BP-12 Power Rate Case Workshop
7(b)(2) Rate Test, Tiered Rates, Conservation Resources, and REP Benefits

Disclaimer: These workshop materials represent the most current information available to the Rates Staff. Conservation cost and related savings information could change for the BP-12 Initial Proposal.

Executive Summary

Section I – Consists of a synopsis of how the 7(b)(2) Rate Test is performed. The five assumptions that are used to modify the Program Case Rates to modify Program Case Rates to arrive at the 7(b)(2) Case Rates are presented.

Section II – Discusses the impacts that conservation savings have on the 7(b)(2) Rate Test.

Section III – Outlines the methodology for determining which years of conservation resources are included in the resource stack. In order for conservation resources to be placed in the resource stack and to be able to adjust 7(b)(2) Case loads, they must be able to reduce the Administrator's load obligations. The loads in 7(b)(2) Case are increased by an amount of load equal to the conservation savings that BPA assumes have been achieved in developing the Program Case. The determination of which specific vintage years of prior conservation investments are placed in the resource stack is based on the concepts of *obsolescence* and the *Average Composite Useful Life*. Conservation resources whose useful life does not extend through the end of the rate test period are considered to be obsolete resources and are excluded from the resource stack. BPA has relied on the Northwest Power and Conservation Council's (the Council) determination of the composite average useful of conservation savings contained in the respective Council Power Plans to determine the useful life and amortization period for conservation resource contained in the resource stack. For the BP-12 Rate Case, vintage conservation resources related to FY2003-FY2009 are included in the resource stack. These resources have a useful life and amortization period of 15 years. Projected conservation resources related to FY2010-FY2017 are included in the resource stack, with a useful life and amortization period of 13 years. Examples of conservation savings that were excluded from prior rate cases under Subscription Contracts are also discussed.

Section IV – Discusses the differences in conservation costs and accounting methods used in the Program Case and the 7(b)(2) Case. This section stresses that because there are different populations of conservation resources, different accounting amortization periods, and different accounting treatments, that the costs are not comparable between the two cases.

Section V – Discusses the adjustments to prior years' conservation savings to restore these savings to the BP-12 resource stack. The basis for restoring these savings is that they reduced the Administrator's Tier 1 load obligations under the Regional Dialogue contracts. Since these conservation savings influenced the determination of CHWM amounts, they are included in the resource stack. These restored conservation savings related to FY2003-2009 conservation investments total 65.7 aMW.

Section VI – Presents changes made to the costs of prior years' conservation resources due to changes in conservation savings that were discussed in Section V. CRC costs that were previously accounted for as expensed costs are treated as capitalized costs in the WP-12 Rate Case. The basis for this change in capitalization policy is that this change was made for financial reporting purposes in the Program Case. Since similar types of conservation measures were acquired under both the CRC Program and under Conservation Acquisition Agreements, a similar regulatory asset treatment of capitalizing these costs is applied to both cost categories in the 7(b)(2) Case.

Section VII – Presents the principles used to distinguish conservation savings that reduce the Administrator's load obligations under Regional Dialogue contracts and Tiered Rates Methodology. Determinations of whether a customer's loads are above or below their RHWM amount along with the customer's elections on how their Above-RHWM loads are served are used to decide whether to include or exclude conservation savings from the resource stack. BPA presents a method for differentiating conservation savings into five different Types (A, B, C, D, and E). The methodology is consistent with the net requirements methodology contained in the Regional Dialogue contracts.

- Conservation savings associated with customer loads that are less than their RHWM amounts are **included** in the resource stack. These savings are **Type A** savings. This category also includes Above-RHWM loads that are less than or equal to 8,760 MWhs that are served at the Load Shaping Rate.
- Conservation savings associated with Above-RHWM loads at a BPA Tier 2 Rate are **included** in the resource stack. These savings are **Type B** savings.
- Conservation savings associated with customer elections to have a defined and determined amount of their Above-RHWM Load met first with a Non-Federal Resource and the remainder served at a BPA Tier 2 rate would have their BPA funded conservation **included** in the 7(b)(2) resource stack. These savings are **Type C** savings.
- Conservation savings associated with customer elections to purchase a fixed amount of their Above-RHWM Load at a Tier 2 rate from BPA, and self-supply the full remainder of the Above-RHWM Load with Non-Federal Resources, **could** have their BPA-funded conservation **excluded** from the 7(b)(2) Case resource stack. These savings are **Type D** savings.
- Customers that have elected to self-supply all of their Above-RHWM Load with Non-Federal Resources **could** have their BPA funded conservation **excluded** from the 7(b)(2) Case resource stack. These savings are **Type E** savings.

Section VIII – Presents two alternative approaches for maintaining and replacing levels of conservation savings that determined the FY2010 CHWM amounts and resulting Tier I load obligations. Both approaches retain portions of Type D and E conservation savings to maintain a level of conservation savings that informed CHWM determinations. The first alternative, the Staff Proposal, establishes the level of past conservation savings associated with CHWM determinations based on an accounting of past conservation savings during FY1996-2010. This past amount of legacy conservation savings totals 558.9 aMW. The second alternative, named the Alternative Approach, makes the argument that the Tiered Rates Methodology limits the

amount of legacy conservation to the lower of the 300 aMW CHWH Augmentation Limit and the actual CHWM Augmentation Amount determined in the BP-12 Rate Case. The amount of conservation savings contained in the resource stack is materially different between these two approaches.

BPA is seeking comments from rate case parties both prior to the initial proposal and during the formal rate case proceedings regarding the methodological principles pertaining to these two approaches. Rate case parties are also encouraged to present alternative approaches and their related principles that address the amount of conservation savings associated with CHWM determinations that reduced the Administrator's Tier 1 load obligations.

Section IX – Cost accounting principles that serve as the basis for allocating costs to excluded portions of conservation savings and related costs that are excluded from the resource stack are discussed in this section. Discussion centers on fixed and variable cost attributes of individual conservation cost components.

Listing and Description of Exhibits:

Exhibit 1 – Provides an accounting of FY2001-2009 conservation savings per WP-10 Resource Stack, 2010 RED BOOK savings revision amounts, prior period adjustment reversals, BP-12 Resource Stack savings amounts.

Exhibit 2 – Provides an accounting of FY1996-2010 conservation savings that informed FY2010 CHWM determinations, and FY2003-2017 projected gross conservation savings.

Exhibit 3 – Projection of gross conservation savings, Type D and E savings exclusions, and projected net savings in BP-12 resource stack under the Staff Proposal.

Exhibit 4 – Projection of gross conservation savings, Type D and E savings exclusions, and projected net savings in BP-12 resource stack under the Alternative Approach.

Exhibit 5 - Projection of gross conservation savings, Type D and E savings exclusions, and projected net savings in BP-2020 (FY2014-2025) resource stack under Staff Proposal.

Exhibit 6 – Projection of gross conservation savings, Type D and E savings exclusions, and projected net savings in BP-2020 (FY2014-2025) resource stack under Alternative Approach.

Exhibit 7 – Historical and projected gross conservation costs FY2007-2017, cost exclusions related to excluded savings amounts, and projected net resource stack costs (Staff Proposal).

Exhibit 8 – Comparison of WP-10 and BP-12 resource stack costs by expensed and capitalized cost categories including percentage composition comparisons, and projected $/aMW.

BP-12 Power Rate Case Workshop
7(b)(2) Rate Test – Comprehensive Materials
The 7(b)(2) Rate Test, Tiered Rates, Conservation Resources, and REP Benefits

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I. 7(b)(2) Rate Test Introduction

Section 7(b)(2) of the Northwest Power Act requires that after July 1, 1985, BPA will perform a rate test to ensure that the projected amounts to be charged for firm power for the combined general requirements of BPA's PF Preference customers may not exceed, in total, an amount equal to the power costs to such customers calculated using five specific assumptions that remove certain effects of the Northwest Power Act. The rate test involves the projection and comparison of two sets of wholesale power rates for the general requirements of BPA's public body, cooperative, and Federal agency customers (7(b)(2) Customers). The two sets of rates are: (1) a set for the rate period (FY2012-2013) and the ensuing 4 years (FY2014-2017) before section 7(b)(2) is incorporated (Program Case rates); and (2) a set for the same period taking into account the five assumptions listed in section 7(b)(2) (7(b)(2) Case rates). The 7(b)(2) Case rates are modeled in the same manner as the Program Case rates except for the five assumptions listed in section 7(b)(2). The five assumptions used to model the 7(b)(2) Case are:

1. Within or adjacent DSI loads are transferred to 7(b)(2) Customers at the start of the 7(b)(2) rate test period; the remaining DSI loads are transferred to non-7(b)(2) Customers and are not considered in the 7(b)(2) Case.

2. 7(b)(2) Customers are served with Federal Base System (FBS) resources not obligated under contracts existing as of the effective date of the Northwest Power Act.

3. No section 5(c) Residential Exchange Program (REP) takes place.

4. Additional resources of three specified types serve the remaining loads of 7(b)(2) Customers when FBS resources are exhausted. These resources are contained in the 7(b)(2)(D) resource stack.

5. The reserve benefits acquired under provisions of the Northwest Power Act are not available in the 7(b)(2) Case. Financing benefits to 7(b)(2) Customers under provisions of the Northwest Power Act are not available in the 7(b)(2) Case. The 7(b)(2) Case rates will reflect these increased costs to the 7(b)(2) Customers.

After the two sets of rates are developed, certain specified costs allocated pursuant to section 7(g) of the Northwest Power Act are subtracted from the Program Case rates. Next, the nominal rate for each year was discounted (discount rates are based on BPA's forecasted borrowing rates for the rate test period) to the beginning of the rate test period, FY2012. The

discounted Program Case rates are averaged, as are the discounted 7(b)(2) Case rates. Both averages are rounded to the nearest hundredth of a mill for comparison. If the average Program Case rate is higher than the average 7(b)(2) Case rate, the rate test has triggered and the difference between the two rates is multiplied by the projected billing determinants of PF Preference customers during the rate period to determine the amount of costs to be reallocated from PF Preference customers to all other power rates.

II. Conservation Program Savings and the 7(b)(2) Rate Test

Conservation savings have an impact on the 7(b)(2) rate test in two ways:

1. The loads in the 7(b)(2) Case are increased by the amount of conservation savings achieved in the Program case to reflect the fact that in hypothetical world of 7(b)(2) no such conservation savings have occurred. The larger the increase in the 7(b)(2) load adjustment, the greater amount of resources needed to serve the 7(b)(2) Case loads.
2. Conservation resources are placed in the 7(b)(2) resource stack to meet 7(b)(2) Case loads that are in excess of Federal Based System resources. Selecting resources from the stack doesn't normally cause increased costs, unless the resources are more expensive than Program Case resources. Expensive resources will not be selected from the stack; if the resources selected are less expensive than Program Case resources they will reduce 7(b)(2) Case costs. Generally, the only instance that resources would increase 7(b)(2) Case costs is when the resource stack is insufficient and the added Type 3 resources (market purchases) are more expensive than Type 1 and 2 resources.

