Post-2028 Residential Exchange Program ASCM Workshop

Friday, July 31, 2026

9:00am – 3:00pm

Rates Hearing Room and WebEx

POST
2028
REP

July 31st Workshop Agenda

Workshop Topics	Presenter(s)
Agenda and Introductions	Sarah Burczak
ASCM Schedule	Richard Greene
Proposed Updates to the Average System Cost Methodology	Post-2028 REP Team
Next Steps and Closeout	Sarah Burczak

Post-2028 REP Team

- Daniel Fisher, REP Sponsor (Acting VP of NW Requirements Marketing)
- Aimee Robinson, REP Policy Lead
- Michael Edwards, REP Technical Lead
- Richard Greene, Legal Counsel
- Neal Gschwend, Legal Counsel
- Stephanie Adams, Rates and 7(b)(2) Lead
- Jonathan Ramse, Economist
- James LaBelle, Economist
- Sarah Burczak, Acting Power Rates Manager
- Scott Winner, PSRF Supervisor

ASCM Schedule

Presenter – Richard Greene

Senior Attorney-Advisor

Updated ASCM Schedule

Date	Event
July 31, Fri	**Workshop**, Proposed changes to ASCM
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Proposed Updates to ASCM

Presenter – Post-2028 REP Team

POST 2028 REP

Context for Updates

- The BPA Administrator is still reviewing the comments and record for the ASCM. The Draft ROD will contain the Administrator’s draft decisions on all issues.
- BPA Staff have identified areas for further consideration and want to highlight these and receive feedback before the Draft ROD.

Locations of Proposed Updates

Topic	Section(s)
Definition of Public Power Entity	301.2 and 301.7
Appendix 1 filings for changes to service territory	301.5(g) moved to 301.3(c)
Return on equity	301.4(o)
Account 925 1% threshold	301.4(w)
Regulatory Assets and Liabilities	Added 301.4(z)
Market price forecasts	Corrected 301.5(b)(2)(ii)(D)
Market price forecasts (staff alternative)	301.5(b)
Major resource additions and materiality threshold	Added language to clarify 301.5(c)(4)
Changes to service territory	Clarified 301.5(f)
Changes to service territory cont.	Added 301.5(g) for scenarios not covered by 301.5(f)

Definition of Public Power Entity

- Section 301.7 applies to "Public Customers" and addresses how BPA will set ASCs for Public Power customers.
  - Section 301.7 used term "Public Customer" and "Public Utilities" without defining these terms.
  - BPA removed terms "Public Customer" and "Public Utilities" and replaced them with "Public Power Entity."
- Added definition of "Public Power Entity" to Section 301.2.
  - "Public Power Entity" means a public body or cooperative that is entitled to preference and priority under the Bonneville Project Act of 1937 and that has executed a Residential Purchase and Sale Agreement.

Appendix 1 Filings for Territory Changes

- Moved 301.5(g) to 301.3(c).
  - Section 301.3 is Filing Procedures
- Removed language in the subsection that is covered in the Rules of Procedure.
  - Original language covered all Utility Appendix 1 filings.
  - Proposed language is specific for Utilities with changes in service territory.

Return on Equity

- The draft 2026 ASCM allowed state commission-approved ROE into ASCs, consistent with the 2008 ASCM.
- BPA Staff received comments from public power opposing state commission-approved ROE and requesting a return to the weighted average cost of long-term debt as under the 1984 ASCM.
- This concern had not previously been raised during the consultation process.
- BPA Staff is considering the interaction between risk and return on equity for different functions.

Return on Equity cont.

Staff Consideration

- The draft 2026 ASCM takes capital structure, cost of debt, and ROE determinations from state commission rate orders.
- Staff is considering utilizing the ROE in FERC-approved transmission rates to remove the transmission-associated ROE from the state commission-approved ROE
  - Since the transmission component of ROE is known/isolated by the FERC ROE, we can solve for the non-transmission portion of the state ROE.
  - The ROE used in Base Period ASC is weighted to remove the transmission-associated ROE.
- The non-transmission ROE could then be grossed up for federal corporate income taxes, consistent with the draft 2026 ASCM.

