

## **PUBLIC POWER SUGGESTIONS** **FOR REVISING THE ASC METHODOLOGY**

The following suggestions are put forward to aid BPA in its consideration of how to structure the Average System Cost (ASC) determination process for the post-2011 contracts. These suggestions are intended to achieve the following objectives:

- Be administered by BPA with limited staff and for relatively low cost.
- Utilize information that is publicly available to aid in transparency and reduce the cost of the BPA audit process.
- Provide program participants with fair and predictable level of financial benefits.
- Provide program participants, as well as BPA customer who fund the program and other stakeholders, adequate opportunity to participate in the ASC determination process.
- Ensure that the ASC determinations and financial payments made comport with statutory requirements.

This memo addresses the timing of ASC determinations, what should be determined, what data sources should be used, who is responsible for which aspect of the ASC determination process, what process should be used, and how certain issues should be determined.

### **Timing of ASC Determinations**

Since the ASC determinations are major cost inputs that will be used in the BPA rate proceedings in the post-2011 period, it makes sense that the ASC determinations be made just prior to the commencement of each BPA rate proceeding. The timing of these determinations should be approximately the same as the net requirement and Rate Period High Water Mark determinations made for preference customers. This will ensure that the most current ASC determination is available for BPA

### **ASC Costs and Loads Should be Determined**

The ASC determinations made just prior to each BPA rate case should determine both the costs eligible for inclusion in each utility's ASC, as well as the forecast of exchangeable loads. Both the costs and the loads so determined should remain fixed (without adjustment) for the BPA rate period during which they will be applicable. The costs would be based on historical information (discussed further below), and would be escalated using the escalators approved for use by BPA in the rate case. The fact that BPA will conduct a rate case every two years will ensure that these fixed values will provide a reasonable and known level of benefits during the rate period.

### **Data Sources for ASC Determinations**

The ASC for each participating utility will be calculated by BPA. This calculation will use information from each utility's annual operations report to its regulatory commission, FERC Form 1, annual financial reports and the retail rate order then in effect.

### **Who Files What**

BPA should be responsible for creating a form that lists all of the financial data BPA will need to calculate each utility's ASC, and the three source documents (operations report, FERC Form 1 and annual financial report) for such financial data. Each participating utility would be required to submit to BPA the completed form containing all of the financial data required by BPA as shown on the three source documents, annotated by where in each source document such data can be located. In addition, the most current retail rate order should be attached to the completed form submitted to BPA.

### **ASC Determination Process**

BPA would have a set number of days after the submission of the financial form to calculate the proposed ASC and exchangeable load of the participating utility. BPA's proposed determination, as well as the underlying calculations, would be made available to the participating utility, as well as other customers and interested stakeholders. After an appropriate period to consider this material, BPA would make available the BPA staff in one or more workshops to answer questions and receive informal input on the proposed ASC and exchangeable loads. In the same workshop setting, participating utilities would be required to make relevant staff available to answer questions posed by BPA, other customers and interested stakeholders. In order to receive financial benefits, the participating utility would be required to provide data and responses to questions subject to a standardized protective order.

After conclusion of the workshop process, BPA would receive written comments on its proposed ASC and exchangeable load determinations from all interested parties. It is expected that the entire process, from posting the proposed ASC and exchangeable loads, to final determination would take from four to six weeks.

### **Treatment of Certain Issues**

Historically one of the most time consuming and contentious issues has been the functionalization of costs, due to the variety of functionalization approaches the filing utility could take. A major simplification idea would be to use the cookbook functionalization approach as the only method allowed to be used. This would eliminate the direct assignment approach, with its burdensome audit requirements, and put all participating utilities on the same footing.