III. Conservation Resources and the 7(b)(2) Resource Stack

Not all conservation acquisitions are the same when it comes to the 7(b)(2) rate test. In order for conservation resources to be placed in the resource stack and adjust 7(b)(2) Case loads, they must be able to reduce the Administrator's load obligations (either at the Tier 1 or Tier 2 rate). In conducting the WP-07, WP-07S, and WP-10 rate cases, BPA staff have been very precise in documenting the amount of conservation savings that could reduce the Administrator's load obligations and thereby increase 7(b)(2) Case loads. BPA staff developed the following 7(b)(2) Methodology principles regarding the treatment of conservation in the 7(b)(2) Case:

1. The initial basis for loads that will be used in the 7(b)(2) Case will be the same as those used in the Program Case, except they will be increased by estimates of programmatic conservation savings that have or will reduce Program Case loads. To implement this treatment of conservation, the loads in the 7(b)(2) Case are increased by an amount of load equal to the conservation savings that BPA assumes have been achieved in developing the Program Case, with certain exclusions. BPA is required by section 6 of the NPA to acquire conservation resources. Conservation is included in the 7(b)(2) resource stack because it meets the statutory definition of being acquired from 7(b)(2) Customers that is available to meet 7(b)(2) customer loads that are in excess of the loads served by FBS resources. Because conservation resources

are to be included in the resource stack to serve remaining loads if needed, conservation resources could not have already reduced 7(b)(2) Case loads.

2. As outlined in 1. above, the 7(b)(2) Case loads are increased by conservation savings that have been achieved in the Program Case but which have not been acquired at the start of the 7(b)(2) rate test in the 7(b)(2) Case. The determination of which specific vintage years of prior conservation investments are used to calculate the increase in the loads served in the 7(b)(2) Case and included in the resource stack recognizes the concepts of obsolescence and the "Average Composite Useful Life" associated with a particular vintage conservation year. Conservation, just like other resources, has a finite useful life: compact fluorescent light bulbs burn out; hot water heater wraps are now obsolete because they have been replaced with new hot water heaters that have greater amounts of insulation. Thus, not all past amounts of conservation are included in the resource stack nor used in the determination of the 7(b)(2) Case load adjustment. The WP-07 Supplemental rate case was the first rate case that addressed the concept of obsolescence of conservation resources. No rate case parties objected to BPA's obsolescence methodology in the WP-07 Supplemental Rate Case. The obsolescence methodology was continued in the WP-10 Rate Case and again it was not an issue addressed by the rate case parties. In the WP-07 Supplemental Rate Case, BPA adopted the policy that conservation resources whose useful life does not extend to at least the end of the rate test period are considered to be obsolete resources. BPA relied on the Council's determination of the "composite useful life of conservation" contained in Northwest Power Plans to determine the useful life associated with prior year conservation resources. The Council's composite useful life estimate for conservation resources acquired during FY1982-2001 was 20 years and between FY2002-2009 it was 15 years.

   In the WP-10 Rate Case, conservation resources from the years FY2001-2015 were included in the resource stack because the useful life of the earliest year (FY2001) extended through the rate test period of FY2015. Years prior to FY2001 that had a useful life of 20 years that would have extended beyond the rate test period were not included in the resource stack based on the new useful life estimate. All conservation resources had their capitalized costs amortized over a period of 15 years. In the WP-07S Rate Case, conservation resources for the years 1999-2013 were included in the resource stack and all were amortized over a period of 15 years. In the WP-07 rate case, before the concept of obsolescence was recognized, conservation resources for the years 1982-2013 were included in the resource stack. Resources associated with FY1982-2001 were amortized over 20 years while FY2002-2013 resources were amortized over 15 years.

   For the BP-12 Rate Case, staff is proposing that vintage conservation resources acquired during FY2003-FY2009 would be used to adjust load in the 7(b)(2) Case because their original useful life determination (15 years) extends through or beyond FY2017, the last year of the BP-12 rate test period. The capital costs of these resources would be amortized over a 15-year period in the 7(b)(2) Case following the original useful life determination. The Council's composite average useful life for

conservation resources contained in the Sixth Power Plan (effective FY2010) is 13 years. The capital costs of conservation resources acquired in FY2010 and in subsequent years would be amortized over 13 years in the 7(b)(2) Case.

3. In order for conservation savings to be included in the resource stack and counted towards the 7(b)(2) load adjustment, they have to be able to actually decrease the Administrator's load obligations. In the WP-07, WP-07S, and WP-10 rate cases, BPA staff were careful to exclude conservation savings from the historical record of BPA-achieved conservation savings (BPA's annual Conservation Resource Energy Data (the RED Book)) that did not have the capability to reduce the Administrator's load obligations. Examples (this is not a complete list of all adjustments) of exclusions to the amount of conservation savings associated with a vintage year applied to the following situations:

    a. Where the savings in the RED Book were associated with regional loads but which were outside of BPA's service territory (portions of the Market Transformation savings achieved by NEEA).

    b. Conservation savings occurring in customer service territories where the power sales contract did not reduce the customer's net requirement. Certain conservation savings in the service territories of customers purchasing the Block and Slice products under Subscription Contracts were excluded for FY2002-2011 because the power purchase amounts were fixed at the outset of the contract. These conservation savings did not reduce the Administrator's load obligations because they were prevented by contract. Under the Regional Dialogue contracts, the customers' net requirements determinations took into account these conservation savings in determining the Contract High Water Mark (CHWM) amounts, so these previously excluded savings amounts will be included in the BP-12 resource stack.

    c. The savings and costs associated with the C&RD Program for the years FY2001-2006 were excluded from the 7(b)(2) resource stack because the oversight, controls, and documentation surrounding the program was insufficient to provide reasonable assurance of the claimed savings. Although these conservation savings would now be reflected in net requirements, because these particular savings cannot be traced to specific customer net requirement reductions, they will continue to be excluded.

All three of the above 7(b)(2) Methodology principles are used to: 1) determine the specific years of conservation savings that are included in the specific rate case; 2) the amount of conservation savings associated with a particular year that has or will decrease the Administrator's load obligations; and 3) the amount of the 7(b)(2) load adjustment for each specific year of the rate test period.

IV. Differences in Conservation Costs and Accounting Methods Between the Two Cases

Background:
Since the initial 1985 rate case that performed the first 7(b)(2) rate test, BPA has relied upon the NWPPC's (Council's) determination of the composite useful life of conservation to determine the amortization period (number of years) over which capitalized conservation costs are recovered in the 7(b)(2) Case. During the FY1985-FY2001 time period, the conservation amortization period for financial reporting purposes (the Program Case) and the 7(b)(2) Case both used the same 20-year amortization period that was based on the Council's original Power Plan.

Program Case Amortization Treatment During FY2002-FY2011 - Shortly after the start of the Subscription contract period, BPA adopted a declining years amortization method for financial reporting purposes, where FY2002 was amortized over 10 years, FY2003 was amortized over 9 years, and the last year of the subscription period FY2011 would have been entirely expensed. In FY2007 BPA changed its amortization period to the current 5-year amortization period for financial reporting purposes.

7(b)(2) Case Amortization Treatment During FY2002-FY2011 - In the original WP-02 rate case, the augmented FBS resources, together with reduced DSI loads, resulted in the augmented FBS resources being sufficient to meet the 7(b)(2) Case loads. This made it unnecessary to utilize 7(b)(2) resource stack resources, so the amortization period for conservation resources was not an issue. In the WP-07, WP-07S, and WP-10 rate cases, BPA has relied on the Council's composite useful life of 15 years for the conservation resources contained in the Council's Fourth and Fifth Power Plans to determine the amortization period for conservation resources acquired after FY2001.

Different Accounting Methods Have Been Used Between the Two Cases - Unlike the first 16-year period (FY1985-2001) of performing the rate test using the same (comparable) accounting amortization and financing periods of 20 years being used in both the Program Case and 7(b)(2) Case, the FY2002-FY2011 period has seen the use of different amortization periods between the Program Case and 7(b)(2) Case. The result of using different accounting periods to recover capitalized conservation costs between the two Cases results in different "amortization expense" cost streams. The BP-12 Program Case revenue requirement includes straight-line amortization using a 20-year amortization for capitalized conservation investments related to FY1993-FY2001 and straight-line amortization using a 5-year amortization period for capitalized conservation investments related to FY2007-2011. Conservation investments incurred during FY2002-2006 have been fully amortized for financial reporting purposes, so there are no costs in the Program Case revenue requirement for these years of conservation investments. Projected capitalized conservation investments relating to the years FY2012-2017 will use straight-line amortization over a 10- to 12-year amortization period for projected capitalized conservation investments during this time period. Interest expense associated with financing capitalized conservation investments is included in the Program Case revenue requirement. Minimum required net-revenues (MRNR) are also included in the revenue requirement if the total non-cash expenses are less than Power Services required repayment amounts for appropriation bond principal payments and irrigation assistance. In contrast, the 7(b)(2) Case uses mortgage-type

level payments (principal portion of payment serves as a substitute for amortization) based on the term of years associated with the amortization period associated with that particular year. Historical conservation resources for FY2003-2009 will be amortized over 15 years in the 7(b)(2) Case, while conservation resources relating to FY2010-2017 will be amortized over 13 years. Conservation costs are added to the 7(b)(2) Case Revenue Requirement as they are selected from the resource stack. It is not possible to make a meaningful comparison of conservation costs between the two Cases since the cost streams are based on different populations of conservation investments and different cost recovery periods.

Earlier this year BPA asked the Council to provide BPA with the composite useful life of conservation resources contained in the Sixth Power Plan, which covers the years FY2010-2014. The Council has determined that the composite useful life of conservation resources contained in the Power Plan is 13 years. Prior to the release of the BP-12 initial rate proposal, BPA will make a new amortization policy decision to amortize capitalized conservation costs starting in FY2012 over a period of between 10 and 12 years for financial reporting purposes.

7(b)(2) Case Conservation Amortization Periods:

Annual Conservation Investments Contained in the Resource Stack that Occurred Historically Before FY2010

The determination of which prior years of conservation investments should be included in the resource stack takes into account the obsolescence of conservation resources. In the WP-07 Supplemental Rate Case, BPA adopted the policy that conservation resources whose useful life does not extend to at least the end of the rate test period are considered to be obsolete resources. BPA relied on the Council's determination of the "composite useful life of conservation" contained in the 5th Power Plan to determine the useful life associated with prior year conservation resources. The Council's composite useful life estimate for conservation resources acquired during FY2002-2009 was 15 years. Historical conservation resources for FY2003-2009 that have a useful life period that extends beyond the end of the rate test period of FY2017 are included in the BP-12 resource stack. Conservation resources associated with FY1998-2001 that have a useful life of 20 years are excluded from the resource stack because it would not be logical to include these resources in the resource stack while excluding the FY2002 resource that has become obsolete with a 15-year life before the end of the rate test period. The amortization period for the capitalized costs for these conservation investments (FY2003-2009) will be amortized over a period of 15 years in the 7(b)(2) Case.

