Tiered Rate Methodology Supplemental Rate Proceeding

Tiered Rate Methodology

September 2009

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TIERED RATE METHODOLOGY DEFINITIONS

7(i) Process means a public process conducted, pursuant to section 7(i) of the Northwest Power Act or its successor, by BPA to establish rates for the sale of power and other products.

Above-RHWM Load means the forecast annual Total Retail Load, less Existing Resources, NLSLs, and the customer’s RHWM, as determined in the RHWM Process. For the Transition Period, Above-RHWM Load will be established as described in section 4.3.2.2.

Actual Annual Tier 1 Load means the sum of a customer’s electric loads (measured in kilowatthours) that were served at Tier 1 Rates for all of the Monthly/Diurnal periods during the relevant Fiscal Year.

Actual Monthly/Diurnal Tier 1 Load means the amount of a customer’s electric load (measured in kilowatthours) that was served at Tier 1 Rates during the relevant Monthly/Diurnal period.

Actual Hourly Tier 1 Load means the actual amount of a customer’s electric load (measured in kilowatthours) that is recorded on the appropriate metering equipment, adjusted as specified in the applicable agreement, that was served at Tier 1 Rates during the relevant hour. Generally, for Load Following customers, the Actual Hourly Tier 1 Load is the customer’s Total Retail Load in each hour, less 1) the applicable Dedicated Resource amounts (excluding Super Peak Credit amounts) serving the customer’s TRL in that hour, 2) power purchased at the NR rate in that hour, and 3) power purchased at Tier 2 Rates in that hour. For Block customers with shaping capacity, the Actual Hourly Tier 1 Load is the sum of the Tier 1 monthly amount of Block Product in each hour and the monthly Block Product shaping capacity amount for the relevant Heavy Load Hour period.

Additional CHWM means the sum of all CHWMs established for DOE-Richland, New Publics formed in whole or in part out of loads previously served by an entity other than an Existing
Public, and load growth for New Tribal Utilities. Additional CHWM will not include CHWMs for New Publics formed out of Existing Publics or other Initial CHWMs.

**Adjusted FY 20__ Load** means the Existing Customer’s Measured FY 20__ Load for a specific Fiscal Year as adjusted for accumulated credited conservation achieved through each such Fiscal Year, determined using the techniques specified in section 4.1.4 for each applicable Fiscal Year. (Note: Section 4.1.4 is drafted to apply the techniques to FY 2010.)

**Allocated Tiered Cost Table** means the table that sets forth the expenses and revenue credits allocated to the Publics in the Cost Pools that result from application of the Cost Allocation Method.

**Annual Net Requirement** means BPA’s forecast of a customer’s electric load (expressed in megawatthours), excluding NLSL amounts served at the New Resource rate, established in the customer’s CHWM Contract and eligible for service from BPA under section 5(b) of the Northwest Power Act.

**Augmentation for Additional CHWM** means the amount of annual average firm energy BPA forecasts, calculated in accordance with sections 3.2.1.1 and 3.2.1.2 during the RHWM Process, that is equal to the amount of Additional CHWMs used in the calculation of RHWM Augmentation.

**Augmentation for Initial CHWM** means the amount of annual average firm energy BPA forecasts during the RHWM Process that will be needed (in addition to the Firm Critical Output of the Tier 1 System) to meet the Initial CHWM. The amount of energy is restricted by the Augmentation Limit.

**Augmentation Limit** means the amount of augmentation calculated by BPA in accordance with section 3.2.1, which establishes the maximum level of Augmentation for Initial CHWM.
Balancing Authority means the responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a Balancing Authority Area, and supports interconnection frequency in real time.

Balancing Authority Area means the collection of generation, transmission, and loads within the metered boundaries of the Balancing Authority.

Balancing Power Purchases means power purchases or resource acquisitions forecast by BPA in a 7(i) Process to be made by BPA during a Rate Period for periods within a year during which the Tier 1 System Capability is insufficient to meet BPA’s Forecast Monthly/Diurnal Tier 1 Loads for that period.

Behind-the-Meter Resource means a customer’s generating resource situated so that the output of such resource is not recorded by a BPA meter.

Billing Determinant means the unit of measure for sales of a product or service for which a customer is billed by BPA, as established by this TRM.

Block Product means BPA’s power product defined in section 4 of the Block and Slice/Block CHWM Contracts.

Business Day(s) means every Monday through Friday except Federal holidays.

CDQ. See Contract Demand Quantity.

CHWM. See Contract High Water Mark.

CHWM Contract means the power sales contract between a customer and BPA that contains a Contract High Water Mark (CHWM), and under which the customer purchases power from BPA at rates established by BPA in accordance with the TRM.

CHWM Process means the FY 2011 process, as set forth in section 4.1, through which BPA establishes CHWMs for Existing Customers.
Competing New Publics means two or more New Publics that request Additional CHWM for a particular Rate Period where the requests in total exceed the 50 aMW Rate Period limit established in section 4.1.6.3.

Composite Cost Pool means the Tier 1 Cost Pool to which expenses and revenue credits are to be allocated in accordance with sections 2.1 and 2.2.1, and which are set out on Table 2, section B. The Composite Cost Pool is the basis for the Composite Customer Rate.

Composite Customer Charge means the product of a customer’s TOCA and the Composite Customer Rate. The Composite Customer Charge applies to purchases of these products under the CHWM Contract: Load Following, Block, and Slice/Block.

Composite Customer Rate means the rate used by BPA in the calculation set forth in section 5.1.3 that recovers only the costs allocated to the Composite Cost Pool. The Composite Customer Rate is expressed in dollars per percentage point of TOCA.

Conservation Adjustment means the adjustment to Scaled Eligible Load performed as a step in the CHWM Process to adjust for conservation implemented by a customer and credited in accordance with section 4.1.4.

Contract CSP means the average of a customer’s same-month Customer System Peak for FY 2005, 2006, and 2007 as described in section 5.3.5.1.

Contract aHLH means the average of a customer’s same-month Heavy Load Hour energy for FY 2005, 2006, and 2007 as described in section 5.3.5.1.

Contract Demand Quantity (CDQ) means the monthly quantity of demand (expressed in kilowatts) included in each customer’s CHWM Contract that is subtracted from the Customer System Peak (CSP) as part of the process of determining the customer’s Demand Charge Billing Determinant, as calculated in accordance with section 5.3.5.
**Contract High Water Mark (CHWM)** means the amount (expressed in average megawatts), computed for each customer in accordance with section 4. For each customer with a CHWM Contract, the CHWM is used to calculate each customer’s RHWM in the RHWM Process for each applicable Rate Period. The CHWM Contract specifies the CHWM for each customer.

**Cooling Degree Days (CDD)** means a quantitative index that reflects the influence of temperature on demand for energy to cool homes and businesses; CDD is the summation of positive differences between the mean daily temperature and 65 degrees Fahrenheit for a specified unit of time.

**Cost Allocation Method** means the ratemaking step of assigning expenses and revenue credits to Cost Pools in the process of developing rates for BPA products and services in accordance with the TRM.

**Cost Pool** means a grouping of expenses and revenue credits allocated to a specific product, service, or customer type.

**Cost Review Public Process** means a public process that will allow customers and interested parties to review and obtain financial information from BPA; see section 2.7.5.2.

**Cost Verification Process** means the two processes that provide customers and interested parties with an opportunity to review financial information related to Cost Pools; see sections 2.7.5, 2.7.5.1, and 2.7.5.2.

**Cost Verification Process for the Slice True-Up Adjustment Charge** means a public process that will permit Slice customers, other BPA customers, and other interested parties to review the Slice True-Up Adjustment; see section 2.7.5.1 and Attachment A.

**Critical Period** means the period when the expected regulated and independent hydroelectric power generation from water available from reservoir releases plus historical natural streamflows produces the least amount of power to meet system load requirements while taking into account the historical streamflow record, power and non-power operating constraints, the planned

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operation of non-hydro resources, and expected net contract obligations. For operational purposes, the Critical Period adopted by BPA as of the effective date of this TRM is September 1936 through April 1937 water conditions. However, to align with Fiscal Years, BPA will use as the Critical Period for this TRM the historical streamflows from October 1936 through September 1937 in the determination of the Firm Critical Output of the Tier 1 System Resources, unless modified pursuant to section 3.1.3.2.

**Customer Charges** means one or any combination of the following: 1) the Composite Customer Charge; 2) the Non-Slice Customer Charge; and 3) the Slice Customer Charge.

**Customer System Peak (CSP)** means the customer’s maximum Actual Hourly Tier 1 Load (measured in kilowatts) during the Heavy Load Hours of each month.

**Dedicated Resource** means a Specified Resource or an Unspecified Resource Amount listed in Exhibit A of the CHWM Contract that a customer is required by statute to provide or obligates itself to provide under the CHWM Contract for use to serve its Total Retail Load.

**Demand Charge** means the product of the Demand Charge Billing Determinant and the Demand Rate.

**Demand Rate** means the rate established in accordance with section 5.3.6 and charged for demand under Tier 1 Rates.

**Designated BPA System Obligations** means the set of obligations specified in Table 3.4, or imposed on BPA by statutes, regulations, court order, treaties, executive orders, memoranda of agreement, or contracts, that require the generation or delivery of power, forbearance from generating power, or receipt of power, in order to support the operation of the FCRPS, including any obligations to the BPA Balancing Authority (Transmission Services), and that are not intended for commercial purposes.

**Direct-Service Industrial Customers (DSIs)** has the meaning specified in section 3(8) of the Northwest Power Act.
**Discretionary Contracts** means those purchases, sales, and exchanges resulting from BPA marketing transactions as of September 30, 2006, and identified on Tables 3.3 and 3.4.

**Diurnal Flattening Service** is a service that makes a resource that is variable or intermittent, or that portion of such resource that is variable or intermittent, equivalent to a resource that is flat within each Monthly/Diurnal period.

**Eligible Load** means the Existing Customer’s Measured FY 2010 Load that is used by BPA in the determination of each Existing Customer’s CHWM, modified as specified in section 4.1.3.2.

**Existing Customer** means a Public that is eligible on December 1, 2008, to take requirements power at a PF rate or that would be eligible on December 1, 2008, if it was not serving load with Non-Federal Resources.

**Existing Public** means a Public that has a CHWM Contract at the time there is an annexation of some portion of its service territory.

**Existing Resource** means a Specified Resource listed in section 2 of Exhibit A of a customer’s CHWM Contract that such customer was obligated by contract or statute to use to serve its Total Retail Load prior to October 1, 2006.

**Existing Resources for CHWMs** means Non-Federal Resource amounts, shown in Attachment C, that are designated for use in FY 2010 in Exhibit C of each Existing Customer’s Subscription Contract, in effect as of September 30, 2006; Existing Resources for CHWMs are adjusted as follows:

1) **Renewable Resources.** The output of renewable resources added during the term of the Subscription Contracts will be excluded from the calculation of CHWMs.

2) **Centralia Resource.** Contingent on the signing of a CHWM Contract by an Existing Customer, the output of the Centralia resource will be excluded from BPA’s calculation of such Existing Customer’s CHWM.
3) **Grant PUD.** Grant PUD has indicated that it will be recalling from purchasers hydropower from the Priest Rapids and Wanapum projects. This action will result in a redistribution of resources for Grant PUD and the affected BPA customers, for CHWM purposes, as shown in Attachment C. These changes are reflected as a zero FY 2010 resource value for Priest Rapids and Wanapum hydro resource shares for Cowlitz PUD, Eugene Water and Electric Board, Seattle City Light, and Tacoma Public Utilities. Correspondingly, 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 town of Grand Coulee load currently served by BPA as full requirements service.

4) **Raft River Annexation.** The Non-Federal Resources associated with the transfer of Idaho Power Company’s Nevada service territory to Raft River Rural Electric Cooperative will be excluded by BPA from the calculation of the Raft River CHWM.

5) **PURPA Resources.** PURPA resources with a capability of less than 3 aMW will not be counted for CHWM calculations as a resource; however, any load that the resource serves in FY 2010 that would otherwise be retail load served by the BPA customer will be included in the Measured FY 2010 Load for that customer. For PURPA resources with a capability greater than 3 aMW, amounts used by BPA to calculate a customer’s CHWM will be the smaller of 1) the declared amount of such resource designated for use to serve a customer’s retail load in FY 2010 in Exhibit C of such customer’s Subscription Contract, in effect as of September 30, 2006, or 2) the actual output of such resource used to serve the customer’s load in FY 2010.

6) **Consumer-owned Resources.** Customers will identify in their CHWM Contracts what consumer-owned generation amounts their consumers will apply to serve the customer’s Total Retail Load. Consumer-owned generation amounts will be listed by BPA in Exhibit A at the time of CHWM Contract signing for each customer.
(7) **Resource Clarifications.** In FY 2008, BPA conducted a public process to establish
amounts for certain customers’ Non-Federal Resources for CHWM purposes. This was
done in cases where the declared amount of resources designated for use in FY 2010 in
Exhibit C of such customers’ Subscription Contracts, in effect as of September 30, 2006,
were missing or in error. The amounts established for those resources are reflected in
Attachment C.

Attachment C sets out the amounts of Existing Resources for CHWMs.

**Federal Base System (FBS)** has the meaning specified in section 3(10) of the Northwest Power
Act.

**Federal Columbia River Power System (FCRPS)** means the integrated power system that
includes, but is not limited to, the transmission system constructed and operated by BPA and the
hydroelectric dams in the Pacific Northwest constructed and operated by the U.S. Army Corps of
Engineers and the Bureau of Reclamation.

**Firm Critical Output** means the forecast output from Tier 1 System Resources that is
determined in accordance with sections 3.1.3.1, 3.1.3.3, and 3.1.3.4.

**Fiscal Year (FY)** means the period beginning each October 1 and ending the following
September 30.

**Forced Outage Reserve Service (FORS)** means a service that provides an agreed-to amount of
capacity and energy to load during the forced outages of a qualifying resource.

**Forecast Net Requirement** means the forecast of each customer’s Annual Net Requirement that
BPA performs in each RHWM Process.

**Forecast Annual Tier 1 Load** means the sum of a customer’s electric loads (measured in
kilowatthours) that BPA forecasts in each 7(i) Process to be served at Tier 1 Rates for all of the
Monthly/Diurnal periods a Fiscal Year.
Forecast Monthly/Diurnal Tier 1 Load means the amount of a customer’s electric load (measured in kilowatthours) that BPA forecasts in each 7(i) Process to be served at Tier 1 Rates during the relevant Monthly/Diurnal period.

Forecast Year means the Fiscal Year ending one full year prior to the commencement of a Rate Period.

Heating Degree Days (HDD) means a quantitative index that reflects the influence of temperature on demand for energy to heat homes and businesses, and the summation of negative differences between the mean daily temperature and 65 degrees Fahrenheit for a specified unit of time.

Initial CHWM means the sum of all Existing Customers’ CHWMs determined in the CHWM Process.

Investor-Owned Utility (IOU) means a privately owned or publicly traded utility organized under state law as a for-profit corporation to provide electric power service.

Irrigation Rate Mitigation (IRM) means a fixed percentage rate discount for power purchases at Tier 1 Rates to qualifying utilities that resell power to irrigators during May through September. See section 10.3.

Joint Operating Entity (JOE) means a joint operating entity as defined pursuant to 16 U.S.C. § 839c(b)(7).

Load Following Product means the BPA firm power service under the Load Following CHWM Contract that meets the customer’s Total Retail Load less its Non-Federal Resources obligation on a real-time basis.

Load Shaping Billing Determinant is the difference between a customer’s System Shaped Load and its Actual Monthly/Diurnal Tier 1 Load for each Monthly/Diurnal period.
**Load Shaping Rate** means a rate established by BPA in a 7(i) Process in accordance with section 5.2.2.

**Low Density Discount (LDD)** means the discount authorized by section 7(d)(1) of the Northwest Power Act.

**Measured FY 20__ Load** means the Existing Customer’s measured load for a specific Fiscal Year (i.e. FY 2007, FY 2008, FY 2010, FY 2013) as determined and adjusted using the techniques specified in section 4.1.1.

**Mini-Trial** means a hearing before the BPA Administrator for the Administrator to resolve a disputed matter in a 7(i) Process, as described in section 13.8.

**Monthly/Diurnal** refers to the 24 periods of the year, consisting of 12 Heavy Load Hour (HLH) periods (one for each month) and 12 Light Load Hour (LLH) periods (one for each month).

**Net Requirement** means the amount of federal power that a customer is entitled to purchase from BPA to serve its Total Retail Load minus amounts of its Dedicated Resources shown in Exhibit A, as determined consistent with section 5(b)(1) of the Northwest Power Act.

**New Credit** means an amount of revenue credited to the applicable Cost Pool under this TRM but for which no credit category exists on Table 2.

**New Expense** means an expense allocable to the applicable Cost Pool under this TRM but for which no expense category exists on Table 2.

**New Large Single Load (NLSL)** has the meaning specified in section 3(13) of the Northwest Power Act and in BPA’s NLSL policy.

**New Public** means a Public that is not an Existing Customer.

**New Tribal Utility** means a Public formed by a tribal government to which service by BPA commenced after FY 2000.
Non-Federal Resource means a generating facility or other source of electric power or capability not obtained from BPA.

