

Clarification on the Use of Customer Resource Amounts for High Water Mark Calculations

(FY 2010 Resources)

Background

On July 19, 2007, BPA issued its Long-Term Regional Dialogue Final Policy (July 2007 Policy) and accompanying Record of Decision (ROD) to define BPA's power supply and marketing role in the Pacific Northwest region for the next 20 years. The July 2007 Policy established the parameters for moving forward on Regional Dialogue and set direction for a number of key implementation steps to define BPA's future business relationship with customers. Primary among these is the process for establishing customer Contract High Water Marks (CHWM).

In section II.B.9 of the Policy, BPA stated that for calculating customers' CHWMs, BPA would use the FY 2010 resource amounts shown in customers' Subscription contracts in effect on September 30, 2006. (These non-Federal resources are referred to as "Existing Resources" in the TRM.) These amounts were selected because they were "known and certain", providing stability and predictability for the HWM calculations. This policy statement was subject to certain exceptions that BPA believes were responsive to customer comments on this issue. Those exceptions include the treatment, for CHWM purposes, of the Centralia Coal Plant and the recall of hydro resources proposed by Grant PUD, among others.

Since the Policy was released, BPA has discovered that, for purposes of calculating individual customer CHWMs, certain customers' Exhibits C contain inaccurate information regarding Existing Resources. These inaccuracies for the most part resulted from untimely updating of resource amounts identified to serve the customer's load in FY 2010. Inaccuracies exist primarily in cases where there was a pre-existing change in the capability of a resource designated to serve load in FY 2010. Omissions exist primarily in cases of resources for which the declared capability was updated periodically to reflect changes resulting from Pacific Northwest Coordination Agreement resource planning, where assigned shares of a common resource change periodically, where Subscription contracts originally in effect for five years were extended to 10 years, and where the expected generation was unknown. In these cases, there were no energy amounts identified to serve load in FY 2010. As a result, a strict application of the Policy in regard to the FY2010 resource amounts would, in some cases, result in inaccurate CHWM calculations.

BPA is not revisiting the July 2007 Policy decision on the use of FY 2010 resources for CHWM calculation. Instead BPA is proposing to correct the identified inaccuracies in the Exhibit C FY 2010 resource numbers. Historically, BPA has made such clarifications and corrections after one-on-one discussions with the affected utilities. BPA has received much public comment encouraging openness and transparency in making such determinations in the future, and committed to an open and transparent

process in the July 2007 Policy. That is why the proposed clarifications and corrections are being made available for broad public comment.

This document provides the proposed clarification of the FY2010 resources that will be used in CHWM calculations. The resource numbers proposed are the result of the clarifications, and all other customer resources for use in CHWM calculations. After close of comment, BPA will analyze comments received and then publish a final set of numbers on specific customer resources that will be used for CHWM determination purposes. The final numbers also will be included as an attachment to the final Tiered Rates Methodology.

Proposed Clarifications

While BPA is not revisiting the July 2007 Long-Term Regional Dialogue Final Policy decision on the use of FY 2010 resources, BPA proposes to correct the identified inaccuracies noted above. Such corrections to Exhibit C FY 2010 resource numbers use the following criteria:

1. If resource changes are known to have occurred and were not reflected in the 9/30/06 Exhibit C, but there is contemporaneous written evidence of the resource changes prior to 9/30/06, CHWMs will be determined using updated resource amounts.
2. Missing resource amounts will be determined using information that was available as of 9/30/06.
 - a. Resources that are less than 1.0 megawatt in nameplate capacity will not be counted.
 - b. Where multiple customers have specific shares of the same resource, BPA will determine the FY 2010 resource amounts consistently for those customers.
3. BPA will not count the amount of a resource more than once in determining customers' non-Federal resource amounts for FY 2010 in the calculation of CHWMs.

These clarifications and associated resource adjustments are for CHWM determination purposes only, and not for net requirement calculations. Attachment 1 lists the non-Federal resource amounts that are to be used for CHWM determinations, exclusive of dedicated consumer-owned or PURPA resource amounts that will not be known until Regional Dialogue contracts are signed. Attachment 1 includes resource adjustments for the exceptions stated in the Policy in section II.B.9, as well as adjustments for the application of the criteria described above.