Annual Conservation Investments Contained in the Resource Stack Projected to Occur After FY2009

Based on the NWPPC's (Council's) recent determination that the average composite useful life of conservation resources contained in the Sixth Power Plan is 13 years, the capitalized costs of conservation investments projected to be made for FY2010-2017 will be amortized over 13 years in the 7(b)(2) Case.

V. Changes to Conservation Resources Savings (aMW) Occurring Before FY2012

Conservation Savings Associated with the Conservation Rate Credit Program
Conservation amounts that were acquired under the Conservation Rate Credit (CRC) Program (FY2007-2011) had only the conservation savings attributable to BPA's load following customers included in the WP-07, WP-07S, and WP-10 7(b)(2) resource stacks. Only the savings occurring in BPA's load following customer service areas actually decreased the Administrator's load obligation under Subscription contract terms. No change in the savings amounts associated with the CRC conservation resources occurring in load following service areas that were included in prior 7(b)(2) resource stacks for WP-07, WP-07S, and WP-10 are proposed or necessary.

Under the Subscription contracts covering the years FY2002-2011, power sales to Slice and Block customers were set at pre-determined levels that could not be reduced by future conservation savings that occurred in their service territories. In order for conservation to adjust 7(b)(2) Case PF loads it has to have the ability to reduce the Administrator's load obligation. This is based on the premise that if Program Case loads are unaffected by the conservation acquisition, then 7(b)(2) Case loads should be likewise unaffected. Since these past conservation savings were accounted for and had an impact on the determination of CHWM amounts under the Regional Dialogue contracts, these conservation savings need to be reflected in the BP-12 7(b)(2) resource stack. Under Regional Dialogue contracts, the Tier 1 load amount is based on the lower of the customer's net requirement or its' RHWM. Because a customer's net requirement is its total retail load reduced for all conservation (BPA and self-funded conservation) in its service territory, the prior excluded amounts (aMW) of CRC conservation acquisitions attributable to Block and Slice customers should now be included in the resource stack. Increased CRC conservation acquisitions covering FY2007-2009 that were previously excluded from the WP-10 7(b)(2) Case resource stack total 28.0 aMW. See Exhibit 1 - page 2 of 2, for the calculation/documentation for these adjustments. The projections for CRC conservation savings for FY 2010-11 for the BP-12 rate case were not reduced for CRC savings contained in Block and Slice customer service territories, thus no adjustments are necessary for these years.

Conservation Savings Associated with Conservation Acquisition Agreements
Conservation that was acquired during this time period using Conservation Acquisition Agreements (CAAs) for the most part had provisions that reduced the customer's net requirement. Since this conservation did reduce the Administrator's load obligation, no adjustments to CAA program savings were made to the WP-07, WP-07S, and WP-10 resource stacks. No changes to the historical savings amounts associated with the CAA conservation resources are necessary.

Conservation Savings Associated with Conservation and Renewable Discount Program
Conservation amounts that were acquired under the C&RD Program (FY2002-2006) will continue to be excluded from adjusting 7(b)(2) Case PF loads due to inadequate compliance and oversight during this period. Both the savings amounts (aMW) and the related expenditures

would continue to be excluded from the 7(b)(2) resource stack as was the case in the WP-07, WP-07S, and WP-10 rate cases.

Conservation Savings Associated with the Market Transformation Program
Conservation savings achieved by Market Transformation efforts that occurred outside of BPA's service territory and that are contained in BPA's annual Conservation Resource Energy Data (The RED BOOK) amounts will continue to be excluded from the resource stack. Market Transformation savings that occur in load-following customer service territories will continue to be included in the resource stack. No changes to these historical savings amounts are required. Market Transformation savings that occur in Block and Slice customer service territories that were excluded under the Subscription contracts will now be included under the Regional Dialogue contracts for the same reasons discussed above for CRC savings. Increased historical conservation acquisitions associated with Block and Slice customer service territories during FY2003-2009 that were previously excluded from the WP-10 7(b)(2) Case resource stack totaled 37.7 aMW which will be included in the BP-12 resource stack. See Exhibit 1 - page 2 of 2, for the calculation/documentation for these adjustments. The projections for Market Transformation conservation savings for FY 2010-11 for the BP-12 rate case were not reduced for these savings contained in Block and Slice customer service territories, thus, no adjustments are necessary for these years.

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VI. Changes to the Costs and Expense/Capitalization Treatment of Conservation Occurring Before FY2012

CRC Program Costs
Conservation savings acquired under the CRC Program (FY2007-2011) had only the conservation savings attributable to BPA's load-following customer service territories included in the resource stack during the WP-07, WP-07S, and WP-10 rate cases. CRC Program conservation savings occurring in Slice and Block customer service territories were excluded from the resource stack. As outlined in the previous section, the CRC savings occurring in Block and Slice customer service territories during the FY2007-2011 time period have been included in the resource stack for the BP-12 rate case since these savings were accounted for in setting CHWMs under the Regional Dialogue contracts that are in effect during the BP-12 rate test period. While portions of the conservation savings (aMW) were excluded from the resource stack during prior rate cases, the full CRC Program costs (historical and projected) for FY2007-2011 were included in the resource stack during the WP-07, WP-07S, and WP-10 rate cases. No material changes to the historical costs for CRC resources contained in the WP-10 resource stack are necessary. Minor changes to the (FY2007-2009) CRC Program costs to reflect the latest accounting information for these costs contained in the FY2009 RED BOOK to be published in FY2010 and the latest budget projections for FY2010-2011 will be used for the BP-12 resource stack. See Exhibit 8 for the preliminary conservation expenditure totals for the preliminary BP-12 resource stack amounts and a comparison to the WP-10 conservation expenditure amounts.

CRC Capitalization/Expense Treatment

A change from expensing CRC (or its replacement program) costs in the year incurred to capitalizing these costs and amortizing them starting in FY2012 was made for financial reporting purposes in the Program Case. It was decided that since similar types of conservation measures were being acquired under both the CRC Program and the Conservation Acquisition Agreement (CAA) Programs; that a similar regulatory asset treatment of capitalizing these costs should apply to both programs. In the 7(b)(2) Case it is assumed that a Joint Operating Agency (JOA) would be formed by BPA's customers to undertake resource development to meet all 7(b)(2) Customer loads. The JOA would choose to use a consistent capitalization and regulatory treatment for conservation investments under both CRC and CAA Programs. The timeframe for undertaking 7(b)(2) Case conservation investments starts in FY2012 and BPA's past policy of adopting different capitalization policies and regulatory treatments for similar conservation measures would not be adopted by the JOA during the rate test period. Like BPA's decision to capitalize CRC costs starting in FY2012 for financial reporting purposes, the JOA would choose to capitalize all CRC investments in the 7(b)(2) Case. CRC Program costs that were classified as an expense cost in prior rate cases will be reclassified as a capitalized cost that will be amortized and recovered over a period of 15 or 13 years in the BP-12 7(b)(2) Rate Case. See Note 5 to Exhibit 8 for additional information on these cost classification adjustments.

Conservation Acquisition Agreement (CAA) Program Costs and Capitalization Treatment

Conservation that was acquired during the FY2003-2011 period using Conservation Acquisition Agreements (CAAs) generally had provisions that reduced the customer's net requirement determination, which in turn reduced the Administrator's load obligation. The capitalized expenditure amounts associated with these savings were included in the 7(b)(2) resource stack costs for the WP-07, WP-07S, and WP-10 rate cases. Minor changes to the (FY2003-2009) CAA Program costs to reflect the latest accounting information for these costs contained in the FY2009 RED BOOK to be published in FY2010 and the latest budget projections for FY2010-2011 will be used for the BP-12 resource stack. Costs associated with CAAs will continue to be capitalized.

Conservation and Renewable Development (C&RD) Program Costs

Conservation amounts that were acquired under the C&RD Program (FY2002-2006) will continue to be excluded from the 7(b)(2) resource stack due to inadequate compliance and oversight efforts during that period. Both the savings amounts (aMW) and the related expenditures will continue to be excluded from the 7(b)(2) resource stack as was the case in the WP-07, WP-07S, and WP-10 rate cases.

Market Transformation Expenditures and Expensed Cost Treatment

A small portion of BPA's conservation savings achieved by Market Transformation efforts that occurred outside of BPA's service territory during FY2003-FY2008, which are contained in BPA's RED BOOK amounts, will continue to be excluded from the resource stack. Market Transformation savings that occur in load following customer service territories continue to be included in the resource stack. Market Transformation savings that occur in Block and Slice customer service territories that were excluded under the Subscription contracts are now included under Regional Dialogue contracts that apply to the BP-12 rate test period. Thus, the only Market Transformation savings that are being excluded from the resource stack relate to a small

portion of regional loads that were outside of BPA's service territory during the FY2003-FY2008 time period. The full expenditure amounts associated with all of these savings were included in the 7(b)(2) resource stack costs for the WP-07, WP-07S, and WP-10 rate cases. The full expenditure amounts continue to be included in resource stack costs for BP-12 because BPA's funding commitment to the Northwest Energy Efficiency Alliance (NEEA) that accomplished regional Market Transformation efforts was material to NEEA's efforts. BPA would have needed to fund the Market Transformation efforts for FY2003-FY2008 at approximately the same level to ensure the accomplishment of the savings in BPA's service territory. No material changes to Market Transformation expenditure amounts are required. Minor changes to the (FY2003-2009) Market Transformation costs to reflect the latest accounting information for these costs contained in the FY2009 RED BOOK to be published in FY2010 and the latest budget projections for FY2010-2011 for Market Transformation expenditures will be used for the BP-12 resource stack.

Market Transformation efforts connected with the Energy Star appliance program along with state-sponsored rebate programs are similar to advertising and merchandising expenditures focused on encouraging consumers to buy more energy efficient appliances whose energy savings will repay the increased purchase price over the life of the appliance. Market Transformation efforts were also instrumental in getting consumers to adopt compact fluorescent light bulbs. Other Market Transformation efforts that promote conservation savings are educational in nature. These expenditures are properly classified as expensed costs.

VII. Proposed Methodology for Determining Conservation Resources Savings (aMW) Placed in the Resource Stack for Resources Occurring After FY2011

Accounting for Regional Dialogue CHWM Elections and RHWMs – In performing the 7(b)(2) rate test, only BPA-funded conservation resources that have the ability to reduce the Administrator's load obligation are placed in the resource stack. For conservation resources acquired after FY2011, this means that both RHWMs and Regional Dialogue CHWM Contract elections must be taken into account. When BPA's load obligation is below a customer's RHWM, it effectively means that BPA-funded conservation achieved by that customer is reducing the Administrator's Tier 1 load obligation and should therefore be included in the 7(b)(2) resource stack. CHWM Contract elections must also be taken into consideration because a customer's election on meeting its Above-Rate Period High Water Mark (RHWM) Load will determine if projected BPA-funded conservation savings will decrease the Administrator's load obligation and therefore will be included in the resource stack. BPA proposes the following methodology for determining the amount of projected conservation savings (aMW) to be placed in the 7(b)(2) Case resource stack for the respective rate test period. This proposed methodology is consistent with the net requirements methodology in the CHWM contracts.