Return on Equity cont.

- Staff is considering weighting the ROE to remove the return on equity associated with transmission, determined in FERC-approved transmission rates.

$$Non\ Tran\ ROE = \frac{State\ ROE - (FERC\ Tran\ ROE * Tran\ Rate\ Base\%)}{Non\ Tran\ Rate\ Base\ \%}$$

Example:

$$8.83\% = \frac{9\% - (9.60\% * 22\%)}{78\%}$$

Account 925 1% Threshold

- Staff proposed Account 925 costs (injuries & damages) could be included in a utility's ASC. If 925 costs were less than 1% of total system cost, they would automatically be included. Amounts greater than 1% required state commission approval for retail recovery.
- All participants raised objections to staff's 1% of total system cost threshold.

Account 925 1% Threshold cont.

- Staff researched to see if there were other potentially analogous thresholds. For example:
  - Commissions may use a 5% of *net income* threshold when amortizing deferred costs.
  - Oregon's ORS 757.259 caps the amortization of deferred costs to a *rate impact* of 3%.
  - Auditing assesses materiality based on independent professional judgment, but uses a variety of different quantitative benchmarks, e.g.,
    - 5% of profit before tax
    - 0.5 to 2% of revenue
    - 1% of total assets
- These alternatives serve different purposes and have different denominators that might need to be calibrated for ASCM purposes.
- Staff is seeking input on whether there are standard materiality thresholds in use at the state commission level, and how similar thresholds could apply to the inclusion of Account 925 costs in the ASCM.

Regulatory Assets and Liabilities as 301.4(z)

- Section 301.4 is Base Period Average System Cost
  - The subsection for the treatment of regulatory assets and liabilities was erroneously left out of the previous draft 2026 ASCM.
  - The existing language for the treatment of regulatory assets and liabilities from the 2008 ASCM ROD was added as subsection 301.4(z).

Correcting Time Frame in 301.5(b)(2)(ii)(D)

- The last draft 2026 ASCM erroneously mentioned five years of actual data.
  - BPA's proposal for the draft ASCM is to use an average of three years of actual data. BPA's proposal is not to use five years in some instances and three years in others. The draft ASCM was corrected to be consistent with staff's proposal.
  - BPA is still considering comments on the three years vs. five years issue.

Market Price Forecast Options

The draft ROD will offer two options for determining market price forecasts for short-term purchases and short-term sales for resale in Section 301.5(b)(2).

- Option 1: Status Quo. Purchase and Sale prices of short-term power are forecast based on utility-specific actuals in the base year scaled up and down by the market price forecast.
- Option 2: Align the forecast purchase and sale prices of short-term power with BPA rate case assumptions and apply only to marginal load changes needed to get into load/resource balance. Base year short-term power purchase expenses and sales would be fixed and included in all forecast years.
- See Excel spreadsheet for example.

Adding Clarifying Language to 301.5(c)(4)

- Section 301.5(c) is Major resource additions and materiality thresholds.
  - Language added to subsection 301.5(c)(4) clarifies that BPA will allow a Utility to submit stacks of individual resources that, when combined, meet the 2.5 percent or greater materiality threshold.
  - Each individual resource in the stack must result in a change to the Utility's Base Period ASC of 0.5 percent or more.
  - BPA Staff erroneously deleted this provision in the draft ASCM.

Changes to Service Territory

- Edited Section 301.5(f) (Before Exchange Period)
  - Draft ASCM language asked for two “Base Period ASCs” from a Utility, edited to “Appendix 1s”.
  - Clarification that new resource additions and retirements associated with the change in service territory need to be reflected in the forecasted Appendix 1.
  - Existing section applies to forecasted changes in service territory that will result in a 2.5 percent or greater change to the Utility’s Base Period ASC; known at the time of a regular Appendix 1 filing.