The exception listed in section II.B.9 of the Policy, under the heading, "Hydro Recalled by Grant PUD," was developed in the context of Grant PUD's proposal to recall the output of its Priest Rapids and Wanapum hydro resources before CHWMs are calculated. BPA stated, in relevant part, "To calculate the Contract HWM, BPA will

adjust the FY 2010 non-Federal resources of Grant and the affected public utilities as proposed by Grant PUD. [This] . . . amounts to a redistribution of resources among the affected publics, [and] there are additional amounts of Federal power freed up by Grant taking almost all load off of BPA.”

For CHWM purposes, BPA assumes that all available Priest Rapids and Wanapum power is recalled by Grant, and resource values that will be used for CHWM calculations, both for Grant and for the affected public utilities, reflect that assumption. Grant will receive no CHWM for its non-Grand Coulee load, and the Priest Rapids and Wanapum resource values will accomplish that result by equating the energy amounts of Grant’s Priest Rapids and Wanapum shares to Grant’s forecast total retail loads minus Grant’s other non-Federal resources.

In Attachment 1 this aspect of the Policy is reflected as a zeroing-out (for CHWM purposes) of Priest Rapids and Wanapum hydro resource shares for Cowlitz PUD, Eugene Water and Electric Board, Seattle City Light, and Tacoma Public Utilities. In the same manner, Grant PUD’s Priest Rapids and Wanapum hydro resource shares will be increased by the amount necessary to result in a zero CHWM for Grant PUD, except for the small amount of Grand Coulee load currently served by BPA as Full Requirements Service. This issue and several others are addressed in the Notes of Attachment 1.

Attachment 1 Resource List

Column (A) lists each Public Body, Cooperative, and Federal Agency customer. Column (B) names all resources listed in customers' Exhibits C (and Presubscription Contract resource exhibits). Resources that provide capacity only, or for which there are no annual net energy values, are omitted. Column (C) displays the energy amounts listed in Exhibits C for FY 2010, in annual average megawatts. Column (D) displays the annual average megawatt values from Column (C) adjusted by the exceptions listed in section II.B.9 of the Policy and the clarifications to the FY 2010 resource numbers using the three criteria identified, above. In cases where no adjustments were necessary, the values in Columns (C) and (D) are identical. The amounts in Column (D) are proposed to be used in calculating each customer's CHWM.

Proposed Customer Resources for HWM Calculation:

(A)	(B)	(C)	(D)	(E)
Customer Name	Resource Name	Exhibit C Amount (aMW)	Proposed for CHWM (aMW)	Notes
ALBION	[NONE]	-	-	
ALDER	[NONE]	-	-	
ASHLAND	Reeder Hydro	-	-	3/
ASOTIN	[NONE]	-	-	
BANDON	[NONE]	-	-	
BENTON PUD	Finley Gas CT	-	-	4/
BENTON PUD	Fredrickson CT	-	-	4/
BENTON PUD	Klickitat Landfill Gas	-	-	4/
BENTON PUD	Nine Canyon wind (share)	-	-	4/
BENTON PUD	Packwood Hydro	-	1.305	1/
BENTON REA	Boardman	-	-	4/
BENTON REA	Coffin Butte Landfill Gas	-	-	2/
BIG BEND	[NONE]	-	-	
BLACHLY-LANE	Coffin Butte Landfill Gas	-	-	2/
BLAINE	[NONE]	-	-	
BONNERS FERRY	Moyie Hydro	-	2.952	6/
BURLEY	[NONE]	-	-	
CANBY	[NONE]	-	-	
CASCADE LOCKS	[NONE]	-	-	
CENTRAL ELEC COOP	Coffin Butte Landfill Gas	-	-	2/
CENTRAL LINCOLN PUD	Koch (nee GP) Cogen	-	-	7/
CENTRALIA	Yelm Hydro	-	7.835	6/
CHENEY	[NONE]	-	-	
CHEWELAH	[NONE]	-	-	