Conservation acquisitions after FY2011 that have the capability to adjust loads in the 7(b)(2) Case:

1. In order for conservation to adjust loads in the 7(b)(2) Case it must reduce the Administrator's load obligations (either Tier 1 or Tier 2). Under the CHWM contracts, projected BPA-acquired conservation acquisitions, including Market

Transformation activities funded by NEEA, will be **included** in the 7(b)(2) Case resource stack for the prospective rate case if it meets one or more of the following circumstances:

a. Customers whose forecasted loads to be placed on BPA are less than their RHWM will have their BPA-funded conservation **included** in the 7(b)(2) resource stack. This increment of conservation savings is referred to as **Type A** conservation in the analysis of conservation savings. This category also includes customers who have Above-RHWM loads less than or equal to 8,760 MWhs to be served at the Load Shaping Rate unless they specifically elected to serve that load with non-federal resources. For the BP-12 rate case, this will include projected conservation acquisitions during FY2012-2017. The basis for including this conservation is the presumption that this conservation will reduce the Administrator's load obligations served at a Tier 1 Rate or the Load Shaping Rate.

b. Customers that have elected to have their Above-RHWM Load served at a BPA Tier 2 Rate will have their BPA-funded conservation **included** in the 7(b)(2) resource stack. This increment of conservation savings is referred to as **Type B** conservation in the analysis of conservation savings. For the BP-12 rate case, this will include projected conservation acquisitions during FY2012-2017. The basis for including this conservation is the presumption that this conservation will reduce the Administrator's load obligations served at the Tier 2 Rate.

c. Customers that have elected to have a defined and determined amount of their Above-RHWM Load met first with a Non-Federal Resource and the remainder served at a BPA Tier 2 rate will have their BPA-funded conservation **included** in the 7(b)(2) resource stack. This increment of conservation savings is referred to as **Type C** conservation in the analysis of conservation savings. For the BP-12 rate case, this will include projected conservation savings acquired during FY2012-2017. The basis for including this conservation is the presumption that this conservation will reduce the Administrator's load obligations served at the Tier 2 rate.

2. Under the CHWM contracts, any projected future BPA-acquired conservation achieved through Market Transformation activities funded by NEEA that are outside of BPA's service territory will continue to be **excluded** from the 7(b)(2) Case resource stack for the prospective rate case. BPA's current projected funding levels are proportionate to its share of regional loads, so no adjustments to savings or costs related to savings outside of BPA's service territory during the FY2012-2017 time period are applicable.

3. Under the Tiered Rates Methodology/Regional Dialogue Contracts, BPA- funded conservation savings attributable to customer service territories with the following load circumstances will be **excluded** from the 7(b)(2) resource stack in the respective rate case where:

a. Customers that have elected to purchase a fixed amount of their Above-RHWM Load at a Tier 2 rate from BPA, and self-supply the full remainder of the Above-RHWM Load with Non-Federal Resources, **could** have their BPA- funded conservation **excluded** from the 7(b)(2) Case resource stack. This increment of conservation savings is referred to as **Type D** conservation in the analysis of conservation savings. For the BP-12 rate case, this will include projected conservation savings acquired during FY2012-2017. To the extent that Type D conservation savings are needed to maintain the level of Tier 1 conservation savings that informed the determination of the FY2010 CHWMs as discussed in Section VIII, these conservation savings would **NOT** be excluded from the 7(b)(2) resource stack. To the extent Type D conservation savings are not needed to maintain the level of Tier 1 conservation savings that informed the determination of the FY2010 CHWMs, the savings will be excluded from the 7(b)(2) resource stack.

b. Customers that have elected to self-supply all of their Above-RHWM Load with Non-Federal Resources **could** have their BPA-funded conservation **excluded** from the 7(b)(2) Case resource stack. This increment of conservation savings is referred to as **Type E** conservation in the analysis of conservation savings. For the BP-12 rate case, this would include projected conservation savings acquired during FY2012-2017. To the extent that Type E conservation savings are needed to maintain the level of Tier 1 conservation savings that informed the determination of the FY2010 CHWMs as discussed in Section VIII, these conservation savings will **NOT** be excluded from the 7(b)(2) resource stack. To the extent Type E conservation savings are not needed to maintain the level of Tier 1 conservation savings that informed the determination of the FY2010 CHWMs, the savings will be excluded from the 7(b)(2) resource stack.

The rationale for excluding conservation from the resource stack that is occurring in customer service territories who have elected not to have BPA furnish any incremental loads in excess of their CHWM amounts is that BPA-funded conservation efforts in these service territories are not decreasing the Administrator's load obligations. The conservation being excluded is in excess of the amount of conservation needed to maintain the level of Tier 1 conservation savings as discussed in Section VIII. Excluded BPA- funded conservation saving amounts are a section 7(b)(2)(D)(i) resource, "purchased from such customer's by the Administrator pursuant to section 6." This conservation is meeting the customer's load growth in excess of their Tier 1 loads, thus it is already committed to serving the customer's loads and is not available to serve 7(b)(2) loads that are placed on the Administrator. See Exhibits 2 and 3 for a preliminary determination of the projected conservation loads that would be included in the BP-12 resource stack under the Staff Proposal as discussed at Section VIII.

VIII. BPA Funded Conservation Savings that Decrease the Administrator's CHWM Tier One Load Obligations – Proposed Replacement of Obsolete Conservation Savings Amounts

The Regional Dialogue contracts provide an allocation of Tier 1 power to BPA's customers during the FY2012-2028 time period. The annual Tier 1 loads served during this 17-year time

period that is less than or equal to the sum of all customer RHWM loads as determined during the respective rate case. Most of the loads that BPA will serve during this period will be sold at the Tier 1 Rate. Preliminary WP-12 Rates Analysis Model (RAM) results project that 62,216 GWh of Tier 1 energy will be sold to customers, while only 178 GWh of Tier 2 energy will be sold to customers during FY2012. The RHWM amounts for BP-12 will be based on the Initial CHWM amounts established for FY2010. Initial CHWMs are based upon FY 2010 *measured* loads and, as such, all past BPA-funded conservation savings that were not obsolete by FY2010 would have had an impact on reducing the Administrator's Tier 1 loads. Rates Staff proposes to define this population of prior conservation investments as consisting of the years FY1996-FY2010. In both the WP-10 and BP-12 rate cases the 7(b)(2) resource stack contained 15 years of conservation investments based on a 15-year useful life determination. It is appropriate that the number of years of historical conservation savings use a similar 15-year useful life determination. The earliest year of useful conservation savings is FY1996. The FY1996-2010 conservation savings amounts taking into account the changes to the conservation savings amounts contained in prior resource stacks before FY2012 that were discussed at Section V are estimated at 558.9 aMW (FY1996-2009 amounts are based on historical FY2009 RED BOOK amounts, while the FY2010 amount is based on current projections). See Exhibit 2 for the calculation/documentation of these conservation savings.

In the Program Case, the Tier 1 load commitments during the entire FY2012-2028 time period will be maintained by BPA's ongoing conservation investments that occur in the service territories of its customers. While prior amounts of conservation investments (FY1996-2010) will become obsolete during the period of the Regional Dialogue contracts, new BPA conservation investments will replace these conservation savings. Replacement conservation savings amounts are necessary to maintain the level of conservation savings reductions that informed the Initial CHWM amounts. Adjusting the 7(b)(2) resource stack conservation amounts for levels of conservation that were present in establishing the Initial CHWMs in FY2010 is complicated. It is complicated because some of the years of conservation investments that informed the CHWM amounts are not present in the BP-12 resource stack. The establishment of the CHWM amounts took into account past conservation investments (backward looking determination) while the 7(b)(2) rate test is a forward looking projection of conservation investments that would occur during the rate test period. In addition, the 7(b)(2) rate test assumes that conservation resources are obsolete if their composite average useful life does not extend beyond the rate test period as discussed in sections III and IV. As outlined above, the historical amount of conservation savings that informed the determination of Initial CHWM amounts is estimated at 558.9 aMW comprised of BPA conservation investments made during FY1996-2010. Conservation savings associated with the years FY2003-2010 totaling 311.3 aMW are included in the resource stack. Tier 1 Program Case loads in the BP-12 rate case loads have been reduced by 172.2 aMW (558.9 aMW – (311.3 aMW for FY2003-2010 + FY2011 of 75.4aMW)) of historical conservation savings that are not contained in the historical years of conservation savings contained in the BP-12 7(b)(2) Case resource stack due to obsolescence considerations.

The majority of BPA loads during the FY2012-2028 time period will be served at the Tier 1 Rate; that fixed load commitment was determined with 15 years of conservation savings reductions informing the CHWM calculations. In performing the 7(b)(2) rate test, their needs to

be provisions for addressing past increments of conservation savings that informed the CHWM calculations and the replacement of these savings through the entire Regional Dialogue contract period. BPA Rates Staff are proposing that conservation Types D and E (See section VII), to the extent these types of conservation savings occur and are needed, that these conservation savings be used to replace historical conservation savings that have become obsolete that informed the FY2010 CHWMs determinations.

During the BP-12 Power Rate Case and in future rate cases covered by the Regional Dialogue contracts, Power Rate Staff are proposing (Staff Proposal) that the remaining amount of *Committed Tier 1 Conservation Savings* (172.2 aMW in WP-12) be included in the resource stack to the greatest extent possible by retaining increments of Type D and E conservation savings associated with projected BPA funded conservation investments occurring during the prospective rate test period (FY2012-2017 in BP-12). For the BP-12 rate case, the 172.2 aMW increment of remaining Committed Tier 1 Conservation Savings would be met first with Type A conservation savings occurring during FY2012-2017 that are associated with Tier 1 loads. The remaining Committed Tier 1 Conservation Savings would then be allocated to FY2012 Type D and E conservation investments and then to subsequent year's (FY2013-2017) Type D and E saving amounts. While there would be only a single amount of conservation savings and costs associated with each year of conservation investments for FY2012-2017 in the resource stack, documentation would be presented as to the increments of conservation savings Types A, D, and E that make up the annual Tier 1 savings amounts for each vintage year and the amount dedicated in the aggregate toward meeting the total 558.9 aMW of Tier 1 conservation saving commitments. Types B and C conservation savings associated with Tier 2 load service would also be included within the total savings for each year of conservation savings investments contained in the resource stack. See Exhibit 3 for an example of the documentation of the conservation savings and savings by conservation Type for each year's conservation investment and the total Tier 1 savings commitment contained in the resource stack under the Staff Proposal.