Non-Slice Cost Pool means the Tier 1 Cost Pool to which expenses and revenue credits are to be allocated by BPA in accordance with sections 2.1 and 2.2.3, and which are set out on Table 2, section D. The Non-Slice Cost Pool is the basis for the Non-Slice Customer Rate.

Non-Slice Customer Charge means the product of a customer’s Non-Slice TOCA and the Non-Slice Customer Rate. The Non-Slice Customer Charge applies to purchases of the Load Following or Block products, including the Block portion of the Slice/Block product, under the CHWM Contract.

Non-Slice Customer Rate means the rate used in the calculation set forth in section 5.1.4 that recovers only the costs allocated by BPA to the Non-Slice Cost Pool. The Non-Slice Customer Rate is expressed in dollars per percentage point of TOCA.


Notice or notify or similar term as used throughout this TRM includes communications posted electronically.

Obligations to Balancing Authority means the obligations, if any, of Power Services to provide to the Balancing Authority generation inputs that are required by the Balancing Authority to reliably operate the transmission facilities of the FCRPS. These generation inputs may include, but shall not be limited to, the energy and/or capacity utilized or reserved to provide spinning and non-spinning reserves, reactive power and voltage control, regulation and frequency response, remedial action schemes, substation service, and energy imbalance.

Overhead Cost Adder means a uniform adder, set by BPA in each 7(i) Process in accordance with section 6.3.3, designed to compensate the Composite Cost Pool for the general and administrative (overhead) costs associated with BPA’s provision of power at Tier 2 Rates.
Phase-In Amount means the CHWM during a Rate Period for Competing New Publics that is calculated by BPA as set out in section 4.1.6.5.

Point of Delivery (POD) means the point where power is transferred from a transmission provider to a customer.

Potential CHWM Eligibility is a value calculated by BPA, as set out in section 4.1.6.2, to determine the potential CHWM for a New Public.

Power Services is the organization, or its successor organization, within BPA that is responsible for the management and sale of Federal power.

Provisional CHWM Amount means an additional CHWM amount that is granted on a provisional basis based on the amount of Provisional Load included in a customer’s Eligible Load, as determined as specified in section 4.1.5.

Provisional Load means load amount(s) in excess of a customer’s Measured FY 2010 Load, as determined as specified in section 4.1.3.1.

Public means a public body or cooperative utility or Federal agency eligible to purchase requirements power from BPA pursuant to section 5(b) of the Northwest Power Act.

Rate Period means the period of time during which a specific set of rates established by BPA pursuant to this TRM is intended to remain in effect.

Rate Period High Water Mark (RHWM) means the amount, calculated by BPA in each RHWM Process pursuant to the formula in section 4.2.1 and expressed in average megawatts, that BPA establishes for each customer based on the customer’s CHWM and the RHWM Tier 1 System Capability. The maximum planned amount of power a customer may purchase under Tier 1 Rates each Fiscal Year of the Rate Period is equal to the RHWM for Load Following customers and the lesser of RHWM or Annual Net Requirement for Block and Slice/Block customers.
RD Policy means BPA’s Long-Term Regional Dialogue Final Policy, published July 2007, as amended.

Regional Dialogue Contract means a contract offered by BPA to a customer—Public, Investor-Owned Utility, or Direct-Service Industrial Customer—consistent with the terms of the RD Policy and the Northwest Power Act.

Resource Shaping Charge means the customer-specific charge or credit as described in section 8.5 that adjusts for the difference in value between a planned resource energy shape that is flat within each Monthly/Diurnal period (but not necessarily flat when comparing one Monthly/Diurnal period to another) and an equivalently sized flat annual block (flat for all hours of the Fiscal Year).

Resource Shaping Charge Adjustment means the charge or credit developed by BPA pursuant to section 8.5.1.

Resource Shaping Rate means the rate that is set, as described in section 8.5, equal to the Load Shaping Rate for each Monthly/Diurnal period.

Resource Support Services (RSS) presently includes Diurnal Flattening Service (DFS), Forced Outage Reserve Service (FORS), Transmission Curtailment Management Service (TCMS), and Secondary Crediting Service (SCS), and may in the future include other related services that are priced in the applicable 7(i) Process consistent with this TRM.

Revenue Requirement Table means the table that sets forth all BPA expenses and revenue credits that BPA will use when implementing the Cost Allocation Method. The line items on the Revenue Requirement Table are similar to those on the Allocated Tiered Cost Table, but without the Cost Pool distinctions.

RHWM. See Rate Period High Water Mark.
**RHWM Augmentation** means the amount of augmentation to the Tier 1 System Firm Critical Output BPA calculates in each RHWM Process that is needed to meet the total of all RHWMs. This calculation assumes that every customer is able to purchase at Tier 1 Rates up to its full RHWM and is determined by adding Augmentation for Initial CHWM and Augmentation for Additional CHWM.

**RHWM Process** means the public process conducted during the Forecast Year prior to each 7(i) Process (beginning with the WP-14 7(i) Process), in which BPA will calculate, as described in section 4.2, the following values for the upcoming Rate Period:

1) RHWM Tier 1 System Capability, including RHWM Augmentation

2) each customer’s RHWM

3) each customer’s Forecast Net Requirement

4) each customer’s Above-RHWM Load

**RHWM Tier 1 System Capability** means the Tier 1 System Firm Critical Output plus RHWM Augmentation.

**RP Augmentation** means the 7(i) Process forecast of the amount of power BPA needs on an annual basis to purchase for each Rate Period to meet all customers’ Forecast Annual Tier 1 Load.

**Scaled Eligible Load** is a value calculated by BPA as set forth in section 4.1.3.2 for use in determining each customer’s CHWM.

**Secondary Crediting Service** means the optional service offered by BPA that provides a monetary credit for the secondary output from an Existing Resource that has a firm critical energy component and a secondary energy component.

**Shared Rate Cost Allocator (SRCA)** is a Shared Rate Plan purchaser’s Billing Determinant, which is equal for each SRP participant to the customer’s share of the total Forecast Net Requirement for all SRP purchasers.
Shared Rate Plan (SRP) means the rate option described in section 7.

Slice Cost Pool means the Tier 1 Cost Pool to which expenses and revenue credits are to be allocated by BPA in accordance with sections 2.1 and 2.2.2, and which are set out on Table 2, section C. The Slice Cost Pool is the basis for the Slice Customer Rate.

Slice Customer Charge means the product of a customer’s Slice Percentage and the Slice Customer Rate. The Slice Customer Charge applies to the purchase of the Slice product under the CHWM Contract.

Slice Customer Rate means the rate used by BPA in the calculation set forth in section 5.1.5; the Slice Customer Rate recovers only the costs allocated to the Slice Cost Pool and is expressed in dollars per Slice Percentage.

Slice Percentage means the percentage used to determine the amount of the Slice Product a customer purchases, pursuant to its Slice/Block CHWM Contract.

Slice Product means the power product defined in section 5 of the Slice/Block CHWM Contract.

Slice True-Up Adjustment means an annual adjustment to true up forecast costs to actual costs in accordance with section 2.7.

Slice True-Up Adjustment Charge means the amount charged to each Slice Product customer determined in accordance with section 2.7.4.

Subscription Contract means the power sales agreement between BPA and a customer providing for power deliveries of requirements purchases, commencing on or after October 1, 2001, and concluding on September 30, 2011.

Super Peak Credit means the amount of additional HLH energy, defined in section 5.3.4, a customer contractually commits to provide with Non-Federal Resources during the Super Peak Period.
**Super Peak Period** means the hours defined pursuant to the CHWM Contract for each Rate Period into which a customer must reshape its HLH energy from its Specified and Unspecified Resources to receive a Super Peak Credit. The hours BPA establishes for the Super Peak Period may vary by month and will be either two 3-hour periods each day or a single 6-hour period each day.

**System Shaped Load** means the amount of energy a Load Following or Block customer would receive from BPA under its Tier 1 Rates in each of the Monthly/Diurnal periods in each Fiscal Year of the Rate Period if the customer’s TOCA Load was delivered in the shape of the RHWM Tier 1 System Capability through such periods.

**Tier 1 Cost Allocator (TOCA)** is the Billing Determinant for the Customer Charges for each customer purchasing power at a Tier 1 Rate under its CHWM Contract. TOCAs are expressed as percentages and are calculated pursuant to section 5.1.1.

**Tier 1 Cost Pools** are the three Cost Pools to which BPA allocates Tier 1 Costs. The Tier 1 Cost Pools are the Composite Cost Pool, the Slice Cost Pool, and the Non-Slice Cost Pool.

**Tier 1 Costs** are the expenses identified on Table 2 that are allocated to any Tier 1 Cost Pool. Table 2 specifies to which Tier 1 Cost Pool each Tier 1 Cost is to be allocated.

**Tier 1 Credits** are the revenue credits identified on Table 2 that are allocated to any Tier 1 Cost Pool. Table 2 specifies to which Tier 1 Cost Pool each Tier 1 Credit is to be allocated.

**Tier 1 Rate** means any Priority Firm Power (PF) rate (e.g., Composite, Slice, and Non-Slice Customer Rates) that reflects Tier 1 Costs and Credits and applies to power purchased under a CHWM Contract to meet a customer’s general requirements.

**Tier 1 Secondary Energy** means the amount of electric energy BPA forecasts in a 7(i) Process that will be produced by the Tier 1 System in excess of the Tier 1 System Firm Critical Output, plus forecast output of RP Augmentation resources in excess of RP Augmentation forecast amounts.
**Tier 1 Secondary Energy Credit** means the revenue credit allocated to the Non-Slice Cost Pool from the disposition of Tier 1 Secondary Energy, as forecast in a 7(i) Process.

**Tier 1 System** means the collection of resources and contract purchases that comprise the Tier 1 System Resources and the collection of contract loads and obligations that comprise the Designated BPA System Obligations.

**Tier 1 System Capability** means the Tier 1 System Firm Critical Output plus RP Augmentation.

**Tier 1 System Firm Critical Output** means the Firm Critical Output of Tier 1 System Resources less Tier 1 System Obligations.

**Tier 1 System Obligations** means the amount of energy and capacity that BPA forecasts for the Designated BPA System Obligations over a specific time period.

**Tier 1 System Resources** means the Federal System Hydro Generation Resources listed in Table 3.1; the Designated Non-Federally Owned Resources listed in Table 3.2; and the Designated BPA Contract Purchases listed in Table 3.3.

**Tier 2 Cost Pools** means all of the Cost Pools to which Tier 2 Costs will be allocated by BPA.

**Tier 2 Costs** are the expenses and revenue credits that BPA will identify on Table 2 and allocate to the appropriate Tier 2 Cost Pool during the applicable 7(i) Process.

**Tier 2 Rate** means any Priority Firm Power (PF) rate that reflects Tier 2 Costs and applies to power purchased under a CHWM Contract to meet a customer’s Above-RHWM Load.

**Tier 2 Rate Alternative** means a rate option established by BPA in a 7(i) Process for a customer with a CHWM Contract that elects to purchase power from BPA to serve its Above-RHWM Load.

**Tiered Rate Methodology (TRM)** means the long-term methodology described in this document.

**TOCA.** *See* Tier 1 Cost Allocator.
**TOCA Load** means the amount of energy BPA uses to calculate a customer’s TOCA. TOCA Load equals either the Forecast Annual Tier 1 Load or an amount adjusted pursuant to section 5.1.1.

**Total Retail Load (TRL)** means all retail electric power consumption, including electric system losses, within a customer’s electrical system, excluding:

- those loads BPA and the customer have agreed are nonfirm or interruptible loads
- transfer loads of other utilities served by such customer
- any loads not on such customer’s electrical system or not within such customer’s service territory, unless specifically agreed to by BPA

As used in the TRM, except as used in section 4.1 in the calculation of measured loads, TRL is BPA’s forecast of the customer’s TRL.

**Transition Period** means the first three years of the CHWM Contracts, FY 2012-2014.

**Transition Period High Water Mark (THWM)** is an amount calculated pursuant to section 4.3.2.1.

**Transmission Curtailment Management Service** means the service BPA will provide to customers with a qualifying resource when a transmission curtailment occurs between such resource and the customer load.

**Transmission Services** means the organization, or its successor organization, within BPA that is responsible for the management and sale of transmission service on the Federal Columbia River Transmission System.

**Weather Normalization** is the process by which Measured FY 2010 Load is adjusted by BPA pursuant to section 4.1.1.3.
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1 BACKGROUND AND PURPOSE

This Tiered Rate Methodology (TRM) is the methodology BPA will use to establish a two-tiered Priority Firm Power (PF) rate design applicable to firm requirements power service for Publics pursuant to CHWM Contracts. The TRM establishes a predictable and durable means by which to tier BPA’s PF rate for firm requirements power service, beginning in FY 2012. The tiered rate design set out herein differentiates between the costs of service associated with Tier 1 System Capability (Tier 1 Rates) and the costs associated with amounts of BPA power needed to serve any portion of a Public’s Annual Net Requirement not served at a Tier 1 Rate (Tier 2 Rates).

This TRM specifies how PF rates will be developed by BPA to ensure, to the maximum extent possible, that Tier 1 Rates do not include costs of serving Publics’ Above-RHWM Load.

1.1 Two-Year Rate Periods

BPA determinations of specific rate levels will be made in a manner consistent with the TRM in the respective 7(i) Processes during the term of this TRM. BPA will set power rates for two-year Rate Periods throughout the term of the CHWM Contracts, with the following exceptions:

1) An unexpected financial condition threatens BPA’s ability to recover costs and requires that BPA revise rates within a two-year Rate Period.

2) The length of the last Rate Period of the CHWM Contracts may be altered in order to coincide with the expiration of the Contracts.

3) If the next two-year 7(i) Process is not imminent, BPA may hold a special 7(i) Process to propose an alternative cost recovery mechanism resulting from the process described in section 2.6.

In addition, a revision of rates during a two-year Rate Period that results from the application of risk mitigation tools adopted in a 7(i) Process, such as a Cost Recovery Adjustment Clause, is
not a violation of the two-year Rate Period. Any other deviation from such two-year Rate Period will require a revision to this TRM pursuant to sections 12 and 13.

1.2 Scope of TRM References and Descriptions

In general, the provisions of the TRM are limited to the design and implementation of the PF tiered rates. This is not universally the case, however. Throughout the TRM, there are references to BPA’s power costs in aggregate, or to elements of BPA’s power costs that are not recovered solely through the PF Preference rates. The TRM states that all costs BPA functionalizes to power will be included in the Revenue Requirement Table. See section 2.2.

Each line item on the Revenue Requirement Table will be allocated to matching line items on Allocated Cost Tables established for each rate pool. The Cost Pools on the Allocated Cost Table for the PF Preference rate pool will establish the treatment of costs to be recovered through either the various Tier 1 Rates or the various Tier 2 Rates. These Cost Pools on the Allocated Tiered Cost Table do not address BPA power costs on the Revenue Requirement Table that are to be recovered through (allocated to) other rates, such as the New Resources Firm Power (NR) rate or the Industrial Firm Power (IP) rate.

To the extent the TRM makes reference to costs that reach beyond those to be recovered through tiered PF rates, this is not intended to imply that Publics purchasing requirements power from BPA at tiered rates will be responsible for these costs. Rather, these statements should be understood in the context of the sequential process through which BPA will first determine its power costs, and the portions of BPA’s power costs to be allocated to the applicable customer rate classes, all in accordance with the rate directives of section 7 of the Northwest Power Act, and then apply the provisions of the TRM to tier the portions of its total power costs to be recovered through the PF Preference rates. Except as described above and in section 10.5, the TRM does not address issues relating to other BPA rates.
2 COST ALLOCATIONS

2.1 Cost Allocation Principles

The following principles were applied in developing the TRM Cost Allocation Method and will be used for allocating costs that are not specifically addressed in the TRM.

1) Tiering is a ratemaking construct implemented through an allocation of costs rather than an allocation of power.

2) Costs not otherwise expressly allocated in the TRM will be allocated to Cost Pools based on the principles of cost causation, meaning the costs will be allocated to the Cost Pool(s) that benefits from such costs.

3) Tier 1 Costs will be kept separate and distinct from Tier 2 Costs. Tier 1 Costs will be recovered through the Tier 1 Rates. Tier 2 Costs will be recovered through Tier 2 Rates, except when necessary to ensure BPA’s cost recovery during a Rate Period or to conform to court ruling as provided for in sections 12 and 13.

4) Tier 2 Cost Pools will be kept separate from one another. Each Tier 2 Rate will recover only the costs of the applicable Tier 2 Cost Pool. BPA will seek to recover all costs of the applicable Tier 2 Cost Pool from customers purchasing power from that Tier 2 Cost Pool before proposing any reallocation of costs to the Composite Cost Pool.

5) Cost separation between the Cost Pools will not affect the operation or dispatch of the FCRPS. BPA will serve system load in the most efficient and cost-effective manner possible, without considering the ratemaking aspects of tiering.

6) The ratemaking separation of costs between Tier 1 and Tier 2 Cost Pools, and among the Tier 2 Cost Pools, will not necessarily be the same as BPA’s accounting treatment of the costs. When differences arise between ratemaking and accounting, the ratemaking allocations determined in accordance with this section will govern BPA’s ratemaking.

