the
12 individual written vote of each Customer, ~~then the RHWM Tier 1 System Capability.~~

13
14 The decision standard on BPA's initial determinations for which the TRM provides standards is
15 whether the BPA initial determination is reasonably consistent with the applicable TRM
16 standard. An example of an applicable TRM standard is the threshold criteria for load
17 anomalies. In that case, the decision standard would be whether BPA's initial determination of
18 load anomalies is reasonably consistent with the threshold criteria for load anomalies; BPA
19 would not revisit the threshold criteria themselves. The decision standard for BPA's initial
20 determinations where the TRM provides no standard is whether BPA's initial determination is a
21 reasonable one.

22
23 The dispute process will be a single hearing open to all Customers and shall last no longer than
24 necessary, but in any event no longer than 30 calendar days, to permit the presentation of
25 relevant information, consistent with BPA's need to render timely, final decisions. The dispute
26 process shall be appellate in nature. The neutral's findings and conclusions may be summary in
27 nature and shall be based upon all relevant information known by or previously made available

1 to the neutral, including but not limited to materials that BPA has made publicly available,
2 materials the parties have previously provided to BPA and the neutral, new or additional
3 materials submitted with the consent of the neutral, and written submittals made to the neutral by
4 BPA and the Customers. Written submissions shall not exceed fifty (50) double-spaced pages
5 (12 point font; 26 lines, except for single-spaced quotes), together with exhibits not in excess of
6 one hundred (100) pages. Testimony, cross examination, and oral argument will occur only
7 upon request of the neutral. The neutral shall transmit his or her decision in writing to the
8 Customers and Administrator, who shall make a final decision on each disputed issue after
9 consideration of the neutral's report.

Tables

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

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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	COMPOSITE COST					
6	Expenses:					
7	Power System Generation:					
8	Operating Generation					
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	Operating Generation Settlement Payment					
15	Colville Generation Settlement					
16	Spokane Generation Settlement					
17	Non-Operating Generation					
18	Trojan Decommissioning					
19	WNP-1&3 Decommissioning					
20	Contracted Power Purchases					
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
	COSTS AND RATE ADJUSTMENTS	Year 1 Forecast	Actual Data	Year 2 Forecast	Actual Data	Total Rate Period
26	Augmentation Power Purchases					
27	Tier 1 Augmentation Power Purchases					
28	Augmentation RSS Adder					
29	Exchanges & Settlements					
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	Renewable Generation					
36	Generation Conservation					
37	DSM Technologies					
38	Low Income Weatherization & Tribal					
39	Energy Efficiency Development					
40	Legacy Conservation					
41	Market Transformation					
42	Power System Generation Subtotal					
43						
44	Transmission Acquisition and Ancillary Services:					
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	Transmission Acquisition and Ancillary Services Subtotal					
52						
53	Power Non-Generation Operations:					
54	PS System Operations					
55	Efficiencies Program					
56	Information Technology					
57	Generation Project Coordination					
58	Slice Implementation (Slice cost)					
59	PS Scheduling					
60	Operations Scheduling					
61	Operations Planning					
62	PS Marketing and Business Support					
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	Power Non-Generation Operations Subtotal					
69						

Table 2 section B (continued)

	A	B	C	D	E	F
	COSTS AND RATE ADJUSTMENTS	Year 1 Forecast	Actual Data	Year 2 Forecast	Actual Data	Total Rate Period
70	Fish and Wildlife/USF&W/Planning Council:					
71	BPA Fish and Wildlife (includes F&W Shared Services)					
72	USF&W Lower Snake Hatcheries					
73	Planning Council					
74	Environmental Requirements					
75	Fish and Wildlife/ USF&W/Planning Council/Env. Reqt. Subtotal					
76						
77	General & Administrative/Shared Services					
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	General and Administrative/Shared Services Subtotal					
83						
84	Bad Debt Expense					
85	Other Income, Expenses, Adjustments					
86						
87	Non-Federal Debt Service					
88	Operating Generation Debt Service					
89	Columbia Generating Station Debt Service					
90	Cowlitz Falls Debt Service					
91	Northern Wasco Debt Service					
92	Non-Operating Generation Debt Service					
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	Non-Federal Debt Service Subtotal					
100						
101	Other Expenses:					
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)