In subsequent rate cases, the difference in the aggregate 558.9 aMW of CHWM of *Committed Tier 1 Legacy Conservation Savings,* (FY1996- 2010) and the amount of savings contained in the resource stack associated with the original historical population of conservation investments (BP-12 amounts FY2003-2011) will decrease as these historical years are omitted from future resource stacks due to obsolescence. In future rate cases it will be necessary to add additional increments of Type D and E conservation investments to replace these conservation investments that have become obsolete. See Exhibit 5 for an example of the determination of conservation savings associated with the prospective BP-2020 resource stack under the Staff proposal. The significance of the replacement of the Committed Tier 1 savings amount becomes apparent in comparing Exhibits 3 and 5. The amount of Tier 1 conservation savings provided by the FY2014 vintage year in the BP-12 rate case totals 34.8 aMW, this same vintage year of conservation provides conservation savings totaling 59.9 aMW in the BP-2020 resource stack. The total conservation savings contained in the resource stack under the Staff proposal increases from 637.6 aMW in BP-12 (Exhibit 3) to 766.0 aMW in BP-2020 (Exhibit 5) if the assumptions used in the projection of the WP-2020 resource stack amounts are accurate. Under the Staff Proposal the amount of Tier 1 conservation savings remains fixed at 558.9 aMW in both the BP-12 and BP-20 rate cases. The increased conservation savings amounts are attributable to additional years of Tier 2 conservation savings amounts within the resource stack.

Alternative Approach to Addressing CHWM *Committed Tier 1 Conservation Savings*

In the Alternative Approach, the difference between 300 aMW CHWM Augmentation Limit and the final CHWM Augmentation Amount (TBD in the Final Proposal for BP-2012) establishes the maximum amount of Type D and E conservation savings which will replace BPA-funded amounts of legacy conservation. The basis for this approach is as follows: (1) Because the CHWM Augmentation Amount is used to establish the RHWM Augmentation Limit for *the duration of the RD contracts*, and (2) to the extent that accumulated *historically acquired* conservation *lowered* the measured 2010 loads to the point where the sum of Eligible Load (plus provisional load) is less than or equal to the Tier 1 System Firm Critical Output (T1SFCO) + 300 (the upper limit for the CHWM Augmentation Amount), and (3) future Administrator load obligations for RHWMs going forward are based upon the T1SFCO + RHWM Augmentation for the entire 17 year period of the RD contracts, then, (4) this amount of legacy conservation effectively never became obsolete for the purposes of reducing the Administrator's load obligation, and therefore, this amount of Type D and E conservation savings should be included in the 7(b)(2) resource stack. See Exhibits 4 for an example of the conservation savings and savings Types for each year's conservation investment and the total Tier 1 savings commitment contained in the resource stack under the Alternative Approach. See Exhibit 6, for an example of the determination of conservation savings associated with the prospective BP-2020 resource stack under the Alternative Approach. The total conservation savings contained in the resource stack under the Alternative Approach decreases from 526.9 aMW in BP-12 (Exhibit 4) to 407.1 aMW in BP-2020 (Exhibit 6) if the assumptions used in the projection of the BP-2020 resource stack amounts are accurate. The amount of conservation savings in the resource stack under Exhibit 4 would have remained the same whether the CHWM Augmentation Amount was zero or 300 aMW since all of the Type D and E savings for FY2012-2017 were entirely excluded. Exhibit 6 in FY2020 assumes that the final CHWM Augmentation Amount was 100 aMW, so the effective load reduction due to legacy conservation becomes 200 aMW. The table below contains the amount of conservation resources contained in the WP-07S and WP-10 rate cases along with the amounts for the Staff Proposal and the Alternative Approach for comparison purposes.

	Amount of Conservation Savings Contained in FY 2012 RS	Amount of Conservation Savings Contained in FY 2020 RS
WP-07S Resource Stack (RS)	451.0 aMW	---------
WP-10 Resource Stack	455.7 aMW	---------
BP-12 Staff Proposal Resource Stack Exhibits 3 and 5	637.6 aMW	766.0 aMW
BP-12 Alternative Approach RS Exhibits 4 and 6	526.9 aMW	407.1 aMW

The amount of REP benefits could change markedly depending on the determination of the amount of conservation resources that are included in the resource stack going forward (FY2012-2028). The amount of conservation savings that are included in the resource stack hinges on 1) the replacement of conservation saving amounts that become obsolete that were associated with CHWM determinations under the Staff Proposal and CHWM Augmentation Amounts under the

Alternative Approach, 2) which customer service territories implement BPA funded conservation, and 3) customer elections for serving Above-RHWM loads.

BPA is seeking comments from rate case parties both prior to the initial proposal and during the formal rate case proceedings regarding the methodological principles pertaining to these two approaches. Rate case parties are also encouraged to present alternative approaches and their related principles that address the amount of conservation savings associated with CHWM determinations that reduced the Administrator's Tier 1 load obligations.

IX. Proposed Methodology for Allocating Costs Between Conservation Resources Occurring After FY2012 That are Included and Excluded from the Resource Stack

Portions of BPA's conservation costs associated with the savings amounts (aMW) that were excluded from the resource stack are excluded from the conservation costs contained in the resource stack. Fixed conservation costs will not be reduced for conservation savings that are excluded from the resource stack. Variable will be excluded from the resource stack in proportion to the excluded savings. The allocation of costs to be excluded from the resource stack is based on the following cost accounting principles/definitions:

> Fixed Costs - a cost that does not change in total despite the change in a cost driver.
> Cost Driver - any factor that affects total costs.
> Variable Cost - a cost that changes in total in proportion to changes in a cost driver.
> Relevant Range - Range of cost driver (levels of conservation savings) in which a specific relationship between the cost and driver is valid.

BPA's fixed conservation program costs (JOA's fixed costs) do not change (other than increases for inflation) over the relevant range of producing BPA's total annual conservation savings (aMW) claimed in the annual Conservation Resource Energy Data publication (The Red Book) and for projected savings and costs during the rate test period. The following costs are assumed to be fixed costs associated with BPA's annual Programmatic Conservation efforts; Energy Efficiency Staffing Costs, Indirect and Overhead Costs, Corporate General and Administrative Costs, and Expense Agreements and Grants. The full amount of these costs will still have to be incurred to support the reduced level of conservation savings contained in the resource stack. BPA's (JOA's) annual conservation program fixed costs will not be reduced for the conservation savings that are excluded from the resource stack. In analyzing Exhibit 7, one can see that these fixed costs are increasing by just the annual amounts of inflation, and that they are not increasing in response to increased levels of conservation acquisition.

The following BPA conservation program cost categories do change in response to increased levels of conservation acquisitions; Direct Acquisition capitalized costs, Market Transformation Costs, and Infrastructure Support and Evaluation Costs. These costs are properly classified as variable conservation costs. Portions of these costs will be allocated to the excluded conservation savings amounts in proportion to the excluded savings amounts (aMW) to the total savings amounts for the particular vintage fiscal year. See Exhibit – 7 for an example of the total conservation program costs by year and the proportion of costs that would be excluded from the costs included in the resource stack. This example outlines the projected savings and the related

costs that would be removed from the resource stack for individual years associated with the Staff Proposal. A comparison of the savings (aMW) and related costs associated with the BP-12 (Staff Proposal) in the BP-12 and the WP-10 resource stacks is presented at Exhibit 8.

Exhibit 1
(Page 1 of 2)

BP-12 Power Rate Case Workshop
7(b)(2) Rate Test
Analysis of FY2001-2009 Conservation Savings Amounts
Restoration of Savings Previously Excluded
2010 RED BOOK - Table B AMOUNTS

	2001	2002	2003	2004	2005	2006	2007	2008	2009	TOTALS FY01-09
Residential	6.0	19.0	11.9	11.0	10.5	10.7	12.5	22.8	20.2	124.6
C&RD reallocation	(3.6)	(13.0)	(9.2)	(8.9)	(8.5)	(4.0)	0.0	0.0	0.0	(47.2)
CRC reallocation						(1.0)	(7.0)	(10.8)	(8.5)	(27.3)
Utility Self Funded							(2.7)	(8.6)	(7.6)	(18.9)
Sub TOTAL After Reallocation	2.4	6.0	2.7	2.1	2.0	5.7	2.8	3.4	4.1	31.2
Commercial	2.0	13.6	16.7	10.9	9.5	14.6	9.5	13.7	20.3	110.8
C&RD reallocation	(0.3)	(1.1)	(3.3)	(0.6)	(0.4)	(0.6)	0.0	0.0	0.0	(6.3)
CRC reallocation						(0.2)	(3.3)	(4.7)	(6.5)	(14.7)
Utility Self Funded							(1.3)	(4.0)	(7.2)	(12.5)
Sub TOTAL After Reallocation	1.7	12.5	13.4	10.3	9.1	13.8	4.9	5.0	6.6	77.3
Industrial	0.5	4.0	6.7	3.8	3.4	8.2	6.8	7.1	7.6	48.1
C&RD reallocation	(0.4)	(0.8)	(1.7)	(1.6)	(0.6)	(2.6)	(2.2)	0.0	0.0	(9.9)
CRC reallocation							(3.2)	(3.3)	(5.1)	(11.6)
Utility Self Funded							(0.7)	(3.3)	(1.7)	(5.7)
Sub TOTAL After Reallocation	0.1	3.2	5.0	2.2	2.8	5.6	0.7	0.5	0.8	20.9
Agriculture	0.3	0.4	0.4	0.2	0.1	0.5	3.0	2.0	2.1	9.0
C&RD reallocation	(0.3)	(0.4)	(0.3)	(0.2)	(0.1)					(1.3)
CRC reallocation						(0.1)	(2.9)	(1.7)	(0.6)	(5.3)
Utility Self Funded							0.0	(0.2)	0.0	(0.2)
Sub TOTAL After Reallocation	0.0	0.0	0.1	0.0	0.0	0.4	0.1	0.1	1.5	2.2
Multi-Sector - C&RD	0.0	0.4	0.4	0.2	1.9	0.2	0.1	0.4	1.0	4.6
C&RD reallocation	0.0	(0.2)	(0.2)	(0.1)	0.0	0.0				(0.5)
CRC reallocation							0.0	0.0	(0.4)	(0.4)
Utility Self Funded									(0.1)	(0.1)
Sub TOTAL After Reallocation	0.0	0.2	0.2	0.1	1.9	0.2	0.1	0.4	0.5	3.6
Building Codes	12.4	13.0	4.2	3.9	0.0	0.0	0.0	0.0	0.0	33.5
Reallocation Adj.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sub TOTAL After Reallocation	12.4	13.0	4.2	3.9	0.0	0.0	0.0	0.0	0.0	33.5
7(b)(2) Adjustment	0.0	(13.0)	(4.2)	(3.9)						(21.1)
Net 7(b)(2) Amounts	12.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	12.4

WP-12 Power Rate Case Workshop
7(b)(2) Rate Test
Analysis of FY2001-2009 Conservation Savings Amounts
Restoration of Savings Previously Excluded
2010 RED BOOK - Table B AMOUNTS