7) BPA’s allocation of costs among the Composite, Non-Slice, and Slice Cost Pools will recognize the types of costs distinct to the type of service associated with each Cost Pool.
8) As a consequence of the customers’ contractual take-or-pay obligation to pay for power at rates established by BPA pursuant to Northwest Power Act section 7 to recover, in accordance with sound business principles, BPA’s costs of acquiring, conserving, and transmitting electric power, including amortization of the Federal investment in the Federal Columbia River Power System over a reasonable number of years, and all other costs and expenses incurred by the Administrator pursuant to law, and for so long as customers continue to fulfill their contractual take-or-pay obligations, then:

(1) all revenues forecast by BPA from its sale of secondary energy produced by Federal Base System and other resources acquired by the Administrator will continue to be credited by BPA in the ratemaking process pursuant to Northwest Power Act section 7(g) against costs that are properly allocated to rates for recovery from sales of power for use within the region; and

(2) costs and benefits of the sale of or inability to sell excess electric power allocated under section 7(g) of the Northwest Power Act will be allocated to the Cost Pools to which the costs of the resources that generate such excess electric power are allocated.

Section 3.4 contains additional guidance regarding the allocation of specific resource costs.

2.2 Cost Allocation Method and Allocated Tiered Cost Table

In each 7(i) Process during the term of the CHWM Contracts, BPA will allocate Tier 1 Costs among three Tier 1 Cost Pools for determining Tier 1 Rates, and Tier 2 Costs to one or more Tier 2 Cost Pools corresponding to each Tier 2 Rate Alternative. The Tier 1 Cost Pools are the Composite Cost Pool, Slice Cost Pool, and Non-Slice Cost Pool. The allocation of costs to Cost Pools is a ratemaking exercise that is performed in a 7(i) Process according to the directives in section 7 of the Northwest Power Act.
The Allocated Tiered Cost Table, Table 2, sets out the cost categories that will be used for allocating costs in future 7(i) Processes. Any changes to the Allocated Tiered Cost Table to accommodate New Expenses or New Credits will be pursuant to section 2.3. Any changes to the Allocated Tiered Cost Table to accommodate a need to allocate a Tier 2 Cost to a Tier 1 Cost Pool will be pursuant to section 2.6. All other changes to the Allocated Tiered Cost Table will be pursuant to sections 12 and 13. All BPA costs functionalized by BPA to power will be included in the Revenue Requirement Table, but the Allocated Tiered Cost Table will reflect only those portions of BPA’s total power costs that, in accordance with section 7 of the Northwest Power Act and the TRM, are to be recovered from Publics that have executed CHWM Contracts. The addition of new Tier 2 Cost Pools will not be considered a change to the Allocated Tiered Cost Table for purposes of sections 12 and 13.

BPA will conform the description or grouping of costs in the Allocated Tiered Cost Table to the grouping of costs in the Power Services Statement of Revenues and Expenses, but changes to cost groupings or descriptions in the Power Services Statement of Revenues and Expenses will not change the Cost Pools to which the underlying costs are assigned. If modifications to BPA's Power Services Statement of Revenues and Expenses change the categorization of costs, then the manner of maintaining the separation of costs for purposes of the TRM will be addressed in the next 7(i) Process following the modification. Such modifications will not change the underlying allocation of costs to the respective Cost Pools, which form the basis for setting Tier 1 and Tier 2 Rates.

2.2.1 The Composite Cost Pool

Section B of the Allocated Tiered Cost Table sets out the categories of costs that are allocated to the Composite Cost Pool, including all Tier 1 Costs and Tier 1 Credits functionalized by BPA to power, except for any Tier 1 Costs or Tier 1 Credits that BPA has determined meet the specified
criteria for inclusion in either the Slice Cost Pool or the Non-Slice Cost Pool, as set forth in sections 2.2.2 and 2.2.3. The administrative costs (primarily staffing costs) of surplus marketing and administering all CHWM Contracts and rates will be allocated to the Composite Cost Pool. Allocation of costs between the Composite Cost Pool and the Non-Slice Cost Pool is shown on Table 2, Section A, with the resulting allocation reflected in the relevant Cost Pools, sections B and D.

2.2.2 The Slice Cost Pool

Section C of the Allocated Tiered Cost Table is designed to include the costs that are allocated to the Slice Cost Pool, including all Tier 1 Costs and Tier 1 Credits that are specifically and uniquely attributable to the Slice product. As of the date of this TRM, there are no Tier 1 Costs or Tier 1 Credits to be allocated to the Slice Cost Pool. If, during the term of the Slice/Block CHWM Contracts, BPA undertakes actions that are solely for the benefit of the Slice customers (for example, customer-requested software enhancements specific to Slice), then BPA will allocate the costs of undertaking these actions to the Slice Cost Pool unless BPA and the Slice customers have made separate payment arrangements. Such costs would be treated as New Expenses under the TRM for allocation purposes. Similarly, if in the future there are New Credits attributable to the Slice customers only, these New Credits would be allocated to the Slice Cost Pool.

2.2.3 The Non-Slice Cost Pool

Section D of the Allocated Tiered Cost Table sets out the categories of costs that are allocated to the Non-Slice Cost Pool, including all Tier 1 Costs and Tier 1 Credits that are specifically and uniquely attributable to the Load Following or Block products, including the Block portion of the Slice/Block product. The Non-Slice Cost Pool includes the costs and credits of converting resource output into load service (e.g., Balancing Power Purchases); the costs of Tier 1 risk
mitigation not recovered through rates for the Slice product; and the costs or credits arising from
capacity resource purchases. The Non-Slice Cost Pool also includes the Tier 1 Secondary
Energy Credit, which includes any costs or credits specifically attributable to BPA’s marketing
of Tier 1 Secondary Energy.

2.2.4 Tier 2 Cost Pools

Section E of the Allocated Tiered Cost Table sets out the costs that are allocated to the Tier 2
Cost Pools. Such costs include all Tier 2 Costs that are attributable to resources and services that
BPA forecasts for ratemaking purposes to use for serving load at a Tier 2 Rate. Included in
Table 2, Section E, are RSS costs used to set the Tier 2 Rates. BPA will include a uniform
adder, the Overhead Cost Adder, in the Tier 2 Cost Pools. BPA will credit the forecast revenue
from the Overhead Cost Adder to the Composite Cost Pool. See section 6.3 for a fuller
discussion of costs allocated to Tier 2 Cost Pools and section 6.3.3 for discussion of the
Overhead Cost Adder. Any uses of the Tier 1 System to serve load at a Tier 2 Rate, as forecast
for ratemaking purposes, will be priced in accordance with section 3.7.

2.3 Inclusion of New Expenses or New Credits

BPA will allocate New Expenses or New Credits to the Cost Pools based on the cost allocation
principles in section 2.1. BPA will propose an allocation of the New Expenses and New Credits
to the appropriate Cost Pools in the next applicable 7(i) Process.

2.4 Tier 1 Secondary Energy Credit

The Slice Product includes an advance sale of surplus energy, which is delivered when and if
available. As a consequence, the Composite Cost Pool and Slice Cost Pool do not contain any
cost or credit associated with Tier 1 Secondary Energy. The Load Following and Block Products
do not receive any Tier 1 Secondary Energy. Therefore, the Non-Slice Cost Pool will be
allocated a Tier 1 Secondary Energy Credit. Notwithstanding any other provision in this TRM, and irrespective of whether BPA allocates section 7(b)(2) trigger amounts to BPA surplus sales, BPA will seek to ensure comparable treatment with respect to Tier 1 Secondary Energy as between the Slice and Non-Slice Cost Pools.

Notwithstanding the above, in the event of unused RHWM, the Tier 1 Secondary Energy Credit associated with the unused RHWM will be included in the Composite Cost Pool rather than the Non-Slice Cost Pool.

2.5 Interest Earned on the Bonneville Fund

On the first day of the Slice contract, October 1, 2001, BPA had financial reserves attributed to the Power function of $495.6 million. All PF customers contributed to the accretion of these reserves. At that time or thereafter, BPA had some uncertain liabilities and assets arising from disputes over transactions during the California energy crisis; not all of these have been resolved on a final basis. However, beginning in FY 2002, Slice customers have not further contributed to the accretion of reserves.

BPA will allocate to the Composite Cost Pool an interest credit based on that pre-FY 2002 level of reserves, $495.6 million, as adjusted for any eventual resolution of the uncertain assets and liabilities described above. BPA will allocate to the Non-Slice Cost Pool a credit equal to the total anticipated credit earned on Bonneville Fund balances attributed to the Power function less the amount of interest credit included in the Composite Cost Pool. The credit to the Non-Slice Cost Pool will be negative if the interest credit allocated to the Composite Cost Pool is greater than the total interest credit for a particular year. Table 2, line 4, shows the allocation of the interest credit.
BPA may receive funds as collections of outstanding receivables, or it may make or receive payments for settlements or judgments, pertaining to power marketing transactions that occurred before FY 2002. Any amounts of such receipts that have not been shared (e.g., through the Slice True-up) with Slice customers in proportion to the Slice Percentage will be added to the $495.6 million used for calculating the interest credit included in the Composite Cost Pool.

Similarly, any amounts of such payments that have not been proportionally collected from the Slice customers will be subtracted from the $495.6 million value. Any amounts of such receipts that have been shared with Slice customers and any amounts of such payments that have been proportionally collected from the Slice customers are the gross amounts; i.e., they are equal to the net size of the payments to or collection from the Slice customers, divided by the Slice Percentage. If funds of this type are received by BPA or if payments of this type are made by BPA, and the entire amounts are proportionally shared with or collected from Slice customers, the receipts or payments will not result in a change to the $495.6 million value.

It is possible that future circumstances will occur that make it reasonable and fair to make additional adjustments to the size of the base amount (the $495.6 million) on which an interest credit is calculated for ratemaking purposes for crediting to the Composite Cost Pool. The amount of such adjustments will be decided in a 7(i) Process.

2.6 BPA Actions Prior to Allocating Tier 2 Cost to a Tier 1 Cost Pool

If, for purposes of ensuring cost recovery, BPA determines that it must reallocate to any Tier 1 Cost Pool costs that would otherwise be allocated to any Tier 2 Cost Pool under the TRM, to the extent practicable BPA will reallocate such costs only after taking the following actions:

1) BPA will make reasonable efforts to recover the costs from the party(s) that would otherwise be responsible for such costs. Such efforts may include making demand on
any available credit support and pursuing legal action when BPA determines it is appropriate.

2) BPA will make good faith efforts to reduce the costs that are proposed to be reallocated, so as to offset the cost that would otherwise occasion the need for a reallocation to ensure cost recovery.

3) Prior to a BPA proposal in a 7(i) Process to reallocate costs from a Tier 2 Cost Pool to a Tier 1 Cost Pool, BPA will convene a public meeting with customers and interested parties to discuss the proposal and to elicit alternatives to reallocating the costs. If an alternative cost recovery mechanism appears to be viable, BPA would propose such alternative cost recovery mechanism in the next 7(i) Process.

These actions, or disputes over whether the Administrator has satisfied them, do not override and will not be allowed to frustrate the Administrator’s responsibility to recover costs and timely repay the U.S. Treasury.

2.7 Slice True-Up

Slice customers will have an annual Slice True-Up Adjustment for expenses and revenue credits allocated to the Composite Cost Pool (see Table 2, Section B) and to the Slice Cost Pool (see Table 2, Section C). The annual Slice True-Up Adjustment will be calculated for each Fiscal Year as soon as BPA’s audited actual financial data are available (usually in November). Actual expenses during a Fiscal Year to implement a request of and for the benefit of an individual Slice customer will be billed and paid in accordance with the contract governing the implementation of such request.
2.7.1 Composite Cost Pool True-Up

For each Slice customer, the annual Slice True-Up Adjustment for the Composite Cost Pool will be calculated by 1) subtracting (i) the average of the forecast annual expenses and revenue credits allocated to the Composite Cost Pool for the Fiscal Years of the applicable Rate Period from (ii) the actual expenses and revenue credits in the applicable Fiscal Year of the Rate Period that are allocable to the Composite Cost Pool, and 2) multiplying the difference determined in 1) above by each Slice customer’s Slice Percentage. The dollar amount calculated, which may be positive or negative, constitutes the Slice True-Up Adjustment Charge for the Composite Cost Pool.

The actual expenses and revenue credits allocable to the Composite Cost Pool will include a component for the amount in a Fiscal Year by which BPA’s actual cash requirements exceed the total actual non-cash expenses in the Composite Cost Pool. This is called the Minimum Required Net Revenue (MRNR). When BPA's actual cash requirements do not exceed the total actual non-cash expenses in the Composite Cost Pool, MRNR will equal zero. Any revisions to this MRNR treatment will be proposed by BPA in a 7(i) Process.

2.7.2 Slice Cost Pool True-Up

The annual Slice True-Up Adjustment for the Slice Cost Pool will be calculated by 1) subtracting (i) the average of the forecast annual expenses and revenue credits allocated to the Slice Cost Pool for the Fiscal Years of the applicable Rate Period from (ii) the actual expenses and revenue credits that are allocable to the Slice Cost Pool in the applicable Fiscal Year of the Rate Period and 2) multiplying the difference from 1) above by each customer’s Slice Percentage divided by the sum of all Slice Percentages. The dollar amount calculated, which may be positive or negative, constitutes the Slice True-Up Adjustment Charge for the Slice Cost Pool.
2.7.3 **Treatment of New Costs and New Credits, and Costs and Revenues Not Subject to Slice True-Up**

In the annual Slice True-Up Adjustment, BPA may make an interim allocation of New Expenses or New Credits for which categories do not exist on Table 2. If BPA makes such an interim allocation among the Cost Pools, it will do so based on the TRM cost allocation principles (see section 2.1). BPA will make a final decision on the allocation of New Expenses or New Credits among the Cost Pools in the next scheduled power rate 7(i) Process. If the cost allocation finally adopted in the 7(i) Process is different from the interim allocation implemented by BPA through the Slice True-Up Adjustment, the Slice customers will be compensated or charged based on their over-payment or under-payment, in either case with interest (at the rate specified in the Slice customer’s CHWM Contract) from the first calendar day of the Fiscal Year in which the True-Up Adjustment Charge containing the interim allocation was calculated to the due date of the bills containing payment(s) or credit(s) related to the final allocation.

For forecast expenses or revenue credits allocated to either the Composite Cost Pool or the Slice Cost Pool that are not subject to the Slice True-Up, for purposes of all Slice True-Up Adjustment calculations the actual expenses and revenue credits allocable to such Cost Pools for each Fiscal Year will be deemed to be equal to the forecast of such expenses or revenue credits in the applicable 7(i) Process. The expenses and revenue credits that are not subject to true-up to actual expenses and revenue credits in the Slice True-Up Adjustment are designated on the Allocated Tiered Cost Table by gray-shaded cells under the column headings entitled “Actual Data.”

2.7.4 **Slice True-Up Adjustment Charge**

BPA will provide Slice customers a preliminary estimate of the Slice True-Up Adjustment Charge before completion of BPA’s financial audit for each Fiscal Year. The Slice True-Up Adjustment Charge for each customer will be the sum of the Slice True-Up Adjustment Charge for the Composite Cost Pool and the Slice True-Up Adjustment Charge for the Slice Cost Pool.
calculated for each Slice customer. BPA will notify Slice customers of their Slice True-Up Adjustment Charge that is calculated after audited actual financial data are available. The Slice True-Up Adjustment Charge is included in customer bills in the month (or months) following notification.

The Slice True-Up Adjustment Charge for the Composite Cost Pool and the Slice True-Up Adjustment Charge for the Slice Cost Pool will be added together if both are negative or both are positive, and will be netted against each other if one adjustment is positive (adjustment is a charge) and the other adjustment is negative (adjustment is a credit). The result of this summing or netting, as applicable, will be the final Slice True-Up Adjustment Charge.

The final Slice True-Up Adjustment Charge for each customer will be applied either as a one-month credit (if the adjustment is negative) or as a three-month charge (if the adjustment is positive) spread equally across the three months following the month the final Slice True-Up Adjustment Charge is determined by BPA. Slice customers have the option to pay the entire charge in one month.

Interest will be computed and added to the Slice True-Up Adjustment Charge for each Slice customer at the rate and for the period specified in the Slice customer’s CHWM Contract.

Any adjustments to the billed Slice True-Up Adjustment Charge will be determined by BPA upon the later to occur of 1) BPA’s issuance of its written final resolutions of Slice True-Up Adjustment Charge issues at conclusion of the Cost Verification Process or 2) BPA’s issuance of a written decision by the Administrator that affirms or rejects (in whole or in part) the recommendation of the third-party expert, all as set forth in Attachment A.
2.7.5 Cost Verification Process

2.7.5.1 Cost Verification Process for the Slice True-Up Adjustment Charge

BPA will conduct a Cost Verification Process that will permit Slice customers and other customers to assess whether BPA has correctly calculated the amount of each expense or revenue credit subject to the Slice True-Up Adjustment, and whether the final Slice True-Up Adjustment contains only those expenses and revenue credits permitted to be included in, and does not contain any expenses or revenue credits excluded from, the Slice Rate pursuant to the TRM. The Cost Verification Process will not enable customers to question or dispute BPA’s accounting policies and standards, management decisions, or other policies. The Cost Verification Process for the Slice True-Up Adjustment Charge will be conducted in accordance with Attachment A to this TRM.