(A)	(B)	(C)	(D)	(E)
Customer Name	Resource Name	Exhibit C Amount (aMW)	Proposed for CHWM (aMW)	Notes
CLALLAM PUD	Packwood Hydro	-	0.652	1/
CLARK PUD	River Road CCCT	227.799	227.799	
CLARK PUD	Packwood Hydro	-	1.677	1/
CLATSKANIE	[NONE]	-	-	
CLEARWATER	Coffin Butte Landfill Gas	-	-	2/
COLUMBIA BASIN	[NONE]	-	-	
COLUMBIA POWER	[NONE]	-	-	
COLUMBIA REA	[NONE]	-	-	
COLUMBIA RIVER PUD	[NONE]	-	-	
CONSOLIDATED	[NONE]	-	-	
CONSUMERS	Coffin Butte Landfill Gas	2.460	2.460	2/
COOS-CURRY	Coffin Butte Landfill Gas	-	-	2/
COULEE DAM	[NONE]	-	-	
COWLITZ PUD	CEAEA (Priest Rapids/Wanapum)	(1.356)	-	8/
COWLITZ PUD	Longview Fibre cogen	-	-	7/
COWLITZ PUD	Nine Canyon wind (share)	-	-	9/
COWLITZ PUD	Non-Fed NLSL Resource	23.973	-	10/
COWLITZ PUD	Priest Rapids	6.571	-	8/
COWLITZ PUD	Swift Hydro	19.832	19.832	
COWLITZ PUD	Wanapum	10.596	-	8/
COWLITZ PUD	Weyerhaeuser Generation	-	-	7/
DECLO	[NONE]	-	-	
DOUGLAS COOP	Coffin Butte Landfill Gas	-	-	2/
DOUGLAS PUD	[NONE]	-	-	
DRAIN	[NONE]	-	-	
EAST END	[NONE]	-	-	
EATONVILLE	[NONE]	-	-	
ELLENSBURG	[NONE]	-	-	
ELMHURST	[NONE]	-	-	
EMERALD PUD	Short Mountain Landfill Gas	-	1.938	6/
ENERGY NORTHWEST	[N/A]	-	-	
EWEB	Carmen-Smith Hydro	15.531	15.531	
EWEB	CEAEA (Priest Rapids/Wanapum)	(4.704)	-	8/
EWEB	Foote Creek I wind	2.764	2.764	
EWEB	Foote Creek IV wind	-	-	4/
EWEB	Leaburg Hydro	9.647	9.647	
EWEB	Priest Rapids	8.590	-	8/
EWEB	Smith Creek Hydro	6.984	6.984	
EWEB	Stateline wind	4.789	-	4/
EWEB	Trailbridge Hydro	3.461	3.461	
EWEB	Walterville Hydro	6.813	6.813	
EWEB	Wanapum	9.626	-	8/
FAIRCHILD	[NONE]	-	-	

(A)	(B)	(C)	(D)	(E)
Customer Name	Resource Name	Exhibit C Amount (aMW)	Proposed for CHWM (aMW)	Notes
FALL RIVER	Buffalo Electric Hydro	0.210	0.210	
FALL RIVER	Coffin Butte Landfill Gas	-	-	2/
FALL RIVER	Island Park Hydro	2.382	2.382	
FARMERS	[NONE]	-	-	
FERRY PUD	Packwood Hydro	-	0.093	1/
FLATHEAD	Big Fork Hydro	-	-	4/
FLATHEAD	PacifiCorp Resource	69.872	-	11/
FLATHEAD	Sierra Pacific biomass	-	-	10/
FOREST GROVE	Priest Rapids	-	1.369	12/
FOREST GROVE	Wanapum	-	1.356	12/
FRANKLIN	Fredrickson CT	-	-	4/
FRANKLIN	Nine Canyon wind (share)	-	-	4/
FRANKLIN	Packwood Hydro	-	0.978	1/
FRANKLIN	Pasco CT	-	-	4/
GLACIER EC	WAPA Resource	-	-	13/
GRANT PUD2	CEAEA	(21.119)	(21.119)	8/
GRANT PUD2	Quincy Chute & P.E.C. Headworks	5.227	5.227	
GRANT PUD2	PacifiCorp Obligation	(10.011)	(10.011)	
GRANT PUD2	Wanapum and Priest Rapids	239.475	TBD	8/
GRANT PUD2 - GRAND COULEE	[NONE]	-	-	
GRAYS HARBOR	Centralia Resource Obligation	36.871	-	13/
GRAYS HARBOR	Fredrickson CT	-	-	4/
GRAYS HARBOR	Grays Harbor Paper Cogeneration	-	-	7/
GRAYS HARBOR	Hoquiam Diesels	-	-	4/
GRAYS HARBOR	Pasco CT	-	-	4/
GRAYS HARBOR	Sierra Pacific Industrial. Cogeneration	-	-	7/
GRAYS HARBOR	Weyerhaeuser Pulp Mill	-	14.355	6/
HARNEY ELEC COOP	[NONE]	-	-	
HERMISTON	[NONE]	-	-	
HEYBURN	[NONE]	-	-	
HOOD RIVER	[NONE]	-	-	
IDAHO COUNTY LIGHT & POWER	Priest Rapids	-	-	4/
IDAHO COUNTY LIGHT & POWER	Wanapum	-	-	4/
IDAHO FALLS	Gem State Hydro	5.794	5.794	
IDAHO FALLS	Idaho Falls Bulb Turbines - hydro	-	-	4/
INLAND	[NONE]	-	-	
KITTITAS PUD	Priest Rapids & Wanapum	0.969	0.892	12/
KITTITAS PUD	Packwood Hydro	-	0.023	1/

