2012 BPA Rate Case
Customer Workshop

Integrating a New Public into Regional Dialogue Ratemaking Case Study: Jefferson County Public Utility District

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1. **CHWM:** TRM Section 4.1.6.2 (New Public from Other Than Existing Public)

   A CHWM for JeffPUD will be computed during the CHWM Process. This CHWM will be treated as being effective as of 10-1-2011, although JeffPUD is not eligible to receive service using this CHWM until 7-1-2013.

   This CHWM computation will require a forecast of JeffPUD's TRL as if it would receive service for all of FY 2013. JeffPUD has no resources or NLSL, so no adjustments to the forecast TRL will be required. The examples that follow assume that JeffPUD's TRL in FY 2013 is 35.000 aMW.

   A ratio will be developed by dividing the sum of existing publics' CHWM by the sum of existing publics' FY 2013 TRL adjusted for Existing Resources and NLSL. This ratio measures an average existing public's mix of Tier 1 and Above-RHWM Load. Example: using the latest measurement of RT1SC of 6967 aMW and adjusted TRL of 7269 aMW, the ratio would be 0.95840.

   JeffPUD's TRL will be multiplied by this ratio to determine its CHWM. The example CHWM would be 33.546. JeffPUD's FY 2013 Above-RHWM would be 1.454.

   Issue: The TRM is written so that this CHWM computation would be done in an RHWM Process. There is no RHWM Process for FY 2013, the combination of the CHWM Process and the Transition AHWMs were meant to provide sufficient results for FY 2012-2013. Because JeffPUD's FY 2013 CHWM requires a forecast of existing publics' FY 2013 TRL, there is a question of which forecast should be used. The 2009 TRL forecast for the THWM Process was used to determine other customers' THWMs, and therefore could be used to compute JeffPUD's CHWM. On the other hand, this computation should result in JeffPUD's CHWM being equitable in relation to other publics' CHWMs. Using an old forecast of FY 2013 TRL could bias JeffPUD's CHWM in relation to the average public's CHWM. Using a more current TRL forecast appears to be a better choice to establish an equitable CHWM for JeffPUD. It is recommended that the TRL forecast for the final rate proposal be used to determine JeffPUD's CHWM.

2. **CDQ:** TRM Section 5.3.5.3 (Calculation of New Public's CDQ)

   A CDQ for JeffPUD will be computed during the CHWM Process. This CDQ will be determined based on the average public's CDQ, but adjustments to this average are allowed if needed to account for specific differences between JeffPUD and the average customer. Examples of adjustments cited in the TRM are differences in geographic location, non-federal resources, and the nature of TRL.

The HLH load factors developed for CDQ determinations for existing publics will be averaged for each month and applied to JeffPUD's FY 2013 TRL forecast.

Issues: The TRM does not specify whether the applied average a simple average and weighted average of the existing publics' load factors. Either may be used: which average better represents the average customer? Are any adjustments to the load factors necessary for JeffPUD? The simple and weighted averages are presented along with, for illustrative comparison, neighboring publics Mason 1 and Clallam.

Monthly Load Factors for CDQ

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
SimpAvg	.685	.689	.747	.738	.698	.698	.678	.730	.768	.778	.788	.746
WtdAvg	.710	.709	.762	.752	.720	.733	.720	.747	.778	.790	.811	.792
Mason 1	.609	.662	.752	.717	.670	.672	.638	.664	.806	.772	.840	.696
Clallam	.532	.584	.682	.656	.635	.604	.586	.633	.742	.854	.859	.667

3. **Adjust RT1SC:** Section 3.2.1.2 (Augmentation for Additional CHWM)

   The RHWM Tier 1 System Capability, equal to T1SFCO plus Augmentation for Initial CHWM, will be adjusted upward by the amount of Augmentation for Additional CHWM. In the example, JeffPUD's CHWM is 33.546 and T1SFCO is 6967. Assuming there is no Augmentation for Initial CHWM, the RT1SC would be about 7000 aMW.

4. **Adjust Slice Percentages:** Section 3.6.1 (Adjustment for Additional CHWM)

   Because the RT1SC has been increased by the inclusion of Augmentation for Additional CHWM, Slice percentages must be adjusted so that Slice purchasers get the same amount of power from the larger system as they would have received from the smaller system. Slice percentages are multiplied by the ratio of Initial CHWM to Initial CHWM plus Additional CHWM. In the example, Initial CHWM is 6967 aMW and Additional CHWM is 33.546 aMW. The ratio would be 0.99521 (6967 aMW/7000.546 aMW). Each purchaser's Slice percentage will be adjusted by this ratio. The total Slice percentage of 27.027% would be reduced to 26.897%. Slice customers will receive 26.897% of the RHWM augmentation for each year of the rate period (RHWM augmentation = Augmentation for Initial CHWM and Augmentation for Additional CHWM). Slice customers will receive a share of the credit for any unused RHWM.

5. **Proxy RHWM:**

   Proxy RHWMs will be developed for the initial rate proposal and will be used until CHWMs are developed in mid-2011. A proxy RHWM for JeffPUD will be developed using the best information available and applying steps 1 through 4 above. Proxy RHWMs will build from THWM data, as used in the examples above,

but will also incorporate some expectations about Provisional CHWMs and changes to T1SFCO. The latest estimate of T1SFCO is 6967 aMW and the latest estimate of FY 2013 adjusted TRL for existing publics is 7269. These updated values would make JeffPUD's proxy RHWM equal to 33.546.