2.7.5.2 Cost Review Public Process

Consistent with the RD Policy, BPA will establish, outside the TRM, a Cost Review Public Process. This public process will include periodic meetings to allow customers and interested parties to review and obtain information from BPA, such as BPA’s financial performance, comparison of BPA’s actual costs to its forecast costs, and assignment of costs among cost categories and Cost Pools. For any issues raised in this Cost Review Public Process, BPA will determine if resolution is needed in a future 7(i) Process.
3 FEDERAL SYSTEM RESOURCES

3.1 Tier 1 System Firm Critical Output

BPA will establish the forecast quantity of power available to be sold at Tier 1 Rates for purposes of determining CHWMs and RHWMs. BPA will use Tier 1 System Firm Critical Output (together with RHWM Augmentation) to determine RHWM Tier 1 System Capability.

3.1.1 Tier 1 System Firm Critical Output Study

In the CHWM Process and each RHWM Process, BPA will produce a Tier 1 System Firm Critical Output study to establish the Tier 1 System Firm Critical Output. During the CHWM Process and each RHWM Process, customers will have the right to review the data and assumptions BPA used to forecast Tier 1 System Firm Critical Output, receive clarification of planning assumptions and data and forecasting methods, and offer modifications for BPA’s consideration.

For use in the CHWM Process, BPA’s initial determination of Tier 1 System Firm Critical Output will be published pursuant to section 4.1.5.1. This initial determination may be modified during the CHWM Process as described in sections 4.1.5.1 and 13.10.

For use in each RHWM Process, BPA’s initial determination of Tier 1 System Firm Critical Output for each Rate Period will be completed by August 15 of the Forecast Year. This initial determination may be modified during the RHWM Process as described in sections 4.2.2 and 13.10.

The determination of the Firm Critical Output of Tier 1 System Resources used in the 7(i) Process may differ from the Tier 1 System Firm Critical Output determined in the RHWM Process. Such differences will not change the Tier 1 System Firm Critical Output determined in
such RHWM Process; rather, BPA will adjust its forecast of Balancing Power Purchases to account for any differences in the Firm Critical Output of Tier 1 System Resources.

3.1.2 Calculation of Tier 1 System Firm Critical Output
In the CHWM Process and each RHWM Process, BPA will determine the Tier 1 System Firm Critical Output as the two-year average of the Firm Critical Output of Tier 1 System Resources (section 3.1.3) less Tier 1 System Obligations (section 3.1.4).

3.1.3 Calculation of Firm Critical Output of Tier 1 System Resources
BPA will determine the Firm Critical Output of Tier 1 System Resources by summing the Firm Critical Output of Federal System Hydro Generation (section 3.1.3.1), Designated Non-Federally Owned Resources (section 3.1.3.3), and Designated BPA Contract Purchases (section 3.1.3.4).

3.1.3.1 Firm Critical Output of Federal System Hydro Generation
BPA’s Tier 1 System Firm Critical Output study will determine the Firm Critical Output of Federal System Hydro Generation.

The Firm Critical Output of regulated hydro generation will be developed using BPA’s hydroregulation model, which coordinates the operation of the regulated hydro projects. The hydroregulation model will incorporate known reservoir operating assumptions based on the Critical Period and include information from any agreed-upon or anticipated operations concerning an FCRPS Biological Opinion (BiOp).

The Firm Critical Outputs of independent hydro projects are provided by the U.S. Bureau of Reclamation (Reclamation), the U.S. Army Corps of Engineers (COE), and other project owners and used by BPA without change. If the project owner does not provide such forecast, BPA will
provide its own Firm Critical Output for these resources for the Rate Period. As of the date of
establishment of the TRM, BPA’s hydroregulation model does not model or regulate
independent hydro projects. If BPA’s hydroregulation model is updated to include the
coordination of any independent hydro projects, the results of that modeling would be
incorporated into the Tier 1 System Firm Critical Output study.

The Federal System Hydro Generation resources included as Tier 1 System Resources are listed
on Table 3.1. This list of resources will not be changed for the duration of this TRM. The Firm
Critical Output of these resources may change, but the entire Firm Critical Output of these
resources will be included in the Firm Critical Output of Tier 1 System Resources.

3.1.3.2 **Determination of Critical Period**

For operational purposes, the Critical Period adopted by BPA as of the effective date of this
TRM is September 1936 through April 1937. However, to be consistent with the corresponding
Fiscal Years, BPA will use as the Critical Period for this TRM the historical streamflows from
October 1936 through September 1937 in the determination of the Firm Critical Output of the
Tier 1 System Resources. BPA may adopt a new Critical Period after a good faith analysis
indicates that updates to power and/or nonpower requirements changed the length and/or water
conditions of the then-current Critical Period such that the new Critical Period would, in BPA’s
determination, be more reasonable than the then-current Critical Period. Examples of these
requirements that may necessitate such revision include, but are not limited to, biological
opinions, court orders, treaties, statutes, regulations, executive orders, changes in thermal
resource operations, changes in forecast loads, extension of the historical streamflow record, and
flood control. BPA may incorporate the new Critical Period that is used to forecast the available
firm output of hydroelectric projects used in the determination of the Firm Critical Output of the
Tier 1 System Resources. Any changes to the Critical Period will remain in effect until further
3.1.3.3 Firm Critical Output of Designated Non-Federally Owned Resources

The Firm Critical Outputs of Designated Non-Federally Owned Resources are typically provided by the project’s owner. If the project owner does not provide such forecast, BPA will provide its own Firm Critical Output for these resources for each Rate Period.

The Designated Non-Federally Owned Resources included as Tier 1 System Resources are listed in Table 3.2. This list of resources will not be changed for the duration of this TRM. The Firm Critical Output of these resources may change, but the entire Firm Critical Output of these resources will be included in the Firm Critical Output of Tier 1 System Resources. If BPA’s contract for a Designated Non-Federally Owned Resource expires during the term of this TRM, and the contract is renewed, then the entire Firm Critical Output of the contracted resource will be included in Firm Critical Output of Tier 1 System Resources. If the contract is not renewed, then the Firm Critical Output of the resource will be set to zero.

3.1.3.4 Firm Critical Output of Designated BPA Contract Purchases

The Designated BPA Contract Purchases included as Tier 1 System Resources are listed in Table 3.3. BPA will determine the Firm Critical Output of Designated BPA Contract Purchases to be included in the calculation of the Firm Critical Output of Tier 1 System Resources for each Rate Period. The Firm Critical Outputs of Designated BPA Contract Purchases are considered to be delivered to the FCRPS regardless of weather, water, or economic conditions. The list of contracts will not be changed for the duration of this TRM. The forecast amount of contract purchase may change, but the entire Firm Critical Output of the contract purchase will be included in Firm Critical Output of Tier 1 System Resources. If BPA’s contract for a Designated
Contract Purchase expires during the term of this TRM, and the contract is renewed, except for those identified as Discretionary Contracts in Table 3.3, then the Firm Critical Output will be included in the Firm Critical Output of Tier 1 System Resources. If the contract is not renewed, then the Firm Critical Output of the resource will be set to zero. If BPA renews or replaces system stability and wheeling contracts, such as the BPA-PPL Southern Idaho exchange (89BP-92524) and BPA-SPP Harney Wells exchange (88BP-92436) contracts, then the Firm Critical Output of such contracts will continue to be included in the Firm Critical Output of Tier 1 System Resources.

3.1.4 Determination of Tier 1 System Obligations

3.1.4.1 Designated BPA System Obligations

Table 3.4 sets out the Designated BPA System Obligations that will be used in the determination of Tier 1 System Obligations. The Designated BPA System Obligations are considered firm obligations delivered by the FCRPS regardless of weather, water, or economic conditions. Due to the nature of these obligations, the Tier 1 System Obligations may be based on energy and capacity requirements stated in or estimated by BPA based on signed contract provisions, treaty, statute, regulations, court orders, memoranda of agreement, or executive orders, or a combination of the foregoing. The Tier 1 System Obligations arising from these Designated BPA System Obligations can vary from year to year and change through time. Any costs related to or revenues recovered from Designated BPA System Obligations will be assigned to the Composite Cost Pool.

Designated BPA System Obligations, as identified on Table 3.4, may continue even if the implementing contract expires, and the successor contract will replace the listed contract. The Designated BPA System Obligations listed on Table 3.4 will not be removed for the duration of this TRM. If there is a cessation of any such Designated BPA System Obligation, the Tier 1
System Obligation for such obligation amount will be set to zero when the obligation expires.

Table 3.4 may be updated to include new Designated BPA System Obligations.

Customers with CHWM Contracts should have as much certainty as reasonably possible about Designated BPA System Obligations that increase the Tier 1 System Obligations. Therefore, when possible, BPA will hold a public process before entering into a new Designated BPA System Obligation. Where holding such a process is not possible before entering into or becoming subject to a new Designated BPA System Obligation, BPA will hold such process before a new Designated BPA System Obligation is added to Table 3.4.

If the total of existing obligations increases such that BPA’s forecast of Tier 1 System Obligations increases, or is expected to increase, by 10 percent over the most recently published forecast of Tier 1 System Obligations (even without the addition of any new Designated BPA System Obligations), then BPA shall notify all customers with CHWM Contracts of such change as soon as reasonably possible. Upon written request of not less than 25 percent of the customers with CHWM Contracts (by number), BPA will hold a public process on the matter.

In the public processes described above, BPA will hold at least one open meeting to: 1) in the case of new Designated BPA System Obligations, review the need for and the amount of such obligation; and 2) in the case of existing Designated BPA System Obligations, review BPA’s forecast of Tier 1 System Obligation amounts. BPA will respond to reasonable requests to provide information that is non-confidential and is reasonably related to BPA’s determination of new and existing Designated BPA System Obligations or the forecast amount of Tier 1 System Obligations. The purpose of such a meeting(s) is to inform parties of changes to the Tier 1 System Obligations and to allow comment on such changes. In contrast, issues related to cost allocation, rate impacts, or rate treatment of changes to Designated BPA System Obligations or
Tier 1 System Obligations will be addressed in the appropriate RHWM Process or 7(i) Process.

In addition to conducting the open meeting(s), BPA will consider written comments submitted in connection with such meeting(s).

3.1.4.2 Discretionary Contracts

Discretionary Contracts consist of BPA purchases, sales, and exchanges resulting from BPA marketing transactions as of September 30, 2006. These contracts are identified in Tables 3.3 and 3.4 in the column titled Discretionary Contracts. Discretionary Contracts shown in Tables 3.3 and 3.4 will not be replaced upon expiration. Any costs pertaining to or revenues recovered from the listed Discretionary Contracts will be assigned to the Composite Cost Pool. Discretionary Contracts entered into after September 30, 2006, will not be added to Table 3.3 or 3.4 and therefore will not increase or decrease Tier 1 System Firm Critical Output. Any costs pertaining to or revenues recovered from such new Discretionary Contracts will be assigned to the Non-Slice Cost Pool.

3.2 Augmentation of Tier 1 System Firm Critical Output

3.2.1 Augmentation Limit in the CHWM Process

In the CHWM Process, BPA will calculate an amount of augmentation by subtracting the average of FY 2012 and 2013 Tier 1 System Firm Critical Output from the sum of all customers’ Eligible Load. This amount of augmentation will be subject to the following limitations:

1) If the difference is zero or less, then this amount of augmentation will be zero.

2) If the difference is greater than zero, then this amount of augmentation is the lesser of the result or 300 aMW, subject to the limit in 3) below.

3) This amount of Augmentation plus Tier 1 System Firm Critical Output cannot exceed 7,400 aMW.
This amount of augmentation, after the limitations have been applied, will be the Augmentation Limit.

3.2.1.1 Augmentation for Additional CHWM for DOE-Richland

DOE-Richland has the right to increase its CHWM by up to 70 aMW in order to serve new on-site defense materials production and waste processing/disposal loads, if such loads occur. If such Additional CHWM is added, BPA will establish, as necessary, amounts of Augmentation for Additional CHWM in an amount equal to this amount of Additional CHWM, but not to exceed 70 aMW.

3.2.1.2 Augmentation for Additional CHWM for New Publics

BPA will establish amounts of Augmentation for Additional CHWM in an amount equal to the Additional CHWMs of New Publics established pursuant to section 4.1.6. Such Augmentation for Additional CHWM will not exceed the 250 aMW Additional CHWM limit and will be subject to the Rate Period Additional CHWM limits, described in section 4.1.6.

3.2.1.3 Power Purchases for Service to DSIs and Other Loads

If BPA decides to sell power to the DSIs or to other loads not served at the PF Tier 1 or Tier 2 Rates, power purchased for such purposes will not be included in the Tier 1 System Capability. The costs of power purchases for such service may be included in the Composite Cost Pool.

3.2.2 Determining Augmentation Amounts for Each Rate Period

3.2.2.1 Determination of RHWM Augmentation for Each Rate Period

In each RHWM Process, BPA will determine the amount of RHWM Augmentation for each Rate Period. This determination will be the sum of Augmentation for Initial CHWM and Augmentation for Additional CHWM. Any increase in the Tier 1 System Firm Critical Output
will result in an equal decrease in the amount of RHWM Augmentation until the RHWM Augmentation amount is zero. Correspondingly, any decrease in the Tier 1 System Firm Critical Output will result in an equal increase in RHWM Augmentation, not to exceed the Augmentation Limit plus Augmentation for Additional CWHM.

3.2.2.2 Determination of RP Augmentation Amounts for Each Rate Period
In each 7(i) Process, the amount of RP Augmentation will be the amount of RHWM Augmentation for the Rate Period reduced by forecast unused RHWM that results from customers’ RHWMs exceeding their Forecast Net Requirements. BPA will reduce the RP Augmentation purchases by the amount that the sum of RHWMs exceeds the sum of the Forecast Net Requirements for a Rate Period. If RP Augmentation has been reduced to zero by unused RHWM, then the value of any remaining unused RHWM established in a 7(i) Process will be credited to the Composite Cost Pool.

3.2.2.3 Rate Treatment of Augmentation Costs
The cost of RP Augmentation that is not secured by contract purchases will be based on forecast market prices for a flat annual block of power developed in a 7(i) Process for the applicable Rate Period. If BPA has secured contract purchases (either in the form of market purchases or specific resources) to supply the RP Augmentation, then the costs of those purchases and any costs associated with converting the shape of the output of those resources or contracts into a flat annual block of power will be included in the costs of RP Augmentation. The costs of RP Augmentation will be allocated to the Composite Cost Pool.

3.2.2.4 Rate Treatment for Excess Augmentation Purchases
BPA may acquire resources on a long-term basis during the term of the CHWM Contracts as RP Augmentation. Such purchases will be included on Table 3.5. In the event such resources
are in excess of the need for RP Augmentation during any Rate Period, BPA will forecast the
revenues to be obtained from remarketing such excess. The forecast revenues from such
remarketing will be credited to the Composite Cost Pool. The costs of the acquiring such
resources will continue to be allocated to the Composite Cost Pool.

3.3 Rate Treatment of Balancing Power Purchases
BPA will forecast costs of Balancing Power Purchases for each Rate Period in the applicable
7(i) Process and will allocate these costs to the Non-Slice Cost Pool.

If Tier 1 System Capability determined in a 7(i) Process differs from RHWM Tier 1 System
Capability, the RHWMs determined in the RHWM Process will not change. Such difference
will be reflected in the 7(i) Process forecast of Balancing Power Purchases for the Rate Period.

3.4 Allocation of Costs for New Federal System Resource Acquisitions
Costs of a Federal resource acquisition made after September 30, 2006, will be allocated to one
or more Cost Pools. Such costs will remain as allocated for the duration of the resource purchase
or the CHWM Contract, whichever ends sooner. If the available power from such resources
exceeds the loads that pay such costs, however, then the excess may be forecast to be reallocated
to another Tier 2 Cost Pool, if one is available, to Augmentation for Initial CHWM, or to
Augmentation for Additional CHWM, if such a need exists. In the event there is no Tier 2 Cost
Pool to which the power may be reallocated, or there is no need of such power for purposes of
Augmentation for Initial CHWM or Augmentation for Additional CHWM, such power will be
deemed to be surplus power available for sale. For ratemaking purposes, in all such
circumstances such reallocation or marketing will be forecast to occur at the market price of
power during the period when the reallocation occurs, as forecast in the applicable 7(i) Process,
and the revenues resulting from such reallocation will be credited, in proportion to their
contribution of excess power, to the Cost Pool(s) to which the cost of such resource is allocated.

In the event such power is not reallocated to another Tier 2 Cost Pool, BPA may include a risk component or adjustment mechanism for the risk associated with the potential difference between forecast and actual market prices.