	A	B	C	D	E	F
	COSTS AND RATE ADJUSTMENTS	Year 1 Forecast	Actual Data	Year 2 Forecast	Actual Data	Total Rate Period
111	Interest Earned on BPA Fund for Power					
112	Interest Expense Sub-Total					
113	Total Expenses					
114						
115	Revenue Credits:					
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	Total Revenue Credits					
130						
131	Minimum Required Net Revenue Calculation:					
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	Minimum Required Net Revenues Sub-Total					
140						
141	Rate Design Adjustments:					
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	Rate Design Adjustments Sub-Total					
150	Total Composite Cost					

Table 2 (continued)

C. Slice 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
151	SLICE COST:					
152	Slice Implementation Expenses (100 percent allocated to Slice customers)					
153	Total Slice Cost for 100 percent allocated expense					
154	Total Slice Cost for allocation according to Slice Percentage					

D. Non-Slice Cost Pool

155	NON-SLICE COST:					
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	Total Non-Slice Cost					

E. Tier 2 Cost Pool

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

Table 2 (continued)

F. Customer Charge Rate Calculations

	A	B	C	D
		Customer Charge Rates		
		Composite	Slice	Non-Slice
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**

1	Regulated Hydro Projects	Expiration
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
16	Independent Hydro Projects	Expiration
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)	[rejected line deletion]
45	Federal system transmission losses for power deliveries	n/a	(year to year)	
46	Interchange	n/a	(year to year)	[rejected line deletion]
47	Loop flow support	n/a	(year to year)	[rejected line deletion]
48	Voltage support (VAR)	n/a	(year to year)	[rejected line deletion]
49	Project use loads not included in USBR	n/a	(year to year)	[rejected line deletion]
50	Resource Support Services	n/a	(year to year)	[rejected line deletion]
51	Other reserve obligation	n/a	(year to year)	[rejected line deletion]