(A)	(B)	(C)	(D)	(E)
Customer Name	Resource Name	Exhibit C Amount (aMW)	Proposed for CHWM (aMW)	Notes
KLICKITAT	Big Horn wind	-	-	4/
KLICKITAT	Goldendale Energy Project CT	-	-	4/
KLICKITAT	Goodhoe Hills wind	-	-	4/
KLICKITAT	HW Hill Landfill Gas	-	-	4/
KLICKITAT	Mariah Wind	-	-	4/
KLICKITAT	McNary Fishway (50% share)	4.222	4.222	
KLICKITAT	Packwood Hydro	-	0.280	1/
KLICKITAT	SDS Lumber	-	-	7/
KLICKITAT	White Creek wind	-	-	4/
KLICKITAT	Windy Point Partners wind	-	-	4/
KOOTENAI	Priest Rapids	-	-	4/
KOOTENAI	Wanapum	-	-	4/
LAKEVIEW	[NONE]	-	-	
LANE ELEC COOP	[NONE]	-	-	
LEWIS PUD	Burton Creek	-	-	3/
LEWIS PUD	Nine Canyon wind	-	-	9/
LEWIS PUD	Packwood Hydro	-	1.328	1/
LINCOLN MT	[NONE]	-	-	
LOST RIVER	Coffin Butte Landfill Gas	-	-	2/
LOWER VALLEY	Boardman (share)	-	-	4/
LOWER VALLEY	Priest Rapids	-	-	4/
LOWER VALLEY	Strawberry Hydro.	-	1.029	6/
LOWER VALLEY	Wanapum	-	-	4/
MASON PUD1	Lilliwaup Falls	-	-	13/
MASON PUD1	Rocky Brook	-	-	13/
MASON PUD3	Nine Canyon wind (share)	-	-	9/
MASON PUD3	Packwood Hydro	-	0.932	1/
MCCLEARY	[NONE]	-	-	
MCMINNVILLE	Priest Rapids	-	1.369	5/
MCMINNVILLE	Wanapum	-	1.356	5/
MIDSTATE ELEC COOP	Interfor cogeneration	-	-	7/
MILTON CITY	[NONE]	-	-	
MILTON-FREEWATER	Priest Rapids	-	1.369	5/
MILTON-FREEWATER	Wanapum	-	1.356	5/
MINIDOKA	[NONE]	-	-	
MISSION VALLEY	Boulder Creek hydro	-	-	3/
MISSION VALLEY	Hellroaring hydro	-	-	3/
MISSION VALLEY	Kerr Dam hydro	9.655	9.655	
MISSOULA	[NONE]	-	-	
MODERN	[NONE]	-	-	
MONMOUTH	[NONE]	-	-	
NESPELEM	[NONE]	-	-	
NO WASCO	McNary Fishway (50% share)	-	4.222	12/