To ensure proper cost allocation among Cost Pools, BPA will allocate the cost of certain Federal resource acquisitions as follows:

1) RP Augmentation—costs allocated to the Composite Cost Pool.
2) Balancing Power Purchases—costs allocated to the Non-Slice Cost Pool.
3) Energy purchases or acquisitions for BPA loads served at Tier 2 Rates—costs allocated to applicable Tier 2 Cost Pools.
4) Capacity for following customer load—costs allocated to the Non-Slice Cost Pool.
5) Transmission Services capacity obligations—costs allocated to the Composite Cost Pool, offset by revenue from Transmission Services related to the specific obligation being met.
6) RSS capacity obligations—costs allocated to the Composite Cost Pool, offset by revenue from RSS.
7) Acquisitions other than the foregoing—costs allocated to the Cost Pool determined in the applicable 7(i) Process.

3.5 Augmentation Used for the Slice Product

When BPA determines RHWM Augmentation, such augmentation is assumed, for ratemaking purposes, to be in the shape of an annual flat block purchase. Slice purchasers will receive a Slice Percentage share of RHWM Augmentation, which will be delivered to Slice customers in a
flat annual shape. However, Slice purchasers will be charged a share of the costs of  
RP Augmentation through the Composite Customer Rate. The forecast costs of  
RP Augmentation will not be subject to the Slice True-Up.

3.6 Adjustments to Slice Percentages
Each Slice customer’s Slice Percentage is determined and set forth in the customer’s CHWM  
Contract before FY 2012 and will not change during the CHWM Contract term, except as  
described in sections 3.6.1 and 3.6.2 below.

3.6.1 Adjustment for Additional CHWM
If BPA establishes Additional CHWMs, then BPA will proportionally adjust all Slice  
Percentages, pursuant to the terms of the CHWM Contract. To determine the adjusted Slice  
Percentage, each Slice Percentage will be multiplied by the ratio of 1) Initial CHWM to 2) Initial  
CHWM plus Additional CHWM. The adjusted Slice Percentage will be in effect for the Rate  
Period, and unless further adjusted pursuant to section 3.6.2, will be used as the Slice Billing  
Determinant for the applicable Rate Period.

3.6.2 Decrease in Slice Percentage Due to Annual Net Requirement
BPA will not adjust the forecast of the customer’s Slice Percentage based on the customer’s  
Forecast Net Requirement, even if the Forecast Net Requirement would otherwise indicate such  
an adjustment would be appropriate.

BPA will, however, determine the Annual Net Requirement for each Slice customer before each  
Fiscal Year according to the provisions of the customer’s CHWM Contract. If, in BPA’s  
determination of a Slice customer’s Annual Net Requirement, BPA adjusts the customer’s Slice
Percentage pursuant to its CHWM Contract, then BPA will use this adjusted Slice Percentage as the customer’s Billing Determinant for the applicable Fiscal Year.

If a Slice customer’s Slice Percentage is so adjusted for a Fiscal Year, BPA will calculate the value of the related unused Slice RHWM power and include the value as an actual revenue credit in the Composite Cost Pool for Slice True-Up purposes. Such value will be based on the forecast marginal cost determined in the applicable 7(i) Process. This value will not be trued up to actual market prices. Through the Slice True-Up, Slice customers will receive their Slice Percentage share of the forecast value of the unused Slice RHWM power due to Slice customers’ load loss.

3.7 Federal System Resources Acquired for Tier 2 Service

BPA will acquire the resources necessary to serve customers’ Above-RHWM Load that the customers elect to place on BPA and will recover the costs through Tier 2 Rates. BPA may use energy from the Tier 1 System for service to loads at Tier 2 Rates to the extent any such energy is forecast by BPA for ratemaking purposes to be available for the Rate Period as a result of unused RHWM amounts. BPA will allocate the forecast marginal cost of such energy to the appropriate Tier 2 Cost Pool and credit the same marginal cost to the appropriate Tier 1 Cost Pools—the credit from such unused RHWM amounts will be allocated to the Composite Cost Pool, and the credit from secondary energy will be allocated to the Non-Slice Cost Pool.
4 ELIGIBILITY TO PURCHASE AT TIER 1 RATES

This section describes the functions of and processes for developing High Water Marks (HWMs), expressed in annual average megawatts. It also describes the Transition Period. If a Public selects BPA to supply any portion of its Above-RHWM Load, then the Public will commit to purchase such power at a Tier 2 Rate(s), pursuant to its CHWM Contract.

BPA will calculate a Transition Period High Water Mark (THWM), Contract High Water Mark (CHWM), and Rate Period High Water Mark (RHWM) for each Public, as described in detail in later subsections. A brief overview of the timing and purpose of these HWMs follows:

1) The **THWM** is calculated by BPA in FY 2009 and will be used to establish a Public’s Above-RHWM Load for all or part of the Transition Period, depending on the customer’s product choice.

2) The **CHWM** is calculated by BPA in FY 2011 and sets each Public’s initial eligibility to purchase at Tier 1 Rates. For a customer that elects to receive a CHWM including a Provisional CHWM Amount, its CHWM is subject to final adjustment and confirmation in FY 2014 pursuant to section 4.1.8. The CHWM determination process also defines the Augmentation Limit.

3) The **RHWM** is set by BPA in the RHWM Process prior to each 7(i) Process and defines a Public’s maximum eligibility to purchase at Tier 1 Rates for that Rate Period, limited by the customer’s Net Requirement (net of its NLSLs included in the Net Requirement) as determined pursuant to BPA’s 5(b)9(c) Policy and the customer’s CHWM contract.

4.1 Contract High Water Mark

In FY 2011, BPA will calculate, as set forth below, a CHWM for each Public purchasing power at a PF Preference rate during FY 2010. This calculation by definition will not include New
Publics. The CHWM calculation establishes the CHWM for each CHWM Contract but provides no rate certainty for non-CHWM contracts, because the extent to which the rates for purchases under non-CHWM contracts would reflect the costs of the Tier 1 System and other Federal resources will be addressed in 7(i) Processes other than this TRM. The calculation of such CHWMs is illustrated in Figures 4.1, 4.2, and 4.3 and Attachment B. CHWMs for New Publics will be established pursuant to section 4.1.6.

4.1.1 Step 1: Determine Measured FY 2010 Load

BPA will determine the Measured FY 2010 Load as follows. First, BPA will calculate the FY 2010 TRL for Publics within the BPA Balancing Authority Area by aggregating the annual load measured at each Public’s POD(s) and then adding the measured output of any Behind-the-Meter Resources. Then BPA will subtract from that load sum the amount of any FY 2010 wholesale power transactions, including those made by the customer behind the meter (i.e., sales to an adjacent service area or where the wholesale customer is directly connected to the customer’s distribution system).

For the remaining customers, including those outside the BPA Balancing Authority Area, equivalent metered, measured, and verifiable POD load data will be required from customers where BPA metering is not available. The measured POD load amounts will be aggregated and then, as described above, will be increased for the output of Behind-the-Meter Resources and reduced by the amount of any wholesale power transactions.

4.1.1.1 Adjust Measured FY 2010 Load for Faulty Meters and New Large Single Loads

When meter readings are not available due to meter hardware failure or when data is determined to be invalid due to meter malfunction or calibration/configuration error, BPA will estimate the erroneous readings in accordance with BPA’s Metering Services’ Editing and Estimating
Procedures or its successor. Customers will be required to follow equivalent procedures in cases where meters are not directly available to BPA.

New Large Single Loads (NLSLs) are excluded from the Measured FY 2010 Load. If, after CHWMs are calculated, a load included in a customer’s Measured FY 2010 Load is determined to have been an NLSL in FY 2010, then the customer’s CHWM will be reduced by the NLSL amount.

4.1.1.2 Adjust Measured FY 2010 Load for Unauthorized or Anomalous Increases

BPA reserves the right to reduce a customer’s Measured FY 2010 Load to account for a customer’s actions or inactions, including both intentional and unintentional acts and omissions, that increase its FY 2010 loads through practices that are outside of accepted, prudent utility standards and practices or actions that are undertaken for the purpose of establishing a larger CHWM than the customer would otherwise have. Such adjustments could result from a customer or third party request or may be initiated by BPA independently.

4.1.1.3 Adjust Measured FY 2010 Load for Atypical Weather (Weather Normalization)

Following any adjustments pursuant to sections 4.1.1, 4.1.1.1, and 4.1.1.2, BPA will adjust the Measured FY 2010 Load for the cumulative effect on load of atypical weather. Different normalization methods will be used for non-irrigation loads, such as residential loads, and for irrigation loads. If the utility has both types of loads, BPA will separate each customer’s Measured FY 2010 Load into non-irrigation load and irrigation load, weather normalize these loads separately, and then recombine them.

Two BPA datasets—FY 2010 customer load data, aggregated to a monthly level, and the customer’s historical monthly load data for FY 2005-2009—will be used to weather normalize
the FY 2010 load. Customers will be required to provide this historical load data in cases where
BPA metering data is not available.

For non-irrigation load, BPA will use temperature data obtained from the National Oceanic and
Atmospheric Administration (NOAA) weather station nearest to a utility’s POD(s) to weather
normalize the non-irrigation load data for each utility. The differences between average daily
historical and average daily actual temperatures are used to determine cumulative levels of
above- and below-average temperatures, measured in Heating Degree Days (HDDs) or Cooling
Degree Days (CDDs). The HDDs and CDDs will be multiplied by weather coefficient values to
result in an electric load adjustment value (in average megawatts) associated with the non-
average temperature conditions. Finally, the non-irrigation portion of the adjusted Measured
FY 2010 Load and the HDD and CDD adjustment values will be combined to obtain the
weather-normalized load.

For irrigation load, BPA will use an adjusted historical load average to weather normalize the
irrigation loads for each utility submitting irrigation load data. BPA will calculate a five-year
historical load average of each customer’s irrigation load for years FY 2006 through FY 2010.
BPA will adjust the historical load average by the average annual growth rate, calculated from
the difference between the highest recorded annual irrigation loads in Calendar Year (CY) 2000-
2002 and the highest recorded in CY 2008-2010. In any event, this average annual growth rate
cannot be negative. If this average annual growth rate is unusually high in comparison to the
others being adjusted, BPA will conduct further verification with the customers and either
confirm or adjust the growth rate. Finally, BPA will adjust the customer’s actual FY 2010
irrigation load to meet the growth rate-adjusted historical load average.
To allow BPA to determine the historical average irrigation load, customers will be required to submit monthly irrigation load data based on meter reads for FY 2006 through FY 2010. For FY 2008, customers must submit their monthly data by January 15, 2009. Thereafter, customers must provide their data for each year by the following January 15. For years prior to 2008, BPA will assess the irrigation data it currently has and request further data from the customer on a case-by-case basis.

To allow BPA to determine the growth-rate adjustment factor, customers will be required to submit monthly irrigation load data based on meter reads for CY 2000 through CY 2010. For CY 2008, the customers must submit the data by January 15, 2009, and thereafter provide the annual report by January 15 of each year. For years prior to 2008, BPA will assess the irrigation data it currently has and request further data from customers on a case-by-case basis.

In 2011, but prior to completing the weather normalization calculation for irrigation loads and non-irrigation loads, BPA will determine whether a different weather normalization technique should be applied in the normalization of irrigation loads.

4.1.2 Step 2: Determine Existing Resources for CHWMs

Attachment C, Existing Resources for CHWMs, reflects the Existing Resource determinations made in BPA’s FY 2008 public process. Attachment C will further reflect the amounts, once they are known, of consumer-owned generation and PURPA resources, consistent with the definition of Existing Resources for CHWMs. Revisions to Attachment C to reflect the amounts of consumer-owned generation and PURPA resources are considered to fall under section 12.5, number 3, and are thus not considered a revision to the TRM.
4.1.3 Step 3: Establish Eligible Load

Each customer will choose one of three alternatives as the basis for the calculation of its Eligible Load: Measured FY 2010 Load without Provisional Load; Measured FY 2010 Load including Provisional Load based on specific consumer load reduction pursuant to section 4.1.3.1.1; or Measured FY 2010 Load including Provisional Load based on general system load reduction pursuant to section 4.1.3.1.2. If a customer does not specify its choice, BPA will use Measured FY 2010 Load without Provisional Load.

4.1.3.1 Establish Provisional Load

Each customer may select one of two options to increase its Eligible Load. Adjustment Path 1 (section 4.1.3.1.1) provides a customer an option to increase its Eligible Load with Provisional Load to account for the loss of a specific consumer load(s). Adjustment Path 2 (section 4.1.3.1.2) provides a customer an option to increase its Eligible Load with Provisional Load to account for general system load loss. A customer that chooses an adjustment for a provisional increase in its Eligible Load shall notify BPA by no later than 30 days after BPA publishes relevant data regarding provisional load adjustments, whether its Provisional Load amount shall be calculated using Adjustment Path 1 or Adjustment Path 2. A BPA decision to exercise, or not to exercise, judgment, where such judgment is granted to it under section 4.1.3 and its subsections, is not subject to any form of dispute resolution under the TRM or the Regional Dialogue Contract.

4.1.3.1.1 Adjustment Path 1: Specific Consumer Load Reduction

A customer seeking Provisional Load under this Adjustment Path 1 shall provide BPA with all necessary data as soon as possible after FY 2010, but no later than January 31, 2011. If BPA does not receive all necessary data by January 31, 2011, the customer is foreclosed from seeking Provisional Load under Adjustment Path 1.
To determine a customer’s Provisional Load under Adjustment Path 1, BPA will determine an amount in excess of Measured FY 2010 Load, if appropriate, by applying the criteria listed below. All load data considered under Adjustment Path 1 may be adjusted for meter errors and the effect of atypical weather, using the techniques specified in sections 4.1.1.1 and 4.1.1.3.

BPA will apply the following threshold criteria to determine whether a load adjustment qualifies under this path and the magnitude of the adjustment:

1) There must have been a material effect on Measured FY 2010 Load.

   a) To qualify as material when the event is a single discrete event that affects more than a single consumer load, the discrete event must have occurred in FY 2009 or FY 2010 and the single discrete event must have resulted in the smaller of a 10 aMW or 10 percent decrease in the customer’s Measured FY 2010 Load. It is recognized that the load loss associated with a single discrete event, such as a levee failure, could consist of the loss of many consumer loads; in such event, all loads affected by the single discrete event will be combined, however, BPA will not consider requests for load adjustments that combine the effects of multiple events or non-discrete events, such as economic conditions, to attain materiality. For example, the consumer load loss associated with a gas explosion at a mill cannot be combined with the consumer load loss resulting from an unrelated shopping center fire in order to reach the materiality threshold. Indirect loss of load resulting from the discrete event, such as load reduction at a supplier to a mill closed due to an explosion, will not be considered a result of the discrete event.

   b) To otherwise qualify as material, there must be a decrease in a single consumer’s load (or interrelated load under common ownership) that resulted in the smaller of a 5 aMW or 10 percent decrease in the customer’s Measured FY 2010 Load. BPA will
not combine multiple consumers to attain materiality, but all single consumers meeting the threshold will be combined to calculate the customer’s total load reduction.

2) If BPA determines that an adjustment to the Measured FY 2010 Load for a customer’s historical load amount is appropriate under 1a) or 1b), then the amount of such adjustment will generally not exceed the average of the consumer’s load(s) upon which the adjustment was based over the previous three years, less the amount of such consumer’s load(s) included in Measured FY 2010 Load. BPA may use its judgment to grant a further upward adjustment to a customer’s Measured FY 2010 Load for an adjustment under 1a) or 1b) as long as the load determined by such BPA discretionary adjustment does not exceed the highest continuous twelve-month average during FY 2007, 2008 or 2009 for the load (or loads) on which the adjustment is based. Load that does not occur even though it was expected to occur in FY 2010 will not qualify as a reason to adjust Measured FY 2010 Load. Accordingly, Measured FY 2010 Load will not be adjusted to account for a customer’s yet-to-be-realized Contracted for/Committed to (CF/CT) loads as defined by section 3(13)(A) of the Northwest Power Act. Requests for Provisional Load to compensate for lost load that is not captured in Measured FY 2010 Load will be considered unless there is substantial evidence that the lost load will not return during the duration of the CHWM Contract.

3) BPA will not adjust Measured FY 2010 Load under this section 4.1.3.1 to reflect a full year’s load in the case of a new consumer load that first comes on line during FY 2010. For such consumers, only the load measured in FY 2010 will be included in Measured FY 2010 Load.

It will be possible for a customer to qualify for multiple adjustments under this Adjustment Path 1, including distinct adjustments under both 1a) and 1b). For each customer that elects
Adjustment Path 1 pursuant to this section 4.1.3.1, its Provisional Load will be the total amount of adjustments to its Measured FY 2010 Load determined pursuant to this section 4.1.3.1.

4.1.3.2 Adjustment Path 2: General System Load Reduction

To determine a customer’s Provisional Load under this Adjustment Path 2, BPA will determine the amount by which the simple arithmetic average of the customer’s Adjusted FY 2007 Load and Adjusted FY 2008 Load exceeds the customer’s Adjusted FY 2010 Load. To calculate Adjusted FY 2007 Load and Adjusted FY 2008 Load for the remaining customers identified in the second paragraph of section 4.1.1, each such customer will provide all necessary load data to BPA by March 31, 2010 or such customer will be foreclosed from seeking Provisional Load under Adjustment Path 2. BPA shall publish each customer’s Adjusted FY 2007 Load, Adjusted FY 2008 Load, and the simple arithmetic average of such Adjusted FY Loads by September 30, 2010. BPA shall publish Adjusted FY 2010 Load and each customer’s available Provisional Load under this Adjustment Path 2 in FY 2011 as soon as it is available.

