

2012 BPA Rate Case Customer Workshop

**Slice True-Up Clarification
Addendum
July 12, 2010**

Two follow-up requests were made during the Irrigation Rate Discount and Slice True-up Excel Spreadsheet phone conversation BPA had with Seattle and Snohomish on July 8th. 1) Provide an explanation of the B+ solution and what it was trying to achieve; and 2) provide an explanation as to why the \$100,000/5% scenario was not symmetrical with the -\$100,000/-5% scenario. The following response was sent to Seattle and Snohomish via e-mail:

1) [Solution A] adjusts the slice true-up percentage up if the forecast sum of the TOCAs is less than 100%. The adjustment is consistent with the cost/credit allocation of the posted rates and is achieved by taking a customer's Slice Percentage and dividing it by the forecast sum of TOCAs.

[Solution B] adjusts the slice true-up percentage up if the actual sum of the TOCAs is less than 100%. The actual TOCAs Slice/Block customers will be known after the Annual Net Requirement process and will be known for Load Following customers at the conclusion of each fiscal year during the Load Shaping Charge True-up calculation. The adjustment is achieved by taking a customer's Slice Percentage and dividing it by the actual sum of TOCAs. This solution, however, acknowledges that TOCAs have changed from forecast for purposes of the Slice true-up percent, but fails to make line 116 (Firm Surplus and Secondary Credit from Unused RHWM) in the composite cost pool a line item subject to the true-up. Therefore, Solution B is not a logically complete solution and is the reason Solution B+ was included.

[Solution B+] adjusts the slice true-up percentage up if the actual sum of the TOCAs is less than 100% and it also makes an adjustment to line 116 of the composite cost pool that is consistent with the change in forecast to actual TOCAs. Furthermore, Solution B would make line item 116 subject to the true-up. Line 116 would be adjusted based on the forecast market value of unused RHWM that was used in the rate case.

2) The reason why the \$100,000/5% scenario was not symmetrical with the -\$100,000/-5% scenario is because when the sum of the TOCAs is changed, the relative amount of costs or credits allocated to each TOCA is also changed. In the -5% scenario, the -5% changes the sum of the actual TOCAs to 90%, which means 30% of the -\$100,000 change in costs is the responsibility of Slice customers $27\%/90\% = 30\%$. In the +5% scenario, the +5% changes the sum of the actual TOCAs to 100%, which means approximately 27% of the \$100,000 change in costs is the responsibility of Slice customers $27\%/100\% = 27\%$.

If only the sign on the costs was changed in the two scenarios and not the sign of the costs and the sum of TOCAs, the two scenarios would be symmetrical if there was not a value difference between Unused RHWM and TOCA. For example:

-\$100,000/5% produces these results:

[Solution B+]

\$	(27,020)	Cost Adjustment
\$	14,223	Unused RHWM Adjustment
\$	(12,797)	

+\$100,000/5% produces these results:

[Solution B+]

\$	27,020	Cost Adjustment
\$	14,223	Unused RHWM Adjustment
		\$
		41,243

The symmetry is hard to see in the final answer because the Unused RHWM adjustment hides the cost symmetry.