Table 3.5
AUGMENTATION CONTRACT PURCHASES

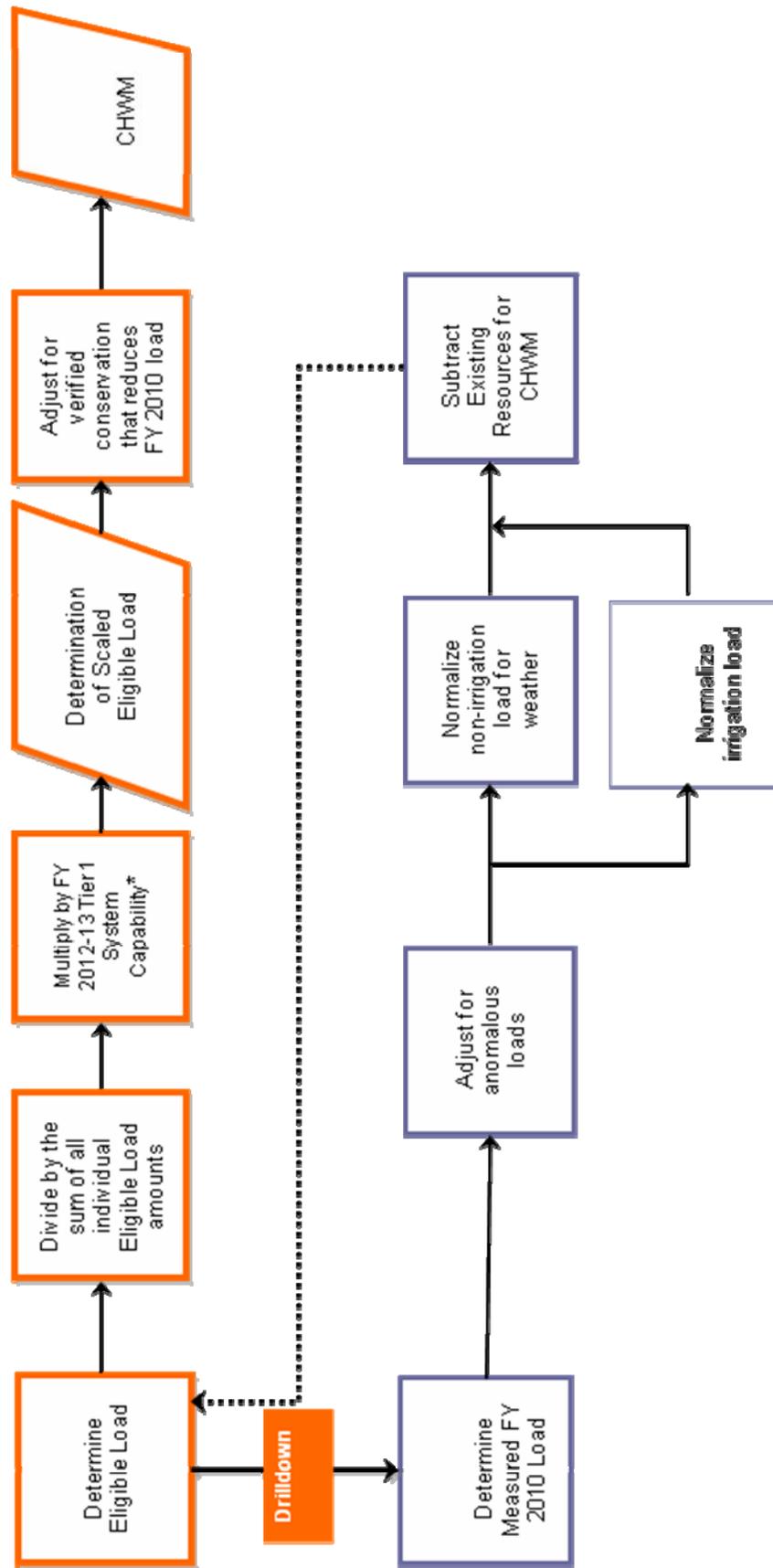
1	Section A - Augmentation for Initial CHWM		
2	Obligation	Contract Number	Expiration Date
3	Klondike III (22.62% BPA share)		10/05/2027
4	Section B - Augmentation for Additional CHWM		
5	Obligation	Contract Number	Expiration Date
6	None listed	n/a	n/a