4.1.3.2 Calculation of Eligible Load

BPA will determine each customer’s Eligible Load by subtracting the customer’s Existing Resources for CHWM from its adjusted Measured FY 2010 Load. If a customer has elected to include Provisional Load established pursuant to section 4.1.3.1.1 or 4.1.3.1.2, such Provisional Load shall be added to and included in the customer’s Eligible Load.

4.1.3.3 Determine Augmentation Limit

BPA will compare the sum of Eligible Load for all Existing Customers to the Tier 1 System Firm Critical Output for FY 2012-2013 as forecast in FY 2011 (see section 3.1). If the aggregate Eligible Load is greater than the Tier 1 System Firm Critical Output, BPA will augment the Tier 1 System pursuant to section 3.2.1.
This augmentation amount established in the CHWM Process will be the Augmentation Limit.

### 4.1.3.4 Determination of Scaled Eligible Loads

In the following manner, BPA will proportionally scale each customer’s Eligible Load such that the sum of all Eligible Loads is equal to the average of the Tier 1 System Firm Critical Output plus Augmentation for Initial CHWM determined pursuant to section 4.1.3.3, for FY 2012-2013. BPA will multiply each customer’s Eligible Load by the ratio of 1) the average of the Tier 1 Firm Critical Output plus Augmentation for Initial CHWM determined pursuant to section 4.1.3.3 to 2) the sum of all Eligible Loads. The result is to scale each customer’s Eligible Load by the same percentage to arrive at each customer’s Scaled Eligible Load.

### 4.1.4 Step 4: Conservation Adjustment

BPA will adjust each Scaled Eligible Load for conservation. For BPA to credit conservation toward the Conservation Adjustment, the conservation must be cost-effective, verified, and achieved from FY 2007 through FY 2010. The conservation also must have reduced the customer’s load in FY 2010 below what that load would have been without such conservation. For calculation purposes, each utility’s Scaled Eligible Load will be credited 100 percent (1 aMW for each 1 aMW) of customer self-funded conservation achieved and 75 percent (0.75 aMW for each 1 aMW) of BPA-funded conservation achieved (e.g., through the Conservation Rate Credit or bilateral contracts).

Attachment D describes the implementation of the Conservation Adjustment.

### 4.1.5 Step 5: Determine CHWM and Provisional CHWM Amount

BPA will multiply each customer’s Scaled Eligible Load, adjusted for conservation pursuant to section 4.1.4, by the ratio of 1) the sum of all Scaled Eligible Loads to 2) the sum of all Scaled
Eligible Loads adjusted for conservation. The result is each customer’s CHWM. This adjustment redistributes the Scaled Eligible Load amounts among customers and does not change the total Scaled Eligible Load amount calculated in section 4.1.3.4.

If a customer has elected to include Provisional Load in its Eligible Load, a Provisional CHWM Amount will be calculated by multiplying its CHWM by the ratio of 1) its Provisional Load to 2) its Eligible Load.

4.1.5.1 Publishing and Finalizing CHWMs and Provisional CHWM Amounts

After calculating each customer’s CHWM and any Provisional CHWM Amount, BPA will conduct a public process consistent with section 13.10. BPA will publish the results of the CHWM and Provisional CHWM Amount calculations on its website. A two-week public comment period will follow publication of these CHWMs and Provisional CHWM Amounts, providing customers an opportunity to reasonably request information regarding inputs and calculations from BPA and to comment on the individual CHWMs and Provisional CHWM Amounts and adjustments BPA made to account for weather normalization, data, unauthorized or anomalous increases or Provisional Load, and the Conservation Adjustment. Prior to the close of the comment period, BPA will hold a publicly noticed meeting to gather further input.

Following the close of the comment period, BPA will work with customers to resolve any issues raised by the comments. Within two weeks following the close of the comment period, BPA will republish the CHWMs and Provisional CHWM Amounts, which will reflect any updates or changes. Any republished CHWM that is not disputed pursuant to section 13.10 will be considered final after the tenth calendar day following the republication and will be incorporated into the customer’s CHWM Contract. Any Provisional CHWM Amount will be identified in the customer’s CHWM Contract and each such customer’s CHWM will be subject to reduction if Provisional CHWM Amount retention conditions, specified in section 4.1.8, are not achieved.
If the dispute resolution process set out in section 13.10 is invoked, upon receipt of the decision of the neutral on all disputed matters, the Administrator will decide whether or not to adopt the decision of the neutral on each disputed matter. The Administrator’s decisions with regard to all disputed matters will constitute the final adjustments to the disputed individual CHWMs. The finalized CHWM so determined for each customer will be incorporated into each customer’s CHWM Contract.

4.1.6 CHWM for New Publics

Separate from the CHWMs for Existing Customers, CHWMs also will be made available for New Publics that execute a CHWM Contract after the initial CHWM Contracts are executed. The availability of CHWMs for New Publics during the term of CHWM Contracts will depend on the status of the entity serving the loads prior to the formation of the New Public, as discussed in the subsections below.

4.1.6.1 Calculating CHWM for a New Public Formed with Loads Previously Served by an Existing Public

If a New Public forms in whole or in part out of loads previously served by an Existing Public and qualifies under BPA’s Standards for Service, then it will receive a share of the Existing Public’s CHWM. If the New Public and Existing Public cannot agree on the apportionment of the Existing Public’s CHWM, then BPA will apportion the CHWM between the New Public and the Existing Public. BPA’s apportionment will be based on the percentage share of the Existing Public’s TRL that is transferred to the New Public, after adjusting for NLSLs and Non-Federal Resources; additional information provided by the customers; and the procedure established in the CHWM Contract.

The transfer of CHWM and associated RHWM from the Existing Public to the New Public will be effective on the date that the New Public begins service to the transferred load. The CHWM
transferred from the Existing Public will not count toward the aggregate 250 aMW or 50 aMW Rate Period CHWM limits for New Publics. The same methodology described in this subsection will be used to determine the additional CHWM that a Public with a CHWM will receive if it annexes load from an Existing Public.

4.1.6.2 Calculating CHWM for a New Public Formed with Loads Previously Served by an Entity Other Than an Existing Public

If a New Public forms in whole or in part out of loads previously served by an entity other than an Existing Public and has qualified under BPA’s Standards for Service, then BPA will calculate the Potential CHWM Eligibility for the New Public, as provided below. A New Public that is forecast by BPA to have, at the time of its formation, TRL of less than 10 aMW must provide to BPA binding notice to purchase under a CHWM Contract before July 1 of the Forecast Year to be eligible for CHWM in the next Rate Period. A New Public that is forecast by BPA to have TRL of 10 aMW or greater must provide binding notice to BPA by the earlier of three years before the date on which service to the New Public at Tier 1 Rates is to begin or July 1 of the Forecast Year to receive a CHWM for the next Rate Period.

In the RHWM Process for the Rate Period during which a New Public will first be eligible to receive a CHWM, BPA will calculate the New Public’s Potential CHWM Eligibility as follows:

1) BPA will first forecast the New Public’s TRL, less applicable Non-Federal Resources and NLSLs, on an average annual basis for the Fiscal Year in which power deliveries under the New Public’s CHWM Contract will begin.

2) BPA will then multiply the amount calculated in (1) above by the percentage derived by dividing the (i) sum of the CHWMs for all Existing Customers with a CHWM Contract in the Fiscal Year by (ii) the sum of forecast TRL for the Fiscal Year for all Existing
Customers with a CHWM Contract, less their Existing Resources for CHWM and
NLSLs.

The CHWM for a New Public forming from an Existing Public and another entity will be the
sum of the CHWM calculated using section 4.1.6.1 for the load amount acquired from the
Existing Public and this section 4.1.6.2 for the remainder of its load. A New Public’s CHWM
amount acquired during its initial Rate Period, exclusive of CHWM from an Existing Public, will
be the portion of its Potential CHWM Eligibility to which the New Public is ultimately entitled
after the application of the 250 aMW limit described in section 4.1.6, together with the Rate
Period limitation and phase-in provisions described in sections 4.1.6.3 through 4.1.6.5
(collectively, the “New CHWM Cap and Phase-in Provisions”).

If none of the New CHWM Cap and Phase-in Provisions applies, then the New Public’s CHWM
will be equal to its Potential CHWM Eligibility, as of the date the Potential CHWM Eligibility is
established.

If the New Public is, or may be, subject to any of the New CHWM Cap and Phase-in Provisions,
then the New Public’s CHWM in each Rate Period will be the amount of its Potential CHWM
Eligibility that remains after the application of the New CHWM Cap and Phase-in Provisions in
each Rate Period (except to the extent it may later be increased by application of the load growth
exception for New Tribal Utilities in section 4.1.6.4).

4.1.6.3 Rate Case CHWM Limit for New Publics

Additional CHWM for New Publics, including New Tribal Utilities, is limited to 50 aMW for
each Rate Period, except for amounts provided under the exceptions for small New Publics and
New Tribal Utilities described below. If total amounts of Potential CHWM Eligibility exceed
the 50 aMW Rate Period limit, BPA will phase in such CHWM for New Publics by proportionally reducing CHWMs for New Publics so that the total increase in CHWMs for each Rate Period is capped at 50 aMW. If requests for CHWMs from New Publics, including New Tribal Utilities, exceed the remaining amount of the 250 aMW aggregate limit, each new request for CHWM will be proportionately reduced such that the sum of the new requests equals the amount of the remaining 250 aMW aggregate limit for New Publics.

4.1.6.3.1 Exceptions to Rate Period CHWM Limit

There are two circumstances under which BPA will provide additional CHWM in amounts for a Rate Period that exceed the 50 aMW Rate Period limit:

1) If requests for CHWM by New Publics exceed the 50 aMW Rate Period limit, BPA will provide additional CHWM for New Publics whose Potential CHWM Eligibility is less than 10 aMW and that otherwise would have had their requests adjusted downward. BPA will provide these utilities with the additional CHWM needed to make up the difference between their prorated “phase-in” CHWM amount and their Potential CHWM Eligibility. These additional amounts will exceed the 50 aMW Rate Period limit. This exception is limited for the duration of this TRM to the first ten requesting utilities that meet the size threshold and that would otherwise have had their CHWM prorated downward due to application of the 50 aMW Rate Period limit.

2) New Tribal Utilities that already have a CHWM may have their CHWM increased to account for load growth or load they annex, as described in section 4.1.6.4. This includes load that a New Tribal Utility acquires when it is formed, if the load has never been served by any other utility. Any CHWM amounts provided for this purpose would not be subject to the 50 aMW Rate Period limit. Correspondingly, the initial CHWM amount provided to a New Tribal Utility does not count toward the 40 aMW limit for load growth, as described below.
4.1.6.4 Rate Period Limit for CHWMs for New Tribal Utility Load Growth

CHWMs for New Tribal Utilities can be increased over time for load growth and the expansion of service territory, up to a total of 40 aMW in aggregate. This exception for New Tribal Utilities will expire at the earliest of 1) the end of FY 2021; 2) when the 40 aMW aggregate amount is exhausted; or 3) when the overall 250 aMW CHWM limit for New Public Utilities is reached. CHWM amounts allowed under the 40 aMW exception for load growth will not count toward the 50 aMW Rate Period limit but will count toward the 250 aMW aggregate limit for New Publics.

4.1.6.5 Phasing In CHWM Amounts for New Publics

When competing requests for CHWMs by New Publics exceed the 50 aMW Rate Period limit, each New Public that has requested CHWM for the Rate Period (each, a Competing New Public) will have the amount of its request for CHWM phased in over subsequent Rate Periods (Phase-in Amount). The phase-in process will be implemented as follows:

Step 1. After allocating to each Competing New Public the smaller of a utility’s Potential CHWM Eligibility or 10 aMW, each Competing New Public will have 33.3 percent of the next 24 aMW of its Phase-in Amount allocated across Rate Periods starting with the Rate Period for which the Competing New Public gives its initial CHWM notice and continuing in each of the succeeding two Rate Periods. Twenty percent of any remaining Phase-in Amount will be phased in starting with the Rate Period for which the Competing New Public gives its initial CHWM notice and continuing in each of the succeeding four Rate Periods.

Step 2. If, after completing Step 1, the combined requests for CHWMs for all Competing New Publics are greater than 50 aMW, then the Competing New Publics’ Phase-in Amounts may be subject to further reduction on a proportional basis for each Rate Period due to the application of the 50 aMW Rate Period limit discussed in section 4.1.6.3. This would be implemented by
reducing the Phase-in Amount of all Competing New Publics by a scaling factor, of which the numerator will be 50 and the denominator will be the total of the Phase-in Amounts established for the Rate Period for all Competing New Publics. Although the calculation of this scaling factor takes into account the Potential CHWM Eligibility for New Publics with Potential CHWM Eligibility below 10 aMW, the CHWMs for such New Publics will be established pursuant to section 4.1.6.3.1, paragraph 1.

If, after completing Step 1, the combined Potential CHWM Eligibility for all Competing New Publics totals less than 50 aMW, then the amounts allowed to be phased in for Competing New Publics will be proportionately increased until the 50 aMW limit is reached for that Rate Period. The amount of any increase allowed to a Competing New Public by operation of this provision will reduce Phase-in Amounts that otherwise would have been carried into future Rate Periods, beginning with the Phase-in Amounts that would have been permitted last (i.e., during the fourth Rate Period following the initial request for service at Tier 1 Rates).

**Step 3.** Phase-in Amounts not provided to a Competing New Public during any Rate Period due to the proportional reductions in Steps 1 and 2 will be added to any Phase-in Amounts for the subsequent Rate Period, and in that subsequent Rate Period these requests will be granted to the extent permitted after application of Steps 1 and 2 for the Rate Period. See Figure 4.4 for an example of these phase-in provisions.

### 4.1.7 Calculating CHWM for a Joint Operating Entity (JOE)

The CHWM for a JOE will be calculated by summing the CHWMs of its individual utility members. The CHWMs for the individual utility members will be calculated in accordance with the provisions in sections 4.1 through 4.1.6.5 of this TRM.
4.1.8 Retention of Provisional CHWM Amounts

In FY 2014, BPA will determine, for each customer that has a Provisional CHWM Amount, what part of such customer’s Provisional CHWM Amount is retained in its CHWM effective as of October 1, 2013.

Each specific load adjustment included in Provisional Load granted under Adjustment Path 1 will be evaluated by measuring the corresponding load in FY 2011-2013. The amount of each such adjustment that will be retained for purposes of calculating the customer’s permanent CHWM will be the smaller of (1) the load adjustment amount included in Provisional Load or (2) the positive difference, if any, between (a) the largest amount measured for the corresponding load during 12 consecutive months within FY 2011-2013, expressed in aMW, and (b) the amount of the corresponding load that was included in Measured FY 2010 Load. Subject to BPA’s judgment, BPA may further reduce the amount for such load adjustments retained for purposes of calculating permanent CHWMs if BPA has a substantial basis to conclude that such load(s) will not operate at the same load level after FY 2013.

The amount of the Provisional Load granted under Adjustment Path 2 that is retained Provisional Load will be the smaller of 1) the Provisional Load or 2) the customer’s Adjusted FY 2013 Load minus the customer’s Adjusted FY 2010 Load.

The retained Provisional CHWM Amount that becomes a permanent part of the customer’s CHWM will be the customer’s retained Provisional Load multiplied by the ratio of 1) the customer’s CHWM (including the Provisional CHWM Amount) determined pursuant to section 4.1.5, to 2) the customer’s Eligible Load. The amount by which the customer’s Provisional CHWM Amount exceeds its retained Provisional CHWM Amount will be subtracted from its CHWM to calculate the customer’s CHWM effective as of October 1, 2013.
4.1.9 Adjusting CHWMs and CDQs for Removal of Provisional CHWM Amounts

In FY 2014, the CHWM Contracts for customers whose CHWM is reduced pursuant to section 4.1.8 will be amended to reflect the customer’s reduced CHWM. At the same time, BPA will also adjust the CDQs in the customer’s CHWM Contract by multiplying such CDQs by the ratio of 1) the CHWM after reduction pursuant to section 4.1.8 to 2) the customer’s CHWM prior to reduction pursuant to section 4.1.8 minus its Provisional CHWM Amount. In addition, BPA will recalculate the customer’s RHWM, TOCA, and System Shaped Load pursuant to section 5.2.1.

Before finalizing the changes in CHWM, CDQs, RHWM, TOCA, and System Shaped Load, BPA will conduct a public process comparable to that specified in section 4.1.5.1. Within two weeks following the close of the comment period, BPA will republish the CHWMs, CDQs, RHWM, TOCA, and System Shaped Load, which will reflect any updates or changes.

4.1.10 Billing Adjustments for Reduced CHWMs

If a customer’s CHWM was adjusted pursuant to section 4.1.8, then its FY 2014 and 2015 monthly bills will be based on the CHWM and the CDQs established pursuant to section 4.1.9. CHWM and CDQ changes resulting from removal of Provisional CHWM Amounts will require adjustments to amounts previously billed in those years.

