2002 FINAL SUPPLEMENTAL GENERAL RATE SCHEDULE PROVISIONS

Safety-Net Cost Recover Adjustment Clause Section Only
WP-02-A-09

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A. Introduction

The following section (Part B below) contains Bonneville Power Administration's (BPA) proposed final supplemental revisions to BPA's proposed 2002 General Rate Schedule Provisions (GRSPs) for power rates.

The proposed GRSPs were prepared in accordance with BPA's statutory authority to develop rates. These schedules and 2002 GRSPs shall be applicable to all BPA contracts, including contracts executed both prior to, and subsequent to, enactment of the Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act). All sales under these rate schedules are subject to the following acts as amended: the Bonneville Project Act, the Regional Preference Act (P.L. 88-552), the Transmission System Act (P.L. 93-454), the Northwest Power Act (P.L. 96-501), and the Energy Policy Act of 1992 (P.L. 102-486).

BPA's 2002 proposed revisions to the GRSPs will supersede BPA's 1996 rate schedules, except for the FPS-96 rate schedule. The FPS-96 rate schedule continues in effect as modified in Docket No. FPS-96R. BPA proposes that its revised GRSPs become effective upon interim approval or upon final confirmation and approval by FERC. BPA currently anticipates that it will request FERC approval of its revised GRSPs effective October 1, 2001.

B. BPA's Final Supplemental Revisions to the 2002 General Rate Schedule Provisions for Power Rates

Revisions to:

SECTION II: ADJUSTMENTS, CHARGES, AND SPECIAL RATE PROVISIONS

F. Cost Recovery Adjustment Clause

There are three sets of conditions under which rate increases under Cost Recovery Adjustment Clause (CRAC) may trigger. The first is the Load-Based CRAC (LB CRAC), which triggers if BPA's augmentation cost exceeds the amount forecast in the May Proposal. The second is the Financial-Based CRAC (FB CRAC), which triggers based on the generation function's forecasted level of accumulated net revenues. The third is the Safety-Net CRAC (SN CRAC), which triggers when, after implementation of the LB and FB CRACs, BPA has or reasonably expects to miss a payment to the Treasury or another creditor.

~~In early September, for any year in which the ANR is forecasted to fall below the FB CRAC Threshold, BPA staff shall conduct a public forum to explain the ANR forecast, the calculation of the Revenue Amount and the FB CRAC Percentage, and demonstrate that the FB CRAC has been implemented in accordance with the GRSPs. The forum will provide an opportunity for public comment.~~

~~On or about September 30 of any fiscal year in which the ANR is forecasted to fall below the FB CRAC Threshold, the Administrator shall provide all customers the calculation of the adjustment and the resulting rate increase (as a percentage) applicable to each rate schedule.~~

~~d.~~ ~~**True-up**~~

~~There will be an opportunity for truing-up the FB CRAC Revenue Amount and each customer's portion of it, based on updated data. When audited actuals are available, in January in the year subsequent to the FB CRAC being implemented, the AANR will be compared to the ANR forecast used to implement the FB CRAC. If the forecasted amount is within $5 million of the AANR (the tolerance), no true-up will be made. If AANR differs from the forecast by more that the tolerance, an adjustment will be made in customer bills for the second half of the year. The adjustment will be made as follows:~~

~~FB CRAC Adjustment = (difference between the originally calculated FB CRAC Revenue Amount and Revenue Amount calculated using AANR) divided by generation revenue (not including LB CRAC) for the loads subject to FB CRAC, as forecasted for power deliveries for April through September.~~

~~The resulting percentage will be used to adjust the FB CRAC Percentage applied to each customer's bills for April through September. The total amount collected, however, will not exceed the Maximum Planned Recovery Amount.~~

3. Safety-Net Cost Recovery Adjustment Clause

The SN CRAC will be available if the Administrator determines that, after implementation of the FB CRAC and any Augmentation True-Ups, either of the following conditions exist:

- BPA forecasts a 50 percent or greater probability that it will nonetheless miss its next payment to Treasury or other creditor, or
- BPA has missed a payment to Treasury or has satisfied its obligation to Treasury but has missed a payment to any other creditor.