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 □

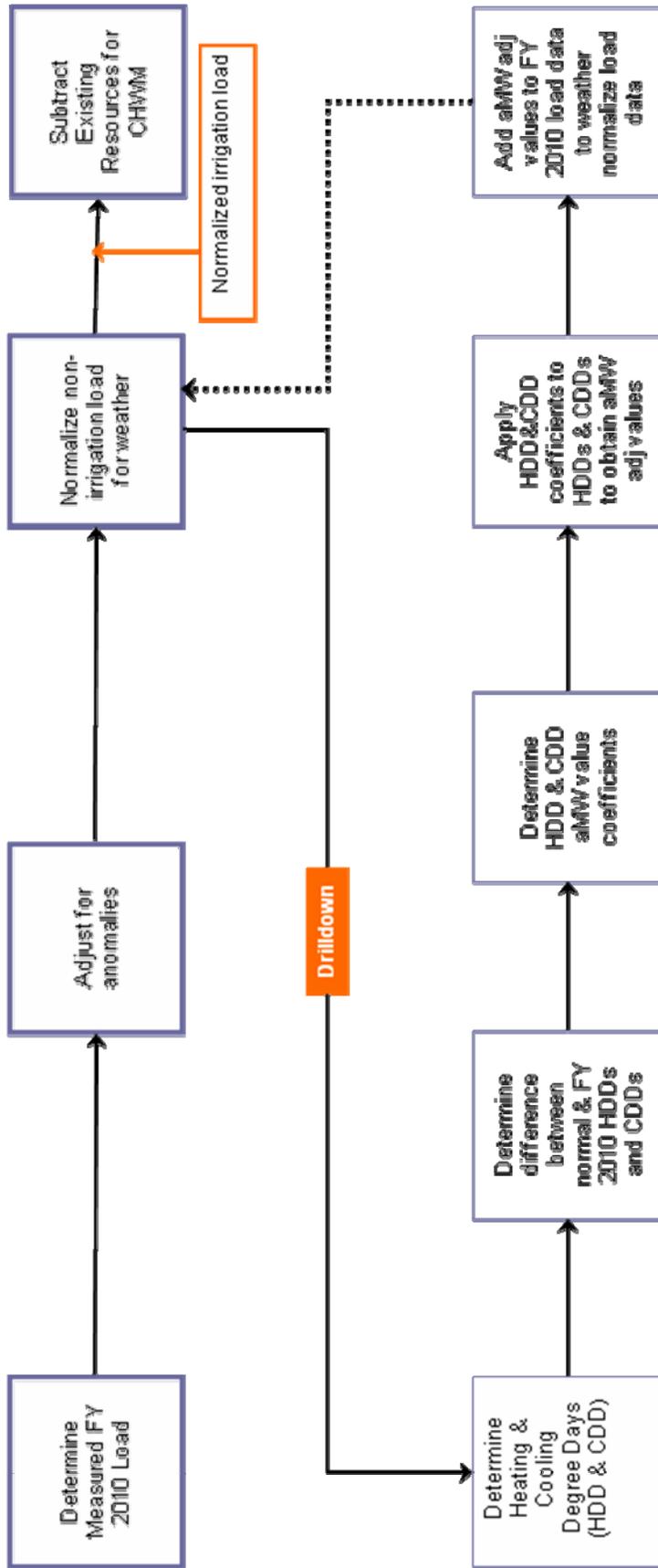


Figure 4.3 Irrigation Load Weather Normalization

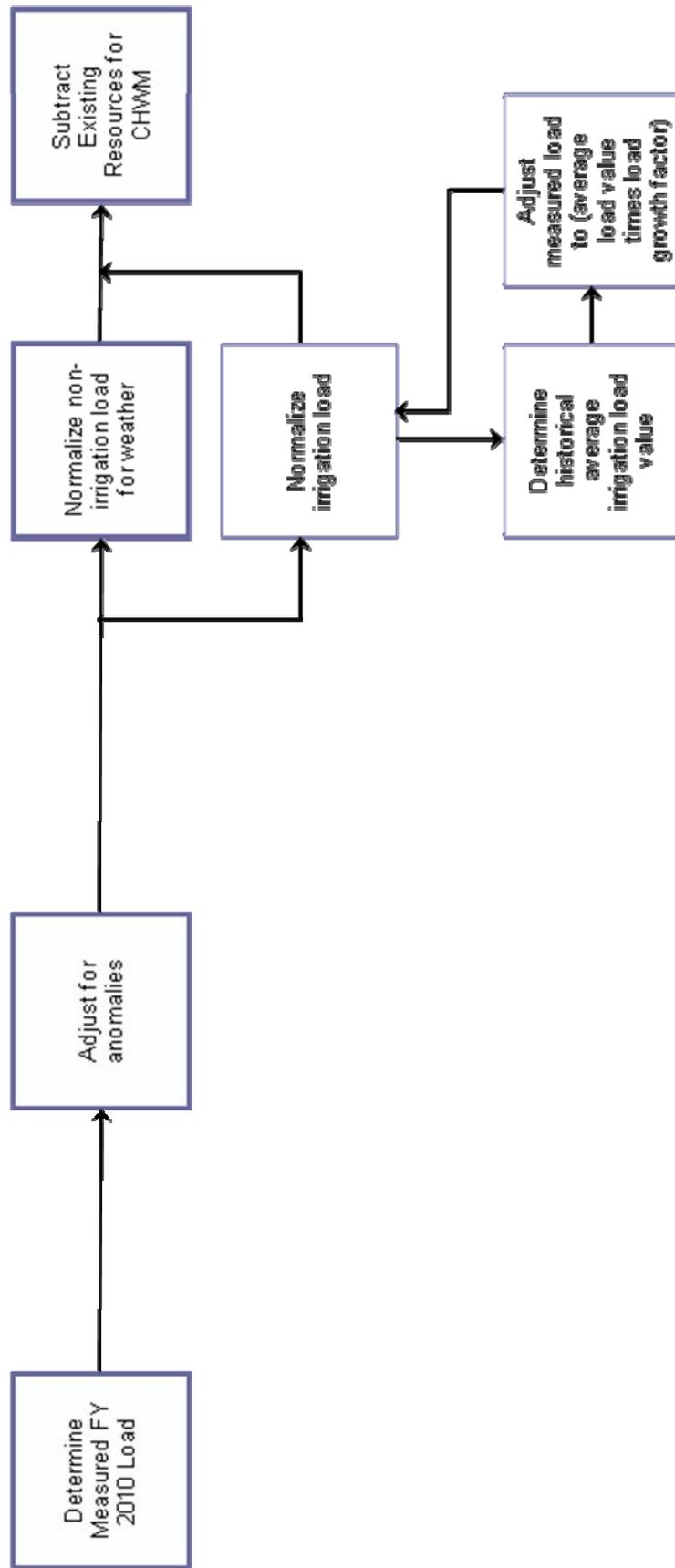


Figure 4.4

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		First	Second	Third	Fourth	Fifth
		Rate Period				
2	Initial Amount	10 aMW				
3	33.3% for next 24 aMW	8 aMW	8 aMW	8 aMW		
4	20% for all else	6 aMW				
5	Annual HWM Addition	24 aMW	14 aMW	14 aMW	6 aMW	6 aMW
6	Cumulative HWM	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 together with a deadline (not to exceed 10 Business days from the date of the posting) for requests to include additional tasks. Customers will have an opportunity to consult with BPA regarding the specific tasks for inclusion in the AUPs and to request the inclusion of tasks additional to the proposed tasks posted by BPA. ~~It~~; however, BPA will decide which specific tasks to include in the AUPs. ~~It~~ BPA will finalize the AUPs, which will include all proposed tasks included in BPA's initial posting and any additional

1 tasks requested by customers; however, BPA may exclude any requested additional task
2 that BPA reasonably determines is without merit or would be immaterial to the
3 calculation of the Slice True-Up Adjustment- or matters outside the scope of the Slice
4 True-Up calculations as provided in section 1a or matters that concern an issue that
5 should be finally determined in a 7(i) Process because it regards the appropriate
6 allocation between Slice and non-Slice customers.}} and BPA will decide whether the
7 AUPs will be performed by BPA's auditor or another external auditor selected by BPA.

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

23 **2. Cost Verification for Slice True-Up**

- 24 a) The cost verification for Slice True-Up will commence after (1) completion of BPA's
25 annual audit; (2) Slice customers are notified of the Slice True-Up Adjustment Charge;
26 (3) all customers have been provided the opportunity to review the Cost Allocation

1 Tables with Fiscal Year actual amounts listed in the applicable expense and revenue
2 credit categories; (4) all customers have had an opportunity to address Slice True-Up
3 Adjustment ~~Charge~~ issues for consideration by BPA to be included in the AUPs and an
4 opportunity to review the draft list of AUP tasks; ~~and~~ (5) the auditor has completed all of
5 the finalized tasks and provided to BPA the results of the AUPs; and 6) BPA's release of
6 the AUP results to all customers.

- 7 b) The auditor will have until approximately 120 calendar days after the date the Slice
8 customers receive their notification of the Slice True-Up Adjustment Charge for a Fiscal
9 Year to complete the finalized tasks in the AUPs and provide the results to BPA.