1) Each such affected customer will be charged applicable Load Shaping Rates for the reduced CHWM amount retroactively to October 1, 2013. This billing adjustment accounts for the amount it was billed by BPA at Tier 1 Rates that, due to the reduction to its CHWM pursuant to section 4.1.9, should not have been purchased at Tier 1 Rates. In the billing adjustment process, the customer will be credited for the amount it paid for the reduced CHWM amount at Tier 1 Rates other than the Demand Rate. Any billing
adjustment for a customer purchasing the Slice/Block Product or Block Product will be
applied to its Block Product purchase.

2a) If, pursuant to section 9 of its CHWM Contract, such customer has elected to provide for
all, or the variable portion, of its Above-RHWM Load with Tier 2 service from BPA, it
will continue to be billed for any reduction to its CHWM determined pursuant to
section 4.1.9 at applicable Load Shaping Rates for the remainder of FY 2014 and all of
FY 2015.

2b) If, pursuant to section 9 of its CHWM Contract, the customer has elected to provide for
all, or the variable portion, of its Above-RHWM Load with Non-Federal Resources, it
will continue to receive service from BPA for the amount its CHWM was reduced
pursuant to section 4.1.9 for the remainder of FY 2014 at applicable Load Shaping Rates.
For FY 2015, such customer must serve its CHWM reduction with Non-Federal
Resources.

3) Each customer subject to the Demand Charge between October 1, 2011, and the date any
adjustment to the customer’s CDQ pursuant to section 4.1.9 takes effect for billing
purposes, will be entitled to a credit equal to the product of each monthly Demand Rate
applicable during such period and the difference between 1) the CDQ for such month and
2) the CDQ for such month as adjusted pursuant to section 4.1.9. The credit will be
calculated commencing on the first-day of the earliest consecutive 12-month period that
would have resulted in retention of the Provisional CHWM Amounts that are retained
under section 4.1.8. At BPA’s election, the credit may be paid either 1) as a lump sum,
or 2) equally over a period of months not greater than the Demand Charge billing
adjustment period.

4) BPA will notify each customer of any billing adjustment resulting from application of
paragraph 1) including the amount owed and the calculations supporting such amount. If
the customer’s total amount owed to BPA above exceeds 30 percent of its most recent monthly bill, the customer may request that BPA extend the billing adjustment to more than one month.

5) Any reductions to CHWMs pursuant to section 4.1.9 will not change any other customer’s RHWM for FY 2014 and FY 2015. Any reductions to CHWMs pursuant to section 4.1.9 will not change the amount of RHWM Augmentation power delivered to purchasers under the Slice Product during the FY 2014-2015 Rate Period or the quantity of RHWM Augmentation included in the Composite Rate and subject to the Slice True-Up Adjustment for the FY 2014-2015 Rate Period.

4.2 Rate Period High Water Mark

The RHWM sets the maximum planned amount of power that a customer may purchase each year of the Rate Period under Tier 1 Rates, subject to its Net Requirement (net of its NLSLs included in the Net Requirement) as determined pursuant to BPA’s 5(b)9(c) Policy and the customer’s CHWM contract. BPA will calculate a RHWM for each customer with a CHWM Contract in the RHWM Process prior to each 7(i) Process, beginning with the WP-14 7(i) Process. A customer’s RHWM will be the same for each year of the Rate Period.

During the first Rate Period (FY 2012-2013), BPA will use each customer’s CHWM as its RHWM. In the event BPA does not have a finalized CHWM for a customer due to an ongoing dispute over its forecast, BPA will use its most recent determination of the CHWM for such customer, until such time as the CHWM dispute process has been concluded. At the conclusion of the dispute process, BPA will adjust the customer’s CHWM consistent with the results of the dispute process as practical, given the timing of the decision. As set forth in section 4.3.2, for the first Rate Period (FY 2012-2013), the Transition Period method will be used for determining Above-RHWM Load.
If RHWM Augmentation has been reduced to zero pursuant to section 3.2.1, any remaining forecast increase in the Tier 1 System Firm Critical Output will result in increased RHWMs. If RHWM Augmentation has been increased to the maximum allowed pursuant to section 3.2.1, further forecast decreases of the Tier 1 System Firm Critical Output will result in decreased RHWMs.

4.2.1 RHWM Calculation

Expressed as a formula, the RHWM will be calculated by BPA for each customer as follows:

\[ RHWM = \frac{\sum CHWM}{\sum CHWM} \times RTISC \]

where:

- \( RHWM \) = Rate Period High Water Mark, expressed in average megawatts
- \( CHWM \) = Contract High Water Mark
- \( \sum CHWM \) = sum of all Publics’ Contract High Water Marks, including those for Publics without a CHWM Contract
- \( RTISC \) = forecast RHWM Tier 1 System Capability, averaged for the Rate Period

The RHWM Process for a JOE will be performed on an individual member basis and will use the CHWMs of the individual members rather than a single CHWM for the JOE.

4.2.2 RHWM Timing and Transparency

The RHWM is an input to the 7(i) Process and will be developed by BPA through the separate RHWM Process prior to each 7(i) Process.

Consistent with section 13.10, BPA will publish the RHWM for each customer on its website, along with the determination of the RHWM Tier 1 System Capability, including the Tier 1
System Firm Critical Output study, for the upcoming Rate Period. A public comment period, at least ten business days in length, and a publicly noticed meeting will follow publication of the RHWMs, during which BPA will respond to reasonable information requests. BPA will then work with customers to resolve any issues raised by the comments. Following the close of comment, BPA will republish the RHWMs, reflecting any updates or changes. The republished RHWMs may be revised pursuant to sections 4.1.9 and 13.10.

4.3 Determination of Above-RHWM Loads

In the RHWM Process, BPA will calculate each customer’s Above-RHWM Load for each year of the applicable Rate Period by subtracting its RHWM from the difference between 1) its forecast TRL less NLSLs and 2) its Existing Resources. For the Transition Period, Above-RHWM Loads will be established as described in section 4.3.2.2 below.

If a customer’s annual Above-RHWM Load is forecast to be equal to or greater than 8,760 MWh, the customer will be required to arrange service for its entire Above-RHWM Load with purchases at Tier 2 Rates, Non-Federal Resources, or a combination of the two. Amounts less than 8,760 MWh may be served with Non-Federal Resources, consistent with the notice provisions of the CHWM Contract. If a Load Following customer’s annual Above-RHWM Load not served with Non-Federal Resources is forecast to be less than 8,760 MWh, the Above-RHWM Load will be served by BPA at the Load Shaping Rates.

4.3.1 Election of How Above-RHWM Load Will Be Served

The customer will elect Tier 2 Rate Alternative(s), Non-Federal Resources, or a pre-defined combination of the two to serve its Above-RHWM Load. Each customer will elect how its Above-RHWM Load will be served during each purchase period by the applicable notice.
deadline, as established in the CHWM Contract and shown below for convenience.

<table>
<thead>
<tr>
<th>Notice Deadline</th>
<th>Purchase Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 1, 2009</td>
<td>FY 2012 – FY 2014</td>
</tr>
<tr>
<td>September 30, 2011</td>
<td>FY 2015 – FY 2019</td>
</tr>
<tr>
<td>September 30, 2016</td>
<td>FY 2020 – FY 2024</td>
</tr>
<tr>
<td>September 30, 2021</td>
<td>FY 2025 – FY 2028</td>
</tr>
</tbody>
</table>

**4.3.2 Transition Period (FY 2012-2014)**

The purpose of the Transition Period (FY 2012-2014) is to establish Above-RHWM Loads in advance of the first deliveries so customers can decide how to serve that portion of their load. The THWM will not be used to define the amount that a utility may purchase from BPA or the amount that will be available at Tier 1 Rates.

**4.3.2.1 Calculating the THWM**

BPA will calculate the THWM for each customer as follows:

\[
THWM = \frac{[ (2010 \text{ forecast } TRL_{2009} - \text{ExistingResources} ) ]}{\sum (2010 \text{ forecast } TRL_{2009} - \text{ExistingResources})} \times \text{Average of 2012, 2013 T1SC}_{2009}
\]

where:

- \( THWM \) = Transition Period High Water Mark, expressed in average megawatts
- \( 2010 \text{ forecast } TRL_{2009} \) = FY 2009 BPA forecast of a customer’s Total Retail Load for FY 2010, less NLSLs
- \( \text{ExistingResources} \) = Existing Resources for CHWM; see section 4.1.2
- \( \text{Average of 2012, 2013 T1SC}_{2009} \) = the average of the FY 2009 forecast RHWM Tier 1 System Capability for FY 2012 and FY 2013 (the first Rate Period)
4.3.2.2 Establishing Above-RHWM Loads for the Transition Period

BPA will establish in FY 2009 each customer’s Above-RHWM Load for each applicable year of the Transition Period. BPA will calculate each customer’s Above-RHWM Load by subtracting its THWM from the difference between the forecast, for each of the Transition Period years, of 1) the customer’s TRL less NLSLs, and 2) its Existing Resources for CHWM. This method of establishing Above-RHWM Load differs from the section 4.1 CHWM-based method primarily in BPA’s use of forecast load data rather than the Measured FY 2010 Load that will be used to establish CHWMs. In addition, this method excludes the Weather Normalization and Conservation Adjustment steps included in the CHWM calculation. Expressed as a formula, the Above-RHWM Load will be calculated by BPA for each customer for each year of the Transition Period as follows:

\[
\text{Above-RHWM Load} = \left(\text{2012, 2013, 2014 forecast TRL}_{2009} - \text{Existing Resources} - \text{THWM}\right)
\]

where:

Above-RHWM Load = customer’s load above its Rate Period High Water Mark, expressed in average megawatts

2012, 2013, 2014 forecast TRL\textsubscript{2009} = FY 2009 BPA forecast of a customer’s Total Retail Load for each year of the Transition Period, less NLSLs

Existing Resources = Existing Resources for CHWM; see section 4.1.2

THWM = Transition Period High Water Mark, expressed in average megawatts

The Transition Period Above-RHWM Load for a JOE will be the sum of the Transition Period Above-RHWM amounts for each individual member.
5 TIER 1 RATE DESIGN

The Tier 1 rate design described in this section is applicable to Publics that sign a CHWM Contract, and consists of three elements: Customer Charges, a Demand Charge, and a Load Shaping Charge.

5.1 Customer Charges

BPA will calculate three Customer Charges for each Rate Period: 1) a Composite Customer Charge that recovers the costs allocated to the Composite Cost Pool and applies to all customers with a CHWM Contract regardless of their product choices; 2) a Non-Slice Customer Charge that recovers the costs allocated to the Non-Slice Cost Pool and applies only to customers with a CHWM Contract purchasing the Load Following or Block products (including the Block portion of the Slice/Block product); and 3) a Slice Customer Charge that recovers the costs allocated to the Slice Cost Pool and applies to customers with a CHWM Contract that purchase the Slice product.

5.1.1 Customer Charge Billing Determinants – Tier 1 Cost Allocator (TOCA)

A Tier 1 Cost Allocator (TOCA) will be calculated in the applicable 7(i) Process for each customer for each year of the Rate Period using RHWM and Forecast Net Requirement as determined in the RHWM Process. A customer’s TOCA is its Billing Determinant for the applicable Customer Charges. Each customer’s annual TOCA will be based on the lesser of the customer’s RHWM or the customer’s Forecast Net Requirement and is calculated as a percentage of the total of RHWMs for all customers. Expressed as a formula, the annual TOCA is calculated as follows:

\[
TOCA = \frac{\min(RHWM,Netreq)}{\sum RHWM} \times 100
\]
where:

\[ TOCA = \text{customer’s Tier 1 Cost Allocator, expressed as a percentage} \]

\[ RHWM = \text{customer’s Rate Period High Water Mark} \]

\[ Netreq = \text{customer’s Forecast Net Requirement for each Fiscal Year of the Rate Period} \]

\[ \sum RHWM = \text{sum of RHWMs for all customers (expected to be 100 percent of the RHWM Tier 1 System Capability)} \]

BPA will adjust TOCAs for Slice/Block or Block customers in the following two circumstances.

First, if the Annual Net Requirement determination for a customer demonstrates that its Annual Net Requirement is below its RHWM and differs from the Forecast Net Requirement used to set rates, then BPA will adjust the TOCA using the customer’s Annual Net Requirement, rather than Forecast Net Requirement, in the formula above for that Fiscal Year. Second, if the Annual Net Requirement exceeds the RHWM and the Forecast Net Requirement was below the RHWM, then the RHWM amount will be used as the TOCA for that Fiscal Year rather than using Forecast Net Requirement in the formula above.

BPA will adjust TOCAs for Load Following customers prior to any Fiscal Year of the Rate Period if there is substantial reason for BPA to believe that the customer’s Actual Annual Tier 1 Load will differ from its Forecast Net Requirement, and such estimate of Actual Annual Tier 1 Load, if it had been used to calculate the customer’s TOCA, would have changed the TOCA by 20 percent or more. In these circumstances, BPA will use the updated estimate of Actual Annual Tier 1 Load for setting the customer’s TOCA for that Fiscal Year. A forecast of a 20 percent change in a customer’s TOCA requires BPA to adjust that customer’s TOCA. A customer and BPA may agree to change a TOCA for a difference of less than 20 percent.
The TOCA for a JOE will be the sum of the TOCAs of each of the individual members as calculated in the applicable 7(i) Process.

5.1.2 Non-Slice TOCA
The Non-Slice TOCA for Load Following and Block customers is equal to the TOCA pursuant to section 5.1.1.

The Non-Slice TOCA for the Block Product purchased by Slice/Block customers is defined as the customer’s annual TOCA (as defined in section 5.1.1) minus its Slice Percentage. Expressed as a formula, the Non-Slice TOCA for the Block Product purchased by a Slice/Block customer is calculated as follows:

\[
NonSliceTOCA = TOCA - \text{Slice}\%
\]

where:

- \(NonSliceTOCA\) = annual TOCA for a customer’s Slice/Block purchase
- \(TOCA\) = customer’s Tier 1 Cost Allocator
- \(\text{Slice}\%\) = customer’s Slice Percentage

The Non-Slice TOCA for a JOE will be the sum of the Non-Slice TOCAs of each of the individual members as calculated in the applicable 7(i) Process.

5.1.3 Composite Customer Rate
BPA will charge the Composite Customer Rate to all Publics that sign a CHWM Contract. The Composite Customer Rate will recover all costs BPA allocates to the PF Preference Rate from the Composite Cost Pool (as delineated on the Allocated Tiered Cost Table) and will be expressed in dollars per one percentage point of TOCA. See Table 2, Section B, for a listing of
specific cost items in the Composite Customer Rate. The Composite Customer Rate will not 
change even if BPA adjusts any customer’s TOCA during a particular Rate Period.

\[
CompositeRate = \frac{CompositeCost}{\sum TOCA} \div 12
\]

where:

\(CompositeRate\) = monthly rate expressed as dollars per one percentage point of 
TOCA

\(CompositeCost\) = total of costs and credits in the Composite Cost Pool allocated 
to PF Preference Rates

\(\sum TOCA\) = sum of TOCAs as forecast by BPA in each 7(i) Process

5.1.4 Non-Slice Customer Rate

BPA will charge the Non-Slice Customer Rate only to customers purchasing Load Following 
and Block Products. The Non-Slice Customer Rate will collect all costs allocated to PF 
Preference Rates from the Non-Slice Cost Pool (as delineated on the Allocated Tiered Cost 
Table). See Table 2, Section D, for a listing of specific items in the Non-Slice Cost Pool. The 
Non-Slice Customer Rate will be expressed in dollars per one percentage point of Non-Slice 
TOCA. The Non-Slice Customer Rate will not change even if BPA adjusts any customer’s 
TOCA during a particular Rate Period.

\[
NonSliceRate = \frac{NonSliceCost}{\sum NSCTOCA} \div 12
\]

where:

\(NonSliceRate\) = monthly rate expressed in dollars per one percentage point of 
Non-Slice TOCA
NonSliceCost = total of costs and credits in the Non-Slice Cost Pool allocated to
the PF Preference rates

\[ \sum NSCTOCA = \text{sum of Non-Slice TOCAs as forecast by BPA in each 7(i) Process} \]

### 5.1.5 Slice Customer Rate

BPA will charge the Slice Customer Rate only to customers purchasing the Slice portion of the
Slice/Block product. The Slice Customer Rate will collect all costs allocated to the Slice Cost
Pool. See Table 2, Section C, for a listing of specific items in the Slice Cost Pool (as delineated
on the Allocated Tiered Cost Table). The Slice Customer Rate will be expressed in dollars per
one percentage point of Slice Percentage. The Billing Determinant will be the customer’s
contractually specified Slice Percentage. The Slice Customer Rate will not change even if BPA
adjusts any customer’s Slice Percentage during a particular Rate Period.

\[ \text{SliceRate} = \frac{\text{SliceCost}}{\sum S\text{Percent}} \div 12 \]

where:

- \( \text{SliceRate} \) = monthly rate expressed in dollars per one percentage point of Slice
  Percentage
- \( \text{SliceCost} \) = total of costs and credits in the Slice Cost Pool
- \( \sum S\text{Percent} \) = sum of Slice Percentages as forecast in each 7(i) Process

### 5.1.6 Shaping of Customer Charges during Fiscal Year

Because the Tier 1 rate design may result in within-year cash flow impacts to customers, BPA
will, to the maximum extent practicable while ensuring timely BPA cost recovery, accommodate
individual customer requests to reshape charges within the Fiscal Year to mitigate adverse cash
flow effects on the customer. Such reshaping of charges must recover the same amount of
dollars on a net present value basis within the Fiscal Year as would have been recovered without
the reshaping. The reshaping of the payments will be agreed upon between BPA and the
customer prior to the start of the Rate Period. Absent agreement, the customer will pay the
Customer Charges without reshaping, as a uniform monthly charge.