Changes to Service Territory cont.

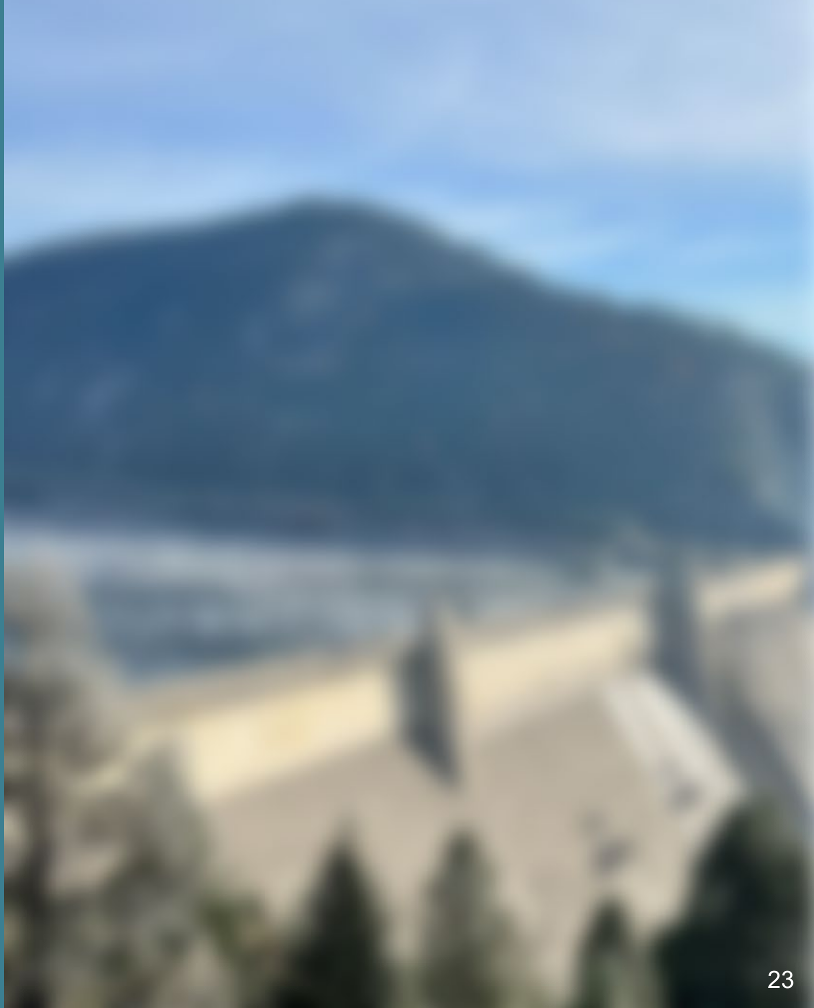
- New Section 301.5(g) (After Exchange Period/No FF1)
  - Addition of Section 301.5(g) for scenarios not covered by Section 301.5(f); specifically changes to service territory only known after filing of the Appendix 1 **and/or** for any Utility that does not have a full-year FERC Form 1 for the Base Period
- Examples
  - A new Utility assumes service territory of an existing Utility
  - A new Utility assumes service territory of two or more existing Utilities
  - A new Utility is formed from the service territory, in whole or in part, of a utility that does not have an RPSA
  - A Utility’s territory is transferred to a utility without an RPSA

Q&A

Closeout

Presenter – Sarah Burczak

Acting Power Rates Manager



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Communication and Resources

- Submit interim public feedback by August 14 to rep2028@bpa.gov.
- After the Draft ROD is released, official public comments can be submitted to the Public Comments page.
- Details to attend all Post-2028 REP Phase 2 workshops can be found on BPA's event calendar.
- For REP background, post-2028 public workshop materials, public notices, and additional REP resources, go to the Post-2028 REP webpage.
- To receive pertinent notifications related to this process, sign up for Tech Forum.

Thank you!

Post 2028 REP Team