10
11 **3. Cost Verification Workshops**

- 12 a) The cost verification workshops will be publicly noticed and open to all customers and
13 interested parties. The first workshop will include BPA presentations on and its review
14 of the calculation of the Slice True-Up Adjustment ~~Charge~~ and the results of the AUPs.
15 At this workshop, customers will review the materials presented and may pose questions.
16 Customers will have a reasonable amount of additional time, not to exceed 15 Business
17 Days, after the conclusion of the initial workshop to formulate and pose to BPA in
18 writing any further questions regarding the Slice True-Up Adjustment ~~Charge~~.
- 19 b) BPA will establish a 15 Business Day comment period during which customers and
20 interested parties may submit written comments on the AUP results and the issues that
21 were raised during the initial workshop related to the Slice True-Up Adjustment ~~Charge~~.
- 22 c) Promptly following the close of the comment period under [section paragraph 3b.](#) BPA
23 will hold at least one follow-up workshop to address all issues raised during the initial
24 workshop and the comment period. Upon customer request, if agreed to by BPA, and if
25 provided for in the retention agreement between BPA and the auditor, BPA will request

1 that the auditor who performed the AUPs attend the follow-up workshop and provide
2 clarification to questions raised related to the AUPs² results.

3
4 **4. BPA's Draft Response, Third-Party Review Process, and BPA's Final Response**

- 5 a) BPA will issue within 15 Business Days of the close of the last follow-up workshop a
6 Draft Response addressing any submitted written comments on the AUP results and
7 issues raised in the comment period. BPA will provide a copy of such draft response to
8 all parties who submitted comments on BPA's initial response.
- 9 b) Any customer or interested party who is aggrieved by BPA's Draft Responses regarding
10 the Slice True-Up Adjustment ~~Charge~~ may request a neutral third-party non-binding
11 review process by providing written notice within 10 Business Days (notice period) of
12 the issuance of the Draft Response to BPA and all parties who submitted comments. The
13 notice shall contain a concise statement of each BPA ~~Draft #R~~Response that is disputed and
14 an explanation of the nature and basis of the grievance.
- 15 c) If no party requests the neutral third-party non-binding review process within the notice
16 period, then neutral third-party review shall be waived by all parties for all purposes for
17 the applicable cost verification for Slice True-Up, and BPA will take the actions
18 necessary to implement the decisions set out in its Draft Response document, including
19 but not limited to any further adjustment of payment(s) or credit(s) to Slice customers.
- 20 d) ~~Any BPA will determine which~~ issues raised pursuant to ~~sectionparagraph~~ 4b above will
21 be forwarded to the neutral third party for non-binding review ~~if unless consideration.~~
22 BPA reasonably may determines that ~~suchertain~~ issues ~~is of cost allocation or TRM~~
23 ~~interpretation are~~ inappropriate for third-party non-binding review because it concerns:
24 (1) the allocation of a New Expense; (2) matters that are immaterial to the calculation of
25 the Slice True-Up Adjustment; or (3) matters that are outside the scope of the cost
26 verification process for the Slice True-Up Adjustment. ~~consideration and should be~~

1 ~~addressed in the next 7(i) Process.~~ Any such Slice True-Up Adjustment ~~Charge(s)~~
2 ~~involving or based upon those~~ issues that are excluded from non-binding review shall be
3 determined by BPA without reference to the neutral third party, and BPA's decision ~~on~~
4 ~~those Charges~~ shall be part of, and communicated at the same time as, BPA's Final
5 Decision provided for in section paragraph 4h below. If, such issues excluded from non-
6 binding review are subsequently decided in a 7(i) Process, and as a consequence of
7 BPA's ~~section~~ 7(i) Process review of the issues ~~deferred to the next 7(i) Process as~~
8 ~~provided for in this paragraph,~~ different decisions are is are made and ~~they~~ results in
9 different Slice True-Up Adjustment ~~Charge(s)~~, the positive or negative difference will be
10 either charged or credited, as the case may be, to the Slice customers with interest as
11 provided for consistent with the requirements of section 2.7.3 of the TRM.