	2001	2002	2003	2004	2005	2006	2007	2008	2009	TOTALS FY01-09
Market Transformation	7.6	15.5	20.8	16.6	15.4	15.9	21.1	21.1	12.6	146.6
C&RD reallocation	0.0	(2.6)	(3.6)	(1.5)	(1.8)	(0.6)	0.0	0.0	0.0	(10.1)
CRC reallocation						(0.8)	(2.8)	(1.4)	(0.8)	(5.8)
Utility Self Funded							(0.4)	(1.7)	(1.1)	(3.2)
Sub TOTAL After Reallocation	7.6	12.9	17.2	15.1	13.6	14.5	17.9	18.0	10.7	127.5
Regional Load Adjustment	(2.3)	(4.0)	(5.3)	(4.6)	(4.2)	(4.5)	(5.5)	(5.5)	0.0	(35.9)
Non-Decremental Load Adj.	(2.6)	(4.3)	(5.8)	(5.1)	(4.6)	(4.9)	(6.0)	(6.1)	(5.2)	(44.6)
Red Book Net 7(b)(2) Amounts	2.7	4.6	6.1	5.4	4.8	5.1	6.4	6.4	5.5	47.0
C&RD Reallocations	4.6	18.1	18.3	12.9	11.4	7.8	2.2	0.0	0.0	75.3
Adjustment - Lack of Oversight	(4.6)	(18.1)	(18.3)	(12.9)	(11.4)	(7.8)	(2.2)	0.0	0.0	(75.3)
Red Book Net 7(b)(2) Amounts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CRC Reallocations	0.0	0.0	0.0	0.0	0.0	1.3	16.4	20.5	21.1	59.3
Non-Decremental Load Adj.							(7.9)	(9.9)	(10.2)	(28.0)
Red Book Net 7(b)(2) Amounts	0.0	0.0	0.0	0.0	0.0	1.3	8.5	10.6	10.9	31.3
Summary:										
Gross Amounts before Adjustment	28.8	65.9	61.1	46.6	40.8	50.1	53.0	67.1	63.8	477.2
Utility Self Funded Adjustment	0.0	0.0	0.0	0.0	0.0	0.0	(5.1)	(17.8)	(17.7)	(40.6)
Building Code Adjustments	0.0	(13.0)	(4.2)	(3.9)	0.0	0.0	0.0	0.0	0.0	(21.1)
Mk. Trans. Regional Ld. Adj.	(2.3)	(4.0)	(5.3)	(4.6)	(4.2)	(4.5)	(5.5)	(5.5)	0.0	(35.9)
Mk. Trans. Non-Decremental Ld. Adj.	(2.6)	(4.3)	(5.8)	(5.1)	(4.6)	(4.9)	(6.0)	(6.1)	(5.2)	(44.6)
C&RD Lack of Oversight Adjustments	(4.6)	(18.1)	(18.3)	(12.9)	(11.4)	(7.8)	(2.2)	0.0	0.0	(75.3)
CRC Non-Decremental Load Adj.	0.0	0.0	0.0	0.0	0.0	0.0	(7.9)	(9.9)	(10.2)	(28.0)
FY2009 Red Book Revised - Net 7(b)(2) Amounts WP-10	19.3	26.5	27.5	20.1	20.6	32.9	26.3	27.8	30.7	231.7
WP-10 7(b)(2) Amounts	19.2	26.6	27.6	20.1	20.6	31.0	27.9	30.3	28.4	231.7
Differences	**0.1**	**(0.1)**	**(0.1)**	**0.0**	**0.0**	**1.9**	**(1.6)**	**(2.5)**	**2.3**	**0.0**
FY2009 Red Book Revised - Net 7(b)(2) Amounts WP-10	19.3	26.5	27.5	20.1	20.6	32.9	26.3	27.8	30.7	231.7
Prior Adjustment Reversals WP-12 7(b)(2) Amounts:										
Mk. Trans. Non-Decremental Ld. Adj.	2.6	4.3	5.8	5.1	4.6	4.9	6.0	6.1	5.2	44.6
CRC Non-Decremental Load Adj.	0.0	0.0	0.0	0.0	0.0	0.0	7.9	9.9	10.2	28.0
FY2009 RED BOOK REVISED - BP-12 7(b)(2) Amounts:	**21.9**	**30.8**	**33.3**	**25.2**	**25.2**	**37.8**	**40.2**	**43.8**	**46.1**	**304.3**

Exhibit 2

BP-12 Power Rate Case Workshop

7(b)(2) Rate Test

The 7(b)(2) Rate Test, Historical and Projected Conservation Savings - FY1996 - FY2017

Gross FY2012-2017 Conservation Savings Amounts BEFORE Exclusions - Staff Proposal

BPA Fiscal Year	Net 7(b)(2) WP-10 Savings Amounts[1]	Revised Net 7(b)(2) WP-10 Savings Amounts[2]	CRC Savings Adjustments[3]	Market Transformation Savings Adjustments[3]			Conservation Savings Informing FY2010 CHWM Determinations	BP-12 Conservation Savings - 7(b)(2) Resource Stack Amounts
1996	57.3	57.3	0.0	0.0	1		57.3	
1997	55.3	55.3	0.0	0.0	2		55.3	
1998	33.7	33.7	0.0	0.0	3		33.7	
1999	30.5	30.5	0.0	1.4	4		31.9	
2000	15.0	15.0	0.0	1.7	5		16.7	
2001	19.2	19.3	0.0	2.6	6		21.9	
2002	26.6	26.5	0.0	4.3	7		30.8	
2003	27.6	27.5	0.0	5.8	8	1	33.3	33.3
2004	20.1	20.1	0.0	5.1	9	2	25.2	25.2
2005	20.6	20.6	0.0	4.6	10	3	25.2	25.2
2006	31.0	32.9	0.0	4.9	11	4	37.8	37.8
2007	27.9	26.3	7.9	6.0	12	5	40.2	40.2
2008	30.3	27.8	9.9	6.1	13	6	43.8	43.8
2009	28.4	30.7	10.2	5.2	14	7	46.1	46.1
2010	31.1	59.7	0.0	0.0	15	8	59.7	59.7
Subtotal	454.6	483.2	28.0	47.7			558.9	311.3
2011	34.9	75.4	0.0	0.0		9		75.4
Subtotal - Amount of conservation savings included in the resource stack prior to the rate test period. This amount constitutes the 7(b)(2) load adjustment at the beginning of the rate test period when combined with the amount of billing credit resources in the resource stack.								386.7
								Gross Amounts Before Exclusions
2012	39.5	64.3	0.0	0.0		10		64.3
2013	39.5	66.5	0.0	0.0		11		66.6
2014	39.5	72.3	0.0	0.0		12		72.3
2015	39.5	74.3	0.0	0.0		13		74.3
2016	0.0	88.3	0.0	0.0		14		88.3
2017	0.0	92.3	0.0	0.0		15		92.3
Subtotal								844.8

Notes:

1. The amounts in this column reflect the WP-10 Section 7(b)(2) Rate Test Study (WP-10-FS BPA - 06) Appendix D Conservation Resource savings documentation.
2. The amounts in this column reflect revisions to the prior conservation savings estimates that are contained in Table B of the FY2009 REDBOOK. The analysis of those changes is presented in Exhibit 1.
3. Adjustments to the CRC and Market Transformation savings reflect the savings amounts that were previously omitted from the resource stack associated with savings occurring in Block and Slice customer service territories under the Subscription contracts that did not reduce the Administrator's load obligation. These amounts of conservation savings were reflected in the CHWM determinations and did reduce the Administrator's load obligations under the Regional Dialogue contracts. These savings are now included in the BP-12 7(b)(2) resource stack.

Exhibit 3

BP-12 Power Rate Case Workshop

7(b)(2) Rate Test

The 7(b)(2) Rate Test, Historical and Projected Conservation Savings - FY2003 - FY2017

Net FY2012-2017 Conservation Savings Amounts AFTER Exclusions - Staff Proposal Example

								Savings In the 7(b)(2) Resource Stack		
						Gross Amounts		Net Amounts	Serving Tier 1	Serving Tier 2
Historical / Projected Conservation Savings Prior to the rate Test Period:						aMW		aMW	Loads[1]	Loads[2]
FY 2003 Historical Conservation Savings						33.3		33.3	33.3	0.0
FY 2004 Historical Conservation Savings						25.2		25.2	25.2	0.0
FY 2005 Historical Conservation Savings						25.2		25.2	25.2	0.0
FY 2006 Historical Conservation Savings						37.8		37.8	37.8	0.0
FY 2007 Historical Conservation Savings						40.2		40.2	40.2	0.0
FY 2008 Historical Conservation Savings						43.8		43.8	43.8	0.0
FY 2009 Historical Conservation Savings						46.1		46.1	46.1	0.0
FY 2010 Projected Conservation Savings						59.7		59.7	59.7	0.0
FY 2011 Projected Conservation Savings						75.4		75.4	75.4	0.0
					Subtotals	386.7		386.7	386.7	0.0
Projected Conservation Savings Occurring During the Rate Test Period:										
	Conservation Savings by Type (aMW)									
	TYPE A	**TYPE B**	**TYPE C**	**TYPE D**	**TYPE E**	**Gross Amounts**	**TYPE D & E Exclusions**	**Net Amounts**		
FY2012 Projected Conservation Savings	17.3	1.9	3.6	1.8	39.7	64.3	0.0	64.3	58.8	5.5
FY2013 Projected Conservation Savings	12.7	5.1	5.8	1.9	41.1	66.6	0.0	66.6	55.7	10.9
FY2014 Projected Conservation Savings	8.6	6.1	6.3	2.0	49.3	72.3	(25.1)	47.2	34.8	12.4
FY2015 Projected Conservation Savings	6.8	8.0	6.5	2.1	50.9	74.3	(53.0)	21.3	6.8	14.5
FY2016 Projected Conservation Savings	7.9	9.6	7.7	2.5	60.6	88.3	(63.1)	25.2	7.9	17.3
FY2017 Projected Conservation Savings	8.2	10.0	8.1	2.6	63.4	92.3	(66.0)	26.3	8.2	18.1
Subtotals	61.5	40.7	38.0	12.9	305.0	458.1	(207.2)	250.9	172.2	78.7
					Totals	844.8	(207.2)	637.6	558.9	78.7

Note 1 - The annual conservation resource stack savings for the years FY2003-FY2011 are designating as being committed to serving Tier 1 loads. Annual projected conservation savings for the years FY2012-2017 classified as Types A, D, and E are available to serve Tier 1 loads in the WP-12 resource stack. Type D and E conservation savings for FY2015-2017 were excluded entirely from the resource stack since they were not needed to maintain the level of Tier 1 conservation savings that informed the determination of the FY2010 CHWMs. Type D and E conservation savings for FY2014 were excluded to the extent of 25.1 aMW. The total amount of FY2003-FY2011 conservation savings dedicated to Tier 1 loads of 386.7, plus Type A savings for FY2012-2017 totaling 61.5, and non-excluded portions of Type D and E conservation savings of 110.7 aMW for FY2012-2017 are equal to the total *Committed Tier 1 Conservation Savings* of 558.9 aMW documented at Exhibit 2.

Note 2 - Annual conservation savings associated with Types B and C conservation savings totaling 78.7 aMW are designated as serving Tier 2 loads and are included in the resource stack.

