

## **Tiered Rates Methodology Table of Contents/Outline**

### I. Background/Purpose/Context

#### II. Service at Which Tier of Rates

- A. Contract HWM determination methodology will be addressed in the TRM; Contract HWMs are not subject to change except for annexations

[Contract forecast HWM set in contract, subject to revision on final HWM determination. Change to Contract HWM set out in contract. TRM refers to Contract HWM determined under contract.]

- B. Definition of Tier 1/Tier 2 service – methodology and timing of determining Rate Period HWM; Tier 1 service is the lesser of customer Rate Period HWM and Net Requirement; Tier 2 service is the amount that Net Requirement exceeds Rate Period HWM

[TRM sets out methodology for definition and determination of Rate Period HWM, which methodology will use FBS capability and Net Requirement determinations made under contract. Rate Period HWM and FBS capability will not be revised in rate case. TRM will establish methodology and timing for determining Tier 2 commitment period obligation. Need to coordinate Tier 2 obligation forecast and determination with resource declaration and commitment periods – how do we do this. Need to determine how these methodologies will be stated in the TRM – text, math, both?]

- C. Use of HWMs and Net Requirements in rate case; defines Tier 2 service and not subject to change either in 7(i) or during rate period

[TRM should state how the Rate Period HWM, Net Requirement and FBS capability determinations will be used in the rate case – ideas? Is there a need to be able to change any of these after initial determination that occurs well before the rate case starts?]

- D. Tier 2 service is locked down prior 7(i) for resource planning and rate setting purposes; define precision of Tier 2 service level (how many significant digits); customers are committed for rate period to purchasing the amount of Tier 2 power equal to their forecast loads above Rate Period HWM

[Timeline for FBS capability, utility load forecast, Net Requirement, Rate Period HWM, resource initial and final declarations and the rate case process.]

#### III. Resources Dedicated to Tier 1 Service

- A. Named federal resources for Tier 1 service (as exhibit in contract, mostly synonymous with FBS)

[Treatment of 300 aMW Tier 1 augmentation, balancing purchases, intra-rate period resource replacement needs to be treated. Bases for changing FBS resource mix, timing and circumstances.]

1. Forecast output prior to each rate case for Rate Period HWM determinations; transparent and public process, but results not tested in 7(i)

[FBS output determination a contract matter ala Slice, and is done coincident with the Rate Period HWM and Net Requirement determinations]

2. Needs definition of treatment of expiring off-the-top obligations

[Timing of financial and operational reintegration of expiring off-the-top obligations]

3. III.A.1 forecast is binding on BPA for providing Tier 1 service through rate period
4. FBS amount used to set rates can differ from amount used in Rate Period HWM determination; rates can include updated information for cost recovery purposes but not for service obligations

[This entails a supplementation obligation. Is it in addition to the 300 aMW of augmentation, or limited by that amount? ]

#### B. BPA Power Purchases

1. Limits on augmentation purchases; limit defined in policy and TRM with defined changes allowed for new publics, in lieu, and DSI service

[How are limits defined, and do they apply to energy and capacity]

2. Augmentation purchase forecast as a part of Rate Period HWM determination; headroom equals lower augmentation

[How is augmentation obligation defined for purposes of setting it out in the TRM?]

3. Changes to FBS subsequent to Rate Period HWM will be reflected in rate case augmentation amounts for cost recovery purposes

4. FBS replacement and/or new resource designations will be made in rate case

[May need a different approach. FBS replacements that are part of the 300 aMW augmentation change the Rate Period HWM and available Slice. Will need to be determined and designated when Rate Period HWM established. New resources are probably Tier 2, so timing of designation depends on Tier 2 rate design.]

5. Determination of in lieu purchase for exchange loads will be forecast in rate case and made as operational decisions

[In lieu transactions should be financial only, and like the Residential Exchange should not entail the actual purchase or delivery of power. They should be a paper transaction and should be governed by the RPSA. It is unclear why they would be part of the TRM.]

#### IV. Tier 1 Revenue Requirement

[Need to discuss the structure of this portion of the TRM. Should it replicate the approach in Slice with an exhibit that sets out the cost categories that can be included in Tier 1 rates? Is there a better approach?]

- A. Embedded resource costs
- B. BPA programs and obligations
- C. Risk mitigation costs
- D. Cost of purchased power

[How to differentiate Tier 1 and Tier 2 purchases/]

- E. Secondary revenue credit

[Need to discuss different revenue streams from sales of system products to others, such as PBL and market, how they will be identified and credited.]

- F. Process for establishing updated costs in RCR
- G. Conditions under which Tier 2 costs may and may not be assigned to Tier 1 revenue requirement

#### V. Tier 2 Revenue Requirement

- A. Tier 2 costs (actual as incurred or forecast in rate case)

[How do we differentiate Tier 2 and Tier 1 purchases? Who gets the cheap stuff? Are forecast costs trued up to actual. If not, is PNRR for Tier 2 separately accounted for/]]

- B. Product development costs (e.g., Tier 2 option costs)

[How are these costs identified and tracked?]

- C. Conditions under which Tier 2 costs may and may not be assigned to Tier 1

[This seems more properly a Tier 1 issue.]

- D. Allocation of joint costs to T1 and T2

[Methodology for identification and allocation.]

- E. Allocation of Residential Exchange Program costs

- F. BPA commitment to cost separation (between Tier 1 and Tier 2, and within Tier 2)

- G. BPA commitment to risk separation (between Tier 1 and Tier 2, and within Tier 2)
  - H. BPA commitment to separation of risk management tools and costs
  - I. Enforcement of BPA commitments
- VI. Cost Allocation and Rate Design
- A. Tier 1 charges for Demand, Energy, Shaping, and Variance
  - B. **Tier 1 risk mitigation tools**
  - C. Slice rate in a tiered rates
  - D. The 7b2 Rate Test and the PF Exchange rate
    - 1. To tier or not to tier
  - E. Pricing of Additional Services from BPA
  - F. Tier 2
    - 1. Default service
    - 2. Resource-specific service
    - 3. Contract-specific service
    - 4. Bridging (short term or quarterly) service
    - 5. Renewable service
    - 6. Others services
  - G. Resource Support Services
    - 1. Resource Shaping charge
    - 2. Allowable non-federal shapes
    - 3. Other generation-following charges

VII. Accounting Systems (if necessary)

- A. Tier 1
- B. Tier 2
- C. Joint Costs

- D. Product development and implementation costs
- VIII. Inclusion of Tiered Rate Methodology in contracts
- IX. Review by FERC
- X. Duration of Methodology – term of contract
- XI. Interpretation and Methodology Enforcement

- A. Enforcement of methodology during a rate case
- B. Disputes and interpretation between rate cases