12 e) In accordance with section paragraph 4b, BPA will, promptly following the close of the
13 notice period, notify ~~each~~ the customer or interested party who is aggrieved by one or
14 more of BPA's Draft Responses as to whether the issue(s) will be forwarded to a third-
15 party non-binding review process and if there is to be a non-binding third party review
16 process, appoint the neutral third party.

17 f) If the issue(s) is to be submitted to a third-party non-binding review process, the issue(s)
18 will be submitted to the third-party expert by written submission. Such written
19 submissions shall be submitted to the third-party expert not later than 20 Business Days
20 after the posting of the third-party appointment on the BPA website, and shall not exceed
21 fifty (50) double-spaced pages (12 point font; 26 lines, except for single-spaced quotes),
22 together with exhibits not in excess of fifty (50) pages. The third-party expert may pose
23 questions to any party making a submittal and may permit oral argument on some or all
24 of the issues presented, in his or her discretion. The third-party expert will issue a written
25 opinion on all matters at issue within 30 Business Days of the later of the written
26 submittals or oral argument.

- 1 g) The third-party expert must have a level of experience with the utility industry of not less
2 than 10 years, with knowledge of accounting, cost allocation, and ratesetting
3 methodology and practices. The third-party expert will be selected by BPA in
4 consultation with the customers participating in the third-party non-binding process.
- 5 h) Upon completion of the third-party non-binding review process, BPA will provide a Final
6 Response disposing of the issues and questions dealt with in the opinion of the third-party
7 expert. In such Final Response, BPA may either adopt in whole or in part, or reject in
8 whole or in part, the disposition of the issues and questions in the opinion of the third-
9 party expert. The Final Response will also include BPA's decisions on the issues not
10 referred to the third party pursuant to [section paragraph](#) 4d above. Upon the issuance of
11 such Final Response, BPA will take the actions necessary to implement the decisions set
12 out in its Final Response document, including but not limited to any further adjustment of
13 payment(s) or credit(s) to Slice customers.
- 14

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
$$EligibleLoad = 2010AdjustedLoad - ExistingResourcesforCHWM$$

8 where:

9 $2010AdjustedLoad$ = 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 $ExistingResourcesforCHWM$ = customer’s ~~Existing Resources-Non-Federal~~

13 Resource values as shown in 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 Firm Critical Output Resources for this
- 17 calculation will be the average of the FY 2012 and FY 2013 Tier 1 System Firm Critical
- 18 Output (the average value will be used due to substantial differences in Columbia Generating
- 19 Station capability in alternate years). Tier 1 System Firm Critical Output for the RCHWM
- 20 Process will be calculated similarly (i.e., an average of the two years of the Rate Period) for
- 21 ~~subsequent the ensuing~~ Rate Periods.

22

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

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

25 necessary related information.

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

5
6
$$ScaledEligibleLoad = \frac{EligibleLoad}{\sum EligibleLoad} \times TISFCO_{2012,2013}$$

7 where:

8 $TISFCO_{2012,2013}$ = the average of Tier 1 System Firm Critical Output for FY 2012
9 and FY 2013 plus Augmentation Limit

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

15
16
$$CHWM_{final} = \frac{ConsAdjSEL}{\sum ConsAdjSEL} \times TISFCO_{2012,2013}$$

17 where:

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

Attachment C
Existing Resources For CHWMs

(to be inserted)

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 Loads ~~(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

		Scenario		
		A	B	C
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 ¹	$7300/7470^2$	$7300/7470^2$	$7300/7470^2$
6	CHWM (aMW)³	97.72	97.72	97.72
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 ¹ Rebalancing factor = the ratio of the sum of all Scaled Eligible Loads to the sum of all
7 conservation-adjusted Scaled Eligible Loads

8 ² 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 ³ 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.

14

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					...

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	Cost Component	Annual Cost	\$/MWh
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	Vintage Rate		\$82.25/MWh

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.

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