Exhibit 4

BP-12 Power Rate Case Workshop

7(b)(2) Rate Test

The 7(b)(2) Rate Test, Historical and Projected Conservation Savings - FY2003 - FY2017

Net FY2012-2017 Conservation Savings Amounts AFTER Exclusions - Alternative Approach Example

								Savings aMW In the 7(b)(2) Resource Stack		
						Gross Amounts		Net Amounts	Serving Tier 1	Serving Tier 2
Historical / Projected Conservation Savings Prior to the rate Test Period:						aMW		aMW	Loads[1]	Loads[2]
FY 2003 Historical Conservation Savings						33.3		33.3	33.3	0.0
FY 2004 Historical Conservation Savings						25.2		25.2	25.2	0.0
FY 2005 Historical Conservation Savings						25.2		25.2	25.2	0.0
FY 2006 Historical Conservation Savings						37.8		37.8	37.8	0.0
FY 2007 Historical Conservation Savings						40.2		40.2	40.2	0.0
FY 2008 Historical Conservation Savings						43.8		43.8	43.8	0.0
FY 2009 Historical Conservation Savings						46.1		46.1	46.1	0.0
FY 2010 Projected Conservation Savings						59.7		59.7	59.7	0.0
FY 2011 Projected Conservation Savings						75.4		75.4	75.4	0.0
					Subtotals	386.7		386.7	386.7	0.0
	Projected Conservation Savings Occuring During the Rate Test Period:									
	Conservation Savings by Type (aMW)									
	TYPE A	**TYPE B**	**TYPE C**	**TYPE D**	**TYPE E**	**Gross Amounts**	**TYPE D & E Exclusions**	**Net Amounts**		
FY2012 Projected Conservation Savings	17.3	1.9	3.6	1.8	39.7	64.3	(41.5)	22.8	17.3	5.5
FY2013 Projected Conservation Savings	12.7	5.1	5.8	1.9	41.1	66.6	(43.0)	23.6	12.7	10.9
FY2014 Projected Conservation Savings	8.6	6.1	6.3	2.0	49.3	72.3	(51.3)	21.0	8.6	12.4
FY2015 Projected Conservation Savings	6.8	8.0	6.5	2.1	50.9	74.3	(53.0)	21.3	6.8	14.5
FY2016 Projected Conservation Savings	7.9	9.6	7.7	2.5	60.6	88.3	(63.1)	25.2	7.9	17.3
FY2017 Projected Conservation Savings	8.2	10.0	8.1	2.6	63.4	92.3	(66.0)	26.3	8.2	18.1
Subtotals	61.5	40.7	38.0	12.9	305.0	458.1	(317.9)	140.2	61.5	78.7
					Totals	844.8	(317.9)	526.9	448.2	78.7

Note 1 - The annual conservation resource stack savings for the years FY2003-FY2011 are designating as being committed to serving Tier 1 loads. Annual projected conservation savings for the years FY2012-2017 classified as Types A, D, and E are available to serve Tier 1 loads in the WP-12 resource stack. Type D and E conservation savings for FY2012-2017 totaling 317.9 aMW were excluded entirely from the resource stack since they were not needed to maintain the level of Tier 1 conservation savings based on the assumption that FY2012-2017 conservation savings should be limited to the difference between the CHWM Augmentation Limit of 300aMW and the final CHWM Augmentation Amount (assumed to be 300 aMW in this example). Since the historical / projected conservation savings associated with FY2003-2011already exceed the 300 aMW Tier 1 requirement, none of the Type D and E conservation savings were needed following the Alternative Approach. Type A conservation savings for FY2012-2017 associated with Tier 1 loads totaling 61.5 was included in the resource stack.

Note 2 - Annual conservation savings associated with Types B and C conservation savings totaling 78.7 aMW are designated as serving Tier 2 loads and included in the resource stack.

Exhibit 5

BP-12 Power Rate Case Workshop

7(b)(2) Rate Test

The 7(b)(2) Rate Test, Illustrative Projected Conservation Savings BP-2020 - FY2014 - FY2025

Net FY2014-2025 Conservation Savings Amounts AFTER Exclusions - Staff Proposal Example

Historical / Projected Conservation Savings Prior to the rate Test Period:	Conservation Savings by Type (aMW)							Savings In the 7(b)(2) Resource Stack		
	TYPE A	TYPE B	TYPE C	TYPE D	TYPE E	Gross Amounts	TYPE D & E Exclusions	Net Amounts	Serving Tier 1 Loads[1]	Serving Tier 2 Loads[2]
FY2014 Projected Conservation Savings	8.6	6.1	6.3	2.0	49.3	72.3	0.0	72.3	59.9	12.4
FY2015 Projected Conservation Savings	6.8	8.0	6.5	2.1	50.9	74.3	0.0	74.3	59.8	14.5
FY2016 Projected Conservation Savings	7.9	9.6	7.7	2.5	60.6	88.3	0.0	88.3	71.0	17.3
FY2017 Projected Conservation Savings	8.2	10.0	8.1	2.6	63.4	92.3	0.0	92.3	74.2	18.1
FY2018 Projected Conservation Savings	8.2	10.0	8.1	2.6	63.4	92.3	0.0	92.3	74.2	18.1
FY2019 Projected Conservation Savings	8.2	10.0	8.1	2.6	63.4	92.3	0.0	92.3	74.2	18.1
Projected Conservation Savings Occuring During the Rate Test Period:										
FY2020 Projected Conservation Savings	8.2	10.0	8.1	2.6	63.4	92.3	0.0	92.3	74.2	18.1
FY2021 Projected Conservation Savings	8.2	10.0	8.1	2.6	63.4	92.3	(35.6)	56.7	38.6	18.1
FY2022 Projected Conservation Savings	8.2	10.0	8.1	2.6	63.4	92.3	(66.0)	26.3	8.2	18.1
FY2023 Projected Conservation Savings	8.2	10.0	8.1	2.6	63.4	92.3	(66.0)	26.3	8.2	18.1
FY2024 Projected Conservation Savings	8.2	10.0	8.1	2.6	63.4	92.3	(66.0)	26.3	8.2	18.1
FY2025 Projected Conservation Savings	8.2	10.0	8.1	2.6	63.4	92.3	(66.0)	26.3	8.2	18.1
Totals	97.1	113.7	93.4	30.0	731.4	1,065.6	(299.6)	766.0	558.9	207.1

Notes:

Note 1 - Assumptions: 1) The composite average life of conservation resurces is 12 years, amortization period is 12 years, 2) BPA's conservation acquisition savings rate is maintained at FY2017 levels, 3) customer elections have reached a "steady state" by FY2017 without material changes in the amounts of conservation by Type in subsequent years.

Note 2 - Annual conservation savings for the years FY2014-2025 classified as Types A, D, and E are available to serve Tier 1 loads in the BP-2020 resource stack. The total FY2014-2025 Type A conservation savings totaling 97.1 aMW associated with Tier 1 loads is placed in the resource stack. The total FY2014-FY2020 conservation savings associated with conservation Types D and E totaling 431.4 aMW are included in the resource stack to maintain the *Committed Tier 1 Conservation Savings* requirement of 558.9 aMW. Type D and E conservation savings for FY2021 were excluded to the extent of 35.6 aMW leaving a net 30.4 aMW to serve Tier 1 loads in the resource stack. Type D and E conservation savings for FY2022-2025 were excluded entirely from the resource stack since they were not needed to maintain the level of Tier 1 conservation savings that informed the determination of the FY2010 CHWMs (558.9 aMW).

Note 3 - Annual conservation savings associated with Types B and C conservation savings totaling 207.1 aMW are designated as serving Tier 2 loads and included in the resource stack.

Exhibit 6

BP-12 Power Rate Case Workshop

7(b)(2) Rate Test

The 7(b)(2) Rate Test, Illustrative Projected Conservation Savings WP-2020 - FY2014 - FY2025

Net FY2014-2025 Conservation Savings Amounts AFTER Exclusions - Alternative Approach Example

Historical / Projected Conservation Savings Prior to the rate Test Period:	Conservation Savings by Type (aMW)							Savings In the 7(b)(2) Resource Stack		
	TYPE A	TYPE B	TYPE C	TYPE D	TYPE E	Gross Amounts	TYPE D & E Exclusions	Net Amounts	Serving Tier 1 Loads[1]	Serving Tier 2 Loads[2]
FY2014 Projected Conservation Savings	8.6	6.1	6.3	2.0	49.3	72.3	0.0	72.3	59.9	12.4
FY2015 Projected Conservation Savings	6.8	8.0	6.5	2.1	50.9	74.3	(1.4)	72.9	58.4	14.5
FY2016 Projected Conservation Savings	7.9	9.6	7.7	2.5	60.6	88.3	(63.1)	25.2	7.9	17.3
FY2017 Projected Conservation Savings	8.2	10.0	8.1	2.6	63.4	92.3	(66.0)	26.3	8.2	18.1
FY2018 Projected Conservation Savings	8.2	10.0	8.1	2.6	63.4	92.3	(66.0)	26.3	8.2	18.1
FY2019 Projected Conservation Savings	8.2	10.0	8.1	2.6	63.4	92.3	(66.0)	26.3	8.2	18.1
Projected Conservation Savings Occuring During the Rate Test Period:										
FY2020 Projected Conservation Savings	8.2	10.0	8.1	2.6	63.4	92.3	(66.0)	26.3	8.2	18.1
FY2021 Projected Conservation Savings	8.2	10.0	8.1	2.6	63.4	92.3	(66.0)	26.3	8.2	18.1
FY2022 Projected Conservation Savings	8.2	10.0	8.1	2.6	63.4	92.3	(66.0)	26.3	8.2	18.1
FY2023 Projected Conservation Savings	8.2	10.0	8.1	2.6	63.4	92.3	(66.0)	26.3	8.2	18.1
FY2024 Projected Conservation Savings	8.2	10.0	8.1	2.6	63.4	92.3	(66.0)	26.3	8.2	18.1
FY2025 Projected Conservation Savings	8.2	10.0	8.1	2.6	63.4	92.3	(66.0)	26.3	8.2	18.1
Totals	97.1	113.7	93.4	30.0	731.4	1,065.6	(658.5)	407.1	200.0	207.1

Notes:

Note 1 - Assumptions: 1) The composite average life of conservation resources is 12 years, amortization period is 12 years, 2) BPA's conservation acquisition savings rate is maintained at FY2017 levels, 3) customer elections have reached a "steady state" by FY2020 without material changes in the amounts of conservation by Type in subsequent years.

Note 2 - Annual conservation savings for the years FY2014-2025 classified as Types A, D, and E are available to serve Tier 1 loads in the WP-20 resource stack. The total FY2014-2025 Type A conservation savings totaling 97.1 aMW associated with Tier 1 loads is placed in the resource stack. The total FY2014-FY2025 gross conservation savings associated with conservation Types D and E totals 761.4, of that amount, 658.5 aMW was excluded, leaving a net amount of 102.9 aMW. The Committed Tier 1 Conservation Savings requirement of 200.0 aMW (assumes the final CHWM Augmentation Amount established in BP-12 was 100 aMW) was met with Type A savings of 97.1 aMW and the net Type D and E savings placed in the stack of 102.9 aMW.

Note 3 - Annual conservation savings associated with Types B and C conservation savings totaling 207.1 aMW are designated as serving Tier 2 loads and are included in the resource stack.