(A)	(B)	(C)	(D)	(E)
Customer Name	Resource Name	Exhibit C Amount (aMW)	Proposed for CHWM (aMW)	Notes
NO WASCO	The Dalles Fishway	-	-	4/
NORTHERN LIGHTS	Hungry Horse Reservation	4.000	-	11/
NORTHERN LIGHTS	Lake Creek Hydro	2.660	2.660	
OHOP	[NONE]	-	-	
OKANOGAN	Nine Canyon wind (share)	-	-	4/
OKANOGAN	Wells Hydro	26.836	25.628	11/
OKANOGAN ELEC COOP	[NONE]	-	-	
ORCAS	[NONE]	-	-	
OREGON TRAIL	City of Cove hydro	0.068	-	13/
OREGON TRAIL	Elkhorn Valley Wind	-	-	4/
PACIFIC PUD 2	[NONE]	-	-	
PARKLAND	[NONE]	-	-	
PEND OREILLE	Boundary hydro	42.240	-	10/
PEND OREILLE	Box Canyon Dam hydro	32.203	32.203	
PEND OREILLE	Box Canyon Dam hydro	21.421	-	10/
PENINSULA	[NONE]	-	-	
PLUMMER	[NONE]	-	-	
PNGC	[NONE]	-	-	
PORT OF SEATTLE	[NONE]	-	-	
PORT ANGELES	Morse Creek	-	-	3/
RAFT RIVER	Coffin Butte Landfill Gas	-	-	2/
RAFT RIVER	Unspecified Resource for Annexation	6.475	-	13/
RAVALLI	[NONE]	-	-	
RICHLAND	[NONE]	-	-	
RIVERSIDE COOP	[NONE]	-	-	
RUPERT	[NONE]	-	-	
SALEM ELEC	[NONE]	-	-	
SALMON RIVER	[NONE]	-	-	
SEATTLE	Art. 49 Obligation to Pend Oreille	(33.671)	(43.801)	11/
SEATTLE	Boundary Encroachment on Box	(6.664)	(6.664)	
SEATTLE	Boundary hydro/ BD Expansion	342.576	342.576	
SEATTLE	CEAEA (Priest Rapids)	(2.355)	-	8/
SEATTLE	Cedar Falls/Newhalem hydro	10.233	10.233	
SEATTLE	Centralia Replacement	71.275	-	13/
SEATTLE	Diablo hydro	84.112	84.112	
SEATTLE	Eltopia Br. Canal (contract)	0.528	0.528	
SEATTLE	Gorge hydro	97.555	97.555	
SEATTLE	High Ross Equiv. (contract)	35.415	35.415	
SEATTLE	Lucky Peak (contract)	27.028	27.028	
SEATTLE	Main Canal Headworks (contract)	5.535	5.535	
SEATTLE	Metro West Point (contract)	1.200	1.200	
SEATTLE	Pend Oreille Exchange	-	-	