6. **TOCA:** Section 5.1.1 (Customer Charge Billing Determinants)

Because JeffPUD's actual CHWM will be computed based on the average public's adjusted FY 2013 TRL forecast and existing publics' actual CHWMs, the ratio in paragraph 1 will almost certainly be less than 1.0 (it cannot be greater than 1.0). Therefore, JeffPUD's TOCA should be based on its CHWM/RHWM rather than on a lower net requirement. Thus, in the example, JeffPUD's CHWM of 33.546 should yield a full annual TOCA of about 0.4792%. This would then be divided into a fourth quarter TOCA to recognize that service is for only three months of the year, resulting in a FY 2013 TOCA of 0.0979%.

7. **Application of JeffPUD's TOCA in Ratesetting:**

The annual TOCA in paragraph 6 is calculated recognizing that JeffPUD would purchase for just three months. The annual TOCA would be used in determining rates, with a credit for unused RHWM for the months prior to service. This will assure that the rate computations that use the sum of rate period TOCAs include only the appropriate three months of JeffPUD's full annual TOCA. This will also mean that, all other things being equal, the two-year rates would slightly underrecover costs during the first 21 months and overrecover costs during the final three months. The shift in cost recovery should not be significant.

For billing purposes, JeffPUD would be charged its full annual TOCA for the three months it is receiving tiered rate service.

8. **Adjusting RP Augmentation:** Section 3.2.2.2 (Determination of RP Augmentation)

The RHWM Augmentation for Additional CHWM will be included in the calculation of RT1SC; however, the rate case augmentation costs will reflect that the actual augmentation need is much less. The calculation of RP Augmentation will recognize that JeffPUD's load will not be served until July 1, 2013. In addition, because a RHWM is determined for the full rate period and Slice percentages adjusted for the full rate period, the first 21 months will be considered unused RHWM in the rates. All customers will share in the credit generated by this unused RHWM.

9. **AHWM Load:** Section 4.3 (Determination of Above-RHWM Load)

Assuming that JeffPUD will purchase it AHWM load from BPA, this would be treated as a less-than-one-aMW load that would be purchased under the Load Shaping Rates. The TRM specifies this treatment if the annual AHWM is less than 8760 MWh. Although JeffPUD's AHWM for the year is about 1.45 aMW for a

complete year, because service does not begin until July 1, 2013, that year's AHWM load would be 2602 MWh.

10. **Demand Charge:**

JeffPUD's demand charges would be computed based on its monthly peak less its average HLH energy usage less its CDQ. No further adjustments would be necessary. The expected revenues from the demand charge that are credited to the Non-Slice Rate would reflect the three months of service.

11. **Load Shaping Charge:**

The Load Shaping Charge was developed such that if a annual customer's load exactly equals its TOCA load, the sum of the Load Shaping billing determinants would equal zero through a full year. By taking service in just three months in FY 2013, JeffPUD will appear to be similar to an irrigation load that takes no service from October through April, and then takes all of its service during the limited period between May and September. However, the customer with irrigation loads receives some service year-round and is billed year-round, but JeffPUD will not be billed under tiered rates for the first nine months. The irrigation customer would receive large credits during Oct-Apr which it can then use to pay the large charges during May-Sep. JeffPUD will not be receiving such credits for the first nine months, leaving JeffPUD exposed to large Load Shaping Charge payments during the three months.

Issue: Because JeffPUD is taking service for just three months, the Tier 1 load portion of its Load Shaping billing determinants won't equal zero in FY 2013. A solution could be to compute credits for JeffPUD as if it were taking service during Oct-Jun based on a System Shaped Load using its fourth quarter FY 2013 TOCA and an actual load of zero. These credits would be accumulated until JeffPUD begins taking service in July, at which time the accumulated credits would be applied against any Load Shaping Charges until the accumulated credits are depleted. Once the accumulated credits are depleted, JeffPUD would begin paying Load Shaping Charges. (If the accumulated credits are not fully depleted by the end of September 2013, JeffPUD would not receive any remaining credits because they did not actually pay into the credits being applied.)

12. **Low Density Discount:**

Is JeffPUD eligible for the Low Density Discount? Even if JeffPUD has an LDD, because its AHWM is served at Tier 1 by use of the Load Shaping rate, it will not receive an applicable LDD.

13. **Provisional CHWMs:**

Two questions arise about Provisional CHWMs. First, would JeffPUD be eligible for a Provisional CHWM? There is no FY 2007-2008 load to establish a Path 2 adjustment, so would any alternative for Path 2 be offered to JeffPUD. Most

likely not. Likewise, it may be difficult for JeffPUD to establish a basis for a Path 1 adjustment. Therefore, it is unlikely that JeffPUD would get any Provisional CHWM.

Second, JeffPUD is entering during the Provisional CHWM period when other utilities would have Provisional CHWMs. To the extent that some customers will have Provisional CHWMs that will be removed at the end of FY 2013 because the lost loads have not returned, JeffPUD would gain a higher CHWM because of the lost load that has a Provisional CHWM but the loads are not included in the forecast TRL for FY 2013. Adjustments to JeffPUD's CHWM could be proposed to relook at the existing customers' CHWMs after the provisional period, but the idea of proposing such adjustments seems to be contrary to the TRM expectations. However, the effect of Provisional CHWMs on new publics was not discussed when modifying the TRM for provisional load, so the resolution of this question is not necessarily governed by the TRM.