The SN CRAC applies to power purchases under the following firm power rate schedules: PF [Preference (excluding Slice), Exchange Program and Exchange Subscription], Industrial Firm Power (IP-02), including under the Industrial Firm Power Targeted Adjustment Charge (IPTAC) and Cost-Based Index Rate, Residential Load (RL-02) (including both the actual power deliveries and the 900 aMW of monetary benefits under the financial portion of any REP Settlement), New Resource Firm Power (NR-02), and purchases under Firm Power Products and Services (FPS). The SN CRAC does not apply to power purchases under Pre-Subscription contracts to the extent prohibited by such contracts, to BPA's current contractual obligations for Seasonal and Irrigation Mitigation sales including for any eligible customer that converts from Slice to another BPA product, or to purchases under the PF Slice Rate.

The SN CRAC will be an upward adjustment to posted power rates subject to the FB CRAC by modifying the FB CRAC parameters. BPA will propose changes to the FB CRAC parameters that will, to the extent market and other risk factors allow, achieve a high probability that the remainder of Treasury payments during the FY 2002-2006 rate period will be made in full. BPA's proposal could include changes to the Revenue Amount, the duration (the length of time the SN CRAC would be in place, which could be more than one year), and the timing of collection. The additional revenue to be generated by the SN CRAC will be collected through a uniform percentage increase in all rates subject to the FB CRAC and a commensurate decrease in the financial portion of the Residential Exchange Settlement.

a. **SN CRAC Notification Process**

At the time the Administrator determines that the SN CRAC has triggered, BPA will send written notification of the determination to customers that purchase power under rates subject to the FB CRAC and to interested parties. Such notification shall include the documentation used by BPA to determine that the SN CRAC has triggered, the amount of any forecast shortfall, and the time and location of a workshop on the SN CRAC.

The purpose of the SN CRAC workshop will be to discuss with customers and interested parties the cause of shortfall, and any proposed changes to the FB CRAC that will achieve a high probability that the remainder of Treasury payments during the FY 2002-2006 rate period will be made timely. In determining which proposal to include in its initial proposal in the SN CRAC Section 7(i) proceeding, BPA will give priority to prudent

cost management and other options that enhance Treasury Payment Probability while minimizing changes to the FB CRAC.

b. **SN CRAC Hearing Process**

As soon as practicable after a determination that the SN CRAC has triggered, BPA will publish a Federal Register Notice initiating an expedited hearing process to be conducted in accordance with Section 7(i) of the Northwest Power Act. The hearing shall be completed within 40 days, unless a different duration is agreed to by the parties. Upon completion of such hearing, BPA will submit the following documentation in support of a request for review and confirmation: Statements A through F from the 2002 BPA Wholesale Power Rate Adjustment Proceeding, Separate Accounting Analysis, current and revised revenue tests, the proposed revisions to the FB CRAC parameters and the administrative record compiled by BPA in the SN CRAC proceeding.

The changes to the FB CRAC parameters shall take effect 61 days from filing with FERC unless FERC orders otherwise prior to that time.

~~H. Dividend Distribution Clause~~

~~The DDC is a clause establishing criteria that the Administrator will use to decide whether funds are to be distributed to customers, and the amount that is to be distributed. The DDC enables BPA to distribute funds to eligible firm power customers and establishes the mechanism to be used to make a distribution.~~

~~The DDC applies to purchases by power customers under these firm power rate schedules subject to the FB CRAC, including: PF [Preference (excluding Slice), Exchange Program, and Exchange Subscription], Industrial Firm Power (IP-02), including under the Industrial Firm Power Targeted Adjustment Charge (IPTAC) and Cost-Based Index Rate, Residential Load (RL-02) New Resource Firm Power (NR-02), and purchases under Firm Power Products and Services (FPS) that are subject to the FB CRAC. The DDC also applies to the financial portion of the REP Settlement as described herein. The DDC does not apply to power purchases under Pre-Subscription contracts, or purchases under the Slice Rate.~~

~~1. Formula for the Calculation of the Dividend Distribution Amount~~

~~The DDC, for FY 2003-2006, will be implemented if audited AANR for the end of any of the FY 2002-2005 are above the DDC Threshold value.~~

~~AANR are generation function net revenues, as accumulated since 1999, at the end of each of the FY 2002-2005. Net revenues are accrued revenues less accrued expenses, in accordance with Generally Accepted Accounting Practices, with the~~