(A)	(B)	(C)	(D)	(E)
Customer Name	Resource Name	Exhibit C Amount (aMW)	Proposed for CHWM (aMW)	Notes
SEATTLE	Potholes E Canal 66 (contract)	0.544	0.544	
SEATTLE	Priest Rapids	26.777	-	8/
SEATTLE	Ross hydro	76.889	76.889	
SEATTLE	Russell D. Smith (contract)	0.964	0.964	
SEATTLE	System Critical Surplus Adj.	(49.626)	-	14/
SEATTLE	South Fork Tolt hydro	6.547	6.547	
SEATTLE	Summer Falls (contract)	19.568	19.568	
SKAMANIA	Packwood Hydro	-	0.093	1/
SNOHOMISH	Centralia Replacement	-	-	13/
SNOHOMISH	Everett Cogeneration	-	-	7/
SNOHOMISH	Jackson Hydro	-	29.476	12/
SNOHOMISH	Packwood Hydro	-	1.864	1/
SODA SPRNGS	Hooper Plant (hydro)	-	-	3/
SODA SPRNGS	Max Snell Plant (hydro)	-	-	3/
SOUTH SIDE	[NONE]	-	-	
SPRINGFIELD	[NONE]	-	-	
STEILACOOM	[NONE]	-	-	
SUMAS	[NONE]	-	-	
SURPRISE VALLEY	[NONE]	-	-	
TACOMA	Alder hydro	17.158	17.158	
TACOMA	CEAEA (Priest Rapids)	(2.350)	-	8/
TACOMA	Centralia Replacement	73.900	-	13/
TACOMA	Cushman 1 / Cushman 2 hydro	32.671	28.748	11/
TACOMA	LaGrande hydro	23.319	23.319	
TACOMA	Mayfield (Unit 41-44) hydro	42.575	42.575	
TACOMA	Mossyrock hydro	61.133	61.133	
TACOMA	Priest Rapids	26.770	-	8/
TACOMA	SCBID Projects	25.559	-	4/
TACOMA	Wynoochee hydro	3.597	3.597	
TANNER EC	Burr / Bouchard hydro	-	-	13/
TANNER EC	Thomas Burnside hydro	-	-	13/
TILLAMOOK	Hooley Digester - biomass	-	-	3/
TROY	[NONE]	-	-	
UMATILLA	Coffin Butte Landfill Gas	-	-	2/
UMPQUA	[NONE]	-	-	
UNITED ELEC COOP	Priest Rapids	-	-	4/
USBIA WAPATO	Drop 2 / Drop 3 hydro	-	0.207	6/
USDOE ARCO	[NONE]	-	-	
USDOE RICH	[NONE]	-	-	
USN BANGOR	[NONE]	-	-	
USN JIM CREEK	[NONE]	-	-	
USN PUGET	[NONE]	-	-	
VERA IRR DIST	[NONE]	-	-	

(A)	(B)	(C)	(D)	(E)
Customer Name	Resource Name	Exhibit C Amount (aMW)	Proposed for CHWM (aMW)	Notes
VIGILANTE	[NONE]	-	-	
WAHKIAKUM	Packwood Hydro	-	0.093	1/
WASCO ELEC COOP	Klondike Wind	-	-	4/
WEISER	[NONE]	-	-	
WELLS REC	Trout Creek	-	-	
WEST OREGON	Coffin Butte Landfill Gas	-	-	2/
WHATCOM	[NONE]	-	-	
YAKAMA	[NONE]	-	-	

Notes:

- 1/ Customer-owned share of Packwood.
- 2/ Coffin Butte share owner; entire amount reflected in Consumer's Power Exhibit C.
- 3/ No energy amounts in Exhibit C; resource amount is zero per threshold criterion.
- 4/ Not dedicated to serve retail load, including non-customer resources within the customer's service territory.
- 5/ Estimated from 2005-2006 PNCA; net of Canadian Entitlement Allocation Extension Agreement (CEAEA).
- 6/ No energy amounts in Exhibit C; Column (D) energy amount is average of actual generation from Oct-00 through Sep-05. Bonner's Ferry (Moyie) amount is average of Nov-02 through Sep-05. Grays Harbor (Weyerhaeuser) is average of Jan-01 through Sep-05.
- 7/ Consumer-owned resource. Amount TBD at Regional Dialogue Contract signing.
- 8/ Grant proposal (per RD ROD). For CHWM purposes, BPA assumes that all available Priest Rapids and Wanapum power is recalled by Grant. Resource values that will be used for CHWM calculations reflect that assumption. Grant is expected to receive no CHWM for its non-Grand Coulee load, and the Priest Rapids and Wanapum resource values will accomplish that result. For Cowlitz, BPA recognized a "Partial Loss of Contract Right" in a 1/25/06 letter.
- 9/ Subscription Contract Exhibit C Section 4(a) exception for new renewable resources.
- 10/ NLSL resources & loads not included in CHWM calculations.
- 11/ BPA recognized loss or partial loss of resource. Service to load currently identified as Hungry Horse Reservation service continued under Regional Dialogue Contract.
- 12/ Missing or erroneous Exhibit C value calculated by BPA.
- 13/ HWM exceptions in Final Policy Section II B(9): PURPA Resources, WAPA resource, Centralia, Raft River Annexation.
- 14/ Seattle month-to-month balancing amount not recognized.