Exhibit 7

BP-12 Power Rate Case Workshop

Total BPA Conservation Program - Projected Expenditures - 7(b)(2) Rate Test

NET 7(b)(2) EXPENDITURES - FY2012-2017 Exclusions Based on Staff Proposal (Exhibit 3)

($1,000)[1]

	Energy Efficiency Staffing Costs	Indirect & Overhead Costs	Corporate G&A Costs	Total Staffing, Indirect, & G&A Costs	Direct Program Costs: Market Transformation Costs	Direct Program Costs: Expense Agreements & Grants	Direct Program Costs: Infrastructure Support & Evaluation Costs	Direct Program Costs: CRC Capitalized Costs	Direct Program Costs: Direct Acquisition Capital Expenditures[1]	Total Direct Program Costs	Projected Period Expenditures Energy Efficiency	Capitalized/ Debt Financed	Expensed	Total Projected Conser. Savings aMW
FY 2007	6,388	2,019	10,734	19,141	10,771	4,188	1,643	33,355	10,725	60,682	79,823	44,080	35,743	40.2
FY 2008	7,059	1,315	11,175	19,549	9,353	4,135	4,176	26,326	8,763	52,753	72,302	35,089	37,213	43.8
FY 2009	7,845	1,643	12,514	22,002	9,631	6,569	6,475	23,495	16,790	62,960	84,962	40,285	44,677	46.1
FY 2010	7,539	3,283	12,390	23,212	14,500	5,000	14,000	28,000	50,000	111,500	134,712	78,000	56,712	59.7
FY 2011	7,808	2,826	12,185	22,819	13,000	5,000	16,700	29,500	47,000	111,200	134,019	76,500	57,519	75.4
FY 2012	8,069	2,779	12,889	23,737	13,500	5,000	16,250	0	124,000	158,750	182,487	124,000	58,487	64.3
FY2013	8,255	2,825	13,110	24,190	14,500	5,000	16,250	0	132,000	167,750	191,940	132,000	59,940	66.6
Subtotals	52,963	16,690	84,997	154,650	85,255	34,892	75,494	140,676	389,278	725,595	880,245	529,954	350,291	396.1
FY 2014 Gross	8,446	2,877	13,309	24,632	15,000	5,000	16,250	0	140,000	176,250	200,882	140,000	60,882	72.3
Exclusions	0	0	0	0	(5,207)	0	(5,641)	0	(48,603)	(59,451)	(59,451)	(48,603)	(10,848)	(25.1)
Net Costs	8,446	2,877	13,309	24,632	9,793	5,000	10,609	0	91,397	116,799	141,431	91,397	50,034	47.2
FY 2015 Gross	8,642	2,949	13,526	25,117	15,000	5,000	16,250	0	145,000	181,250	206,367	145,000	61,367	74.3
Exclusions	0	0	0	0	(10,700)	0	(11,592)	0	(103,432)	(125,724)	(125,724)	(103,432)	(22,292)	(53.0)
Net Costs	8,642	2,949	13,526	25,117	4,300	5,000	4,658	0	41,568	55,526	80,643	41,568	39,075	21.3
FY 2016 Gross	8,842	3,030	13,881	25,753	15,000	5,000	16,250	0	180,000	216,250	242,003	180,000	62,003	88.3
Exclusions	0	0	0	0	(10,719)	0	(11,612)	0	(128,630)	(150,961)	(150,961)	(128,630)	(22,331)	(63.1)
Net Costs	8,842	3,030	13,881	25,117	4,281	5,000	4,638	0	51,370	65,289	91,042	51,370	39,672	25.2
FY 2017 Gross Costs	9,046	3,058	14,140	26,244	15,000	5,000	16,250	0	190,000	226,250	252,494	190,000	62,494	92.3
Exclusions	0	0	0	0	(10,726)	0	(11,620)	0	(135,861)	(158,207)	(158,207)	(135,861)	(22,346)	(66.0)
Net Costs	9,046	3,058	14,140	26,244	4,274	5,000	4,630	0	54,139	68,043	94,287	54,139	40,148	26.3
Total Gross Costs	87,939	28,604	139,853	256,396	145,255	54,892	140,494	140,676	1,044,278	1,525,595	1,781,991	1,184,954	597,037	723.3
Total Exclusions	0	0	0	0	(37,352)	0	(40,465)	0	(416,526)	(494,343)	(494,343)	(416,526)	(77,817)	(207.2)
Total Net Costs	87,939	28,604	139,853	256,396	107,903	54,892	100,029	140,676	627,752	1,031,252	1,287,648	768,428	519,220	516.1

BP-12 Power Rate Case Workshop
7(b)(2) Rate Test
Comparison of WP-10 and BP-12 7(b)(2) Resource Stack Conservation Costs
Nominal Dollars Corresponding to the Historical Year of Acquisition
FY 2012-2017 Amounts Based on Staff Proposal (Exhibits 3 and 7)

($ 000)

	Comparison of Savings Amounts			Comparison of Expensed Amounts			Comparison of Capitalized Amounts					Capitalized
	WP -10 Savings aMW	BP -12 Savings aMW	Difference aMW	WP -10 Expense Amounts	BP -12 Expense Amounts	Expense Differences	WP -10 Capitalized Amounts	BP -12 Capitalized Amounts	Capital Expenditure Differences	WP -10 Annual Expenditures	BP -12 Annual Expenditures	Amortization Period Years
2001 Conservation	19.2	-------	(19.2)	23,272	-------	(23,272)	58	-------	(58)	23,330.0	-------	15
2002 Conservation	26.6	-------	(26.6)	21,331	-------	(21,331)	28,228	-------	(28,228)	49,559.0	-------	15
2003 Conservation	27.6	33.3	5.7	25,499	25,499	0	22,901	22,901	0	48,400.0	48,400.0	15
2004 Conservation	20.1	25.2	5.1	23,302	23,302	0	19,432	19,432	0	42,734.0	42,734.0	15
2005 Conservation	20.6	25.2	4.6	27,892	27,892	0	14,751	14,751	0	42,643.0	42,643.0	15
2006 Conservation	31.0	37.8	6.8	35,907	32,412	(3,495)	14,968	18,463	3,495	50,875.0	50,875.0	15
2007 Conservation	27.9	40.2	12.3	55,414	35,743	(19,671)	10,725	44,080	33,355	66,139.0	79,823.0	15
2008 Conservation	30.3	43.8	13.5	62,718	37,213	(25,505)	8,763	35,089	26,326	71,481.0	72,302.0	15
2009 Conservation	28.4	46.1	17.7	68,092	44,677	(23,415)	20,000	40,285	20,285	88,092.0	84,962.0	15
2010 Conservation	31.1	59.7	28.6	85,312	56,712	(28,600)	32,819	78,000	45,181	118,131.0	134,712.0	13
2011 Conservation	34.9	75.4	40.5	87,905	57,519	(30,386)	39,592	76,500	36,908	127,497.0	134,019.0	13
Subtotal	297.7	386.7	89.0	516,644	340,969	(175,675)	212,237	349,501	137,264	728,881.0	690,470.0	
2012 Conservation	39.5	64.3	24.8	94,417	58,487	(35,930)	47,203	124,000	76,797	141,620.0	182,487.0	13
2013 Conservation	39.5	66.6	27.1	95,228	59,940	(35,288)	47,221	132,000	84,779	142,449.0	191,940.0	13
2014 Conservation	39.5	47.2	7.7	96,038	50,034	(46,004)	47,224	91,397	44,173	143,262.0	141,431.0	13
2015 Conservation	39.5	21.3	(18.2)	97,321	39,075	(58,246)	47,227	41,568	(5,659)	144,548.0	80,643.0	13
2016 Conservation	-------	25.2	25.2	-------	39,672	39,672	-------	51,370	51,370	-------	91,042.0	13
2017 Conservation	-------	26.3	26.3	-------	40,148	40,148	-------	54,139	54,139	-------	94,287.0	13
Cumulative Savings	455.7	637.6	181.9	899,648	628,325	(271,323)	401,112	843,975	442,863	$1,300,760.0	$1,472,300.0	
Percent of totals				**69.16%**	**42.68%**		**30.84%**	**57.32%**		**100.00%**	**100.00%**	
Average Cost of conservation Savings - $/aMW										**$2,854.4**	**$2,309.1**	

The notes for this table are on page 2 of 2.

BP-12 Power Rate Case Workshop

7(b)(2) Rate Test

Comparison of WP-10 and BP-12 7(b)(2) Resource Stack Conservation Costs

Nominal Dollars Corresponding to the Historical Year of Acquisition

FY 2012-2017 Amounts Based on Staff Proposal

Notes:

Note 1 - The amount of conservation in the resource stack for FY2003-2011 (386.7aMW) together with billing credit resources contained in the resource stack of approximately 10 aMW establishes the amount of the load resource balance difference between the Program Case and the 7(b)(2) Case at the start of the Rate Test Period (October 1, 2011) totaling approximately 396.7 aMW.

Note 2 - Historical conservation investments that occurred prior to FY 2003 that will have been fully amortized before the end of the rate test period in FY 2017 based on a composite useful life of 15 years are viewed as obsolete conservation investments that are not included in the 7(b)(2) resource stack.

Note 3 - Conservation saving amounts for FY2001-2009 were based on the information contained in Tables A and B of the Conservation Resource Energy Data for FY 2010 (The RED Book which covered FY1982-2009). Those savings amounts were then adjusted to arrive at the actual savings that would reduce the Administrator's load obligation in the 7(b)(2) Case. A portion of the prior savings pertaining to FY2003-2009 connected with CRC (28.0) and Market Transformation (37.7) that were excluded under the Subscription contracts were restored under the Regional Dialogue contracts. Projected FY2010-2017 savings and cost amounts (gross savings amounts prior to 7(b)(2) exclusions) were based on BPA's share of the Council's 6th Power Plan targets contained in BPA's current conservation plans (reflected in IPR materials) that were shared with customers in BP-12 rate case and IPR workshops.

Note 4 - Conservation costs for FY2001-FY2009 were based on the conservation costs contained in Table D of the Conservation Resource Energy Data for FY 2010. The costs contained in the RED Book do not contain general and administrative overhead costs. The costs displayed in Table D were increased for general and administrative costs following full absorption costing principles. The allocation of general and administrative costs was based on the relationship of total direct staffing costs of BPA's Energy Efficiency organization and the Power Services Business Line. The amount of G & A costs allocated to conservation resources was a portion of the total G & A costs assigned to Power Services and Energy Efficiency, see Exhibit 5 for these cost allocation adjustments.

Note 5 - CRC expenditures were treated as expensed costs in prior rate case's 7(b)(2) resource stacks. The decision to capitalize and debt finance these costs in the BP-12 rate case results in a capitalization policy that treats similar acquisitions under BPA's bi-lateral acquisition agreements and the CRC program in a consistent manner. CRC expenditures ranged from $3.5 million in FY2006 to a projected amount of $29.5 for FY2011. The highest annual CRC expenditure amount occurred in FY2007 totaling $33.4 million.