The reshaping of the Customer Charges will take into account the cash-flow impacts to the
customer of the Customer Charges; a forecast of Load Shaping Charges; and a forecast of
Demand Charges. The forecast cash-flow impacts to the customer will be mitigated through
reshaping the Composite Customer Charge by specifying 12 monthly Composite Customer
Charges for such customer that recover, in total, the same amount of dollars on a net present
value basis as the Composite Customer Charges applicable to that Fiscal Year without reshaping.
If further reshaping is needed, BPA may also reshape the Non-Slice Customer Charge. BPA will
accommodate requests to reshape Customer Charges as long as the aggregate reshaping requests
do not have a material adverse impact on BPA’s overall cash flow, as determined solely by BPA.
In order to accommodate reshaping requests, BPA will take into account the potential offsetting
impacts of multiple reshaping requests. BPA may prorate multiple reshaping requests if
necessary to avoid or mitigate material adverse impacts on BPA’s cash flow.

5.2 Load Shaping Charge

The Load Shaping Charge is designed to recover costs associated with shaping the Tier 1 System
Capability to the Monthly/Diurnal shape of a customer’s Actual Monthly/Diurnal Tier 1 Load.
BPA will apply this charge to purchases of Block and Load Following products. BPA will not
apply the Load Shaping Charge to purchases of the Slice portion of the Slice/Block product. In
the 7(i) Process for each Rate Period, BPA will forecast revenues from the Load Shaping Charge
for inclusion as a credit to the Non-Slice Cost Pool.
5.2.1 Load Shaping Billing Determinants

5.2.1.1 7(i) Process Calculation

In the 7(i) Process for each Rate Period, BPA’s first step in calculating the Load Shaping Billing Determinants will be to distribute the RHWM Tier 1 System Capacity determined in the RHWM Process to each Heavy Load Hour (HLH) and Light Load Hour (LLH) period in each month of each Fiscal Year of the Rate Period (yielding 24 Monthly/Diurnal energy values for each Fiscal Year). Once established, these 24 Monthly/Diurnal values for each Fiscal Year will not be modified for the duration of the Rate Period.

For the second step, BPA will multiply each customer’s annual TOCA by the 24 Monthly/Diurnal values from the first step to calculate each customer’s System Shaped Load. The System Shaped Load represents the amount of energy the customer would receive in each Monthly/Diurnal period if its TOCA Load was in the shape of the RHWM Tier 1 System Capacity. Each customer’s System Shaped Load will be calculated as follows:

\[ \text{SystemShapedLoad}_i = RT1SC_i \times TOCA \]

where:

\( i \) = equals a single Monthly/Diurnal period of the Fiscal Year

\( \text{SystemShapedLoad} \) = a customer’s Forecast Annual Tier 1 Load distributed to the 24 Monthly/Diurnal periods in the shape of the RHWM Tier 1 System Capability for each Fiscal Year of the Rate Period

\( RT1SC \) = RHWM Tier 1 System Capacity for each of the 24 Monthly/Diurnal periods for each Fiscal Year of the Rate Period, expressed in kilowatthours, as determined in the RHWM Process

\( TOCA \) = a customer’s TOCA, or Non-Slice TOCA for Slice/Block product purchasers, for each Fiscal Year
The Load Shaping Billing Determinants for a JOE will be the aggregate loads of the JOE’s member utilities and the aggregated System Shaped Load of these utilities rather than calculating Billing Determinants on an individual utility basis.

5.2.1.2 Calculation of Billing Determinants
In the third step, BPA will calculate the Monthly/Diurnal Load Shaping Billing Determinants by subtracting each customer’s System Shaped Load from its Actual Monthly/Diurnal Tier 1 Load for each Monthly/Diurnal period.

5.2.2 Load Shaping Rates
BPA will establish the Load Shaping Rates in each 7(i) Process. The Load Shaping Rates, one for each of the 24 Monthly/Diurnal periods for each Fiscal Year, will be BPA’s forecast of the market price for each Monthly/Diurnal period during that Rate Period. Such market prices are currently calculated using an hourly deterministic model that hold the expected natural gas price and the expected load forecast constant, while assuming average hydroelectric conditions. The specific methodology used in each Rate Period will be established in each 7(i) Process.

5.2.3 Calculating the Load Shaping Charges
BPA will calculate Load Shaping Charges for each customer by multiplying the customer’s Monthly/Diurnal Load Shaping Billing Determinants by the applicable Load Shaping Rates. If a specific Load Shaping Billing Determinant for the particular Monthly/Diurnal period is greater than zero (Actual Monthly/Diurnal Tier 1 Load minus System Shaped Load > 0), the result will be a charge on the customer’s bill. If a specific Load Shaping Billing Determinant for the particular Monthly/Diurnal period is less than zero (Actual Monthly/Diurnal Tier 1 Load minus System Shaped Load < 0), the result will be a credit on the customer’s bill.
5.2.4 True-Up of Load Shaping Charge for Load Following Customers

BPA will calculate the Load Shaping Charge True-Up only for Load Following customers. The purpose for the Load Shaping Charge True-Up is to avoid charging or crediting the market-based Load Shaping Rate for energy within the customer’s RHWM. BPA will apply the Load Shaping Charge True-Up only when a Load Following customer’s TOCA Load or Actual Annual Tier 1 Load is less than its RHWM. Forecast market prices, used to set the Load Shaping Rates, will not be trued up to actual market prices.

The Load Shaping Charge True-Up for a JOE will be the sum of the calculations on an individual member basis, using the values calculated in the RHWM Process for the individual utilities and the Actual Annual Tier 1 Load for the individual utilities.

5.2.4.1 Identifying the Need for a Load Shaping Charge True-up and Calculating the Load Shaping Charge True-Up Billing Determinant

BPA will use two equations and a customer’s Above-RHWM Load to determine the need to apply the Load Shaping True-Up to each Load Following customer and to calculate the Load Shaping Charge True-Up Billing Determinant. The first equation calculates $\text{AnnualDeviation}$ and determines whether the customer may have been subject to excess charges or excess credits. If $\text{AnnualDeviation}$ is positive, then the customer may have paid excess Load Shaping Charges, and BPA will use the $\text{AboveForecast}$ equation to determine if the customer paid excess Load Shaping Charges, and if so, how much. If $\text{AnnualDeviation}$ is negative, then the customer may have received excess Load Shaping credits, and BPA will use a customer’s Above RHWM Load to determine if the customer received excess Load Shaping credits, and if so, how much.

5.2.4.1.1 Calculating $\text{AnnualDeviation}$

Using the following equation, BPA will calculate the difference between the customer’s TOCA Load and the Actual Annual Tier 1 Load during each Fiscal Year:
AnnualDeviation = ActualLoad − TOCALoad

where:

AnnualDeviation = the amount by which a customer’s Actual Annual Tier 1 Load (expressed in kilowatthours) is greater or less than its TOCA Load for a Fiscal Year

ActualLoad = customer’s Actual Annual Tier 1 Load

TOCALoad = TOCA Load

5.2.4.1.2 Use of AboveForecast Formula

If AnnualDeviation is a positive amount, then such amount is energy that the customer purchased at Load Shaping Rates, and BPA will determine if the customer should be subject to the Load Shaping Charge True-up. If the customer’s RHWM exceeded its TOCA Load, then a portion of the energy is subject to the Load Shaping Charge True-up. BPA will use the following formula to determine the amount of energy that is subject to the Load Shaping Charge True-up:

AboveForecast = \[ (\text{RHWM} \times 1,000 \times \text{hours}) – \text{TOCALoad} \]

where:

AboveForecast = amount of RHWM energy (expressed in kilowatthours) that is greater than the TOCA Load (expressed in kilowatthours)

RHWM = customer’s Rate Period High Water Mark

hours = total hours in the Fiscal Year (8,760 hours in a non-leap year and 8,784 hours in a leap year)

TOCALoad = TOCA Load

If AboveForecast equals zero, then no Load Shaping Charge True-Up is needed. If AboveForecast is positive, then BPA will refund the customer the lesser of AnnualDeviation or
AboveForecast, multiplied by the Load Shaping Charge True-up Rate. AboveForecast cannot be negative.

5.2.4.1.3 Use of Above-RHWM Load

If AnnualDeviation is a negative amount, then such amount is energy for which the customer was credited at the Load Shaping Rates, and BPA will determine if the customer should be charged at the Load Shaping Charge True-up Rate. The amount of the customer’s Above-RHWM Load will be used to determine the amount of energy to be charged at the Load Shaping Charge True-up Rate.

If the customer’s Above-RHWM Load is equal to or greater than the absolute value of AnnualDeviation, then no Load Shaping Charge True-Up is needed. If the customer’s Above-RHWM Load is positive, but less than the absolute value of AnnualDeviation, then BPA will charge the customer the absolute value of AnnualDeviation minus the customer’s Above-RHWM Load, multiplied by the Load Shaping True-up Rate. If the customer’s Above-RHWM Load is zero, then BPA will charge the customer the absolute value of AnnualDeviation multiplied by the Load Shaping True-up Rate.

5.2.4.2 Load Shaping Charge True-up Rate

BPA will determine the Load Shaping Charge True-up Rate in each 7(i) Process as the difference between 1) the system weighted average of the Load Shaping Rates (expressed in dollars per megawatthour) for each Fiscal Year of the Rate Period and 2) the Composite Customer Rate plus the Non-Slice Customer Rate, converted to dollars per megawatthour.

Four equations are used to calculate the Load Shaping Charge True-up Rate. The first step (equation MktR) calculates a forecast market value of the Forecast Monthly/Diurnal Tier 1 Loads.
of Load Following and Block purchases for the Rate Period, including the Block portion of the Slice/Block product. The second step (equations $BLFRnDLS$ and $BLFRnD$) calculates the forecast Customer Charge and Load Shaping revenue received from Load Following and Block purchases for the Rate Period, including the Block portion of the Slice/Block product. The third step (numerator in equation $LSTUR$) computes the difference between the forecast market value and the forecast Customer Charge plus Load Shaping revenue. The fourth step (denominator in equation $LSTUR$) divides this difference by the sum of the Forecast Annual Tier 1 Load of Load Following and Block purchases for the Rate Period in megawatthours, yielding a dollars-per-megawatthour discount from the market, which is the Load Shaping Charge True-up Rate.

**Step 1.** Equation $MktR$ calculates a forecast of revenues received by BPA during the Rate Period assuming the Load Shaping Rates were applied to the corresponding Forecast Monthly/Diurnal Tier 1 Loads for Load Following and Block. The revenue calculated in $MktR$ is enough to meet the Forecast Monthly/Diurnal Tier 1 Loads for Load Following, Block, and the Block portion of the Slice/Block product at market rates.

$$MktR = \sum_{i=1}^{x} (LoadShapingRate_i \times FMDT1L_i)$$

where:

- $i = \text{equals a single Monthly/Diurnal period of the Fiscal Year}$
- $x = \text{number of Load Shaping Rates in the Rate Period}$
- $MktR = \text{forecast of revenue received by BPA during the Rate Period assuming the Load Shaping Rates were applied to the corresponding Forecast Monthly/Diurnal Tier 1 Loads for Load Following and Block purchases}$
- $LoadShapingRate = \text{Load Shaping Rates (expressed in dollars per megawatthour); see section 5.2.2}$
\[ FMDT1L = \text{Forecast Monthly/Diurnal Tier 1 Load for the Rate Period for Load Following and Block} \]

**Step 2.** Equation \( BLFRnDLS \) calculates a forecast of revenue that BPA will receive during the Rate Period from the Composite and Non-Slice Customer Charges from Load Following and Block purchases. The revenue calculated in \( BLFRnDLS \) is enough to meet the aggregate System Shaped Load for Load Following, Block, and the Block portion of the Slice/Block product under the Composite and Non-Slice Customer Rates.

\[
BLFRnDLS = \text{NonSliceCost} + [\text{CompositeRate} \times \sum \text{NonSliceTOCA}]
\]

where:

- \( BLFRnDLS \) = Forecast of revenue that BPA will receive during the Rate Period from the Composite and Non-Slice Customer Charges from Load Following and Block purchases
- \( \text{NonSliceCost} \) = Total of the costs and credits that are allocated to the Non-Slice Cost Pool
- \( \text{CompositeRate} \) = Composite Customer Rate, as described in section 5.1.3
- \( \sum \text{NonSliceTOCA} \) = sum of TOCAs for Load Following and Block customers plus Non-Slice TOCAs for Slice customers

**Step 3.** Equation \( BLFRnD \) adds the forecast of revenues received from the Load Shaping Charge for the Rate Period to the forecast revenues received from the Customer Charges of Load Following and Block customers. The revenue calculated in equation \( BLFRnD \) is enough to meet the aggregate System Shaped Load under the Composite and Non-Slice Customer Rates (Step 2) as well as the costs associated with shaping the aggregate System Shaped Load to the Forecast Monthly/Diurnal Tier 1 Loads for Load Following and Block.
\[ BLFRnD = BLFRnDLS + LoadShaping \]

where:

\[ BLFRnD = BLFRnDLS \text{ plus forecast Load Shaping revenue for the Rate Period} \]

\[ BLFRnDLS = \text{Forecast of revenue that BPA will receive during the Rate Period} \]

through the Composite and Non-Slice Customer Charges from Load Following and Block purchases

\[ LoadShaping = \text{Forecast Load Shaping revenue for the Rate Period} \]

**Step 4.** Equation \( LSTUR \) calculates the Load Shaping True-up Rate, which is the dollar per megawatthour difference between the Tier 1 Rate and the forecast market rates.

\[ LSTUR = \left[ \frac{MktR - BLFRnD}{\sum FATIL} \right] \]

where:

\[ LSTUR = \text{Load Shaping True-up Rate, expressed in dollars per megawatthour} \]

\[ MktR = \text{Forecast of revenue that would be received by BPA during the Rate Period if the Load Shaping Rates were applied to the corresponding Forecast Monthly/Diurnal Tier 1 Loads for Load Following and Block purchases} \]

\[ BLFRnD = BLFRnDLS \text{ plus forecast Load Shaping revenue for the Rate Period} \]

\[ FATIL = \text{Forecast Annual Tier 1 Load (expressed in megawatthours) for the Rate Period for Load Following and Block} \]

### 5.3 Demand Charge

The Demand Charge is designed to send a price signal to a limited portion of a customer’s overall demand on BPA and is applicable to customers purchasing Load Following and Block with Shaping Capacity products.
5.3.1 Demand Charge Billing Determinant

BPA will use four quantities in calculating a customer’s Demand Charge Billing Determinant (or billing demand): 1) the Customer’s System Peak (CSP), 2) the customer’s average Heavy Load Hour energy purchase each month (aHLH), 3) the customer-specific CDQ, and 4) the amount of Super Peak Credit. The following formula will be used to calculate a customer’s monthly Demand Charge Billing Determinant:

\[
BillingDemand = \max(0, CSP - aHLH - CDQ - SuperPeak)
\]

where:

- \(BillingDemand\) = Demand Billing Determinant, expressed in kilowatts
- \(CSP\) = Customer System Peak
- \(aHLH\) = average Actual Monthly/Diurnal Tier 1 Load (expressed in average kilowatts) served during the Heavy Load Hours of each month
- \(CDQ\) = Contract Demand Quantity (expressed in kilowatts)
- \(SuperPeak\) = Super Peak Credit (expressed in kilowatts)

For a JOE, the calculation of the Demand Charge Billing Determinant will use aggregated data for the individual utility members.

5.3.2 Customer System Peak

The Customer System Peak is the customer’s maximum Actual Hourly Tier 1 Load during the Heavy Load Hours of each month.

5.3.3 Average Actual Monthly/Diurnal Tier 1 Load in Heavy Load Hours

The average Actual Monthly/Diurnal Tier 1 Load during Heavy Load Hours (aHLH) is the monthly Actual Monthly/Diurnal Tier 1 Load in Heavy Load Hours, expressed in kilowatthours, divided by the number of Heavy Load Hours in that particular month. The resulting aHLH
amount, expressed in average kilowatts, is subtracted from CSP in the calculation of the Demand Charge Billing Determinant, because the cost of demand associated with this amount of diurnally flat energy is inherent in a market-priced block of such energy.

5.3.4 **Super Peak Credit**

A Load Following customer can qualify for a Super Peak Credit to its CSP by contractually committing a Non-Federal Resource to serve its TRL for the Rate Period and shaping into the Super Peak Period as defined by BPA. The Super Peak Period, which may vary by month, will be either two three-hour periods each day or a single six-hour period each day, all as determined by BPA prior to each 7(i) Process. The reduction to the CSP for the Super Peak Credit is equal to the amount of additional energy the customer contractually commits to provide from its Non-Federal Resources during each hour of the Super Peak Period compared to the amount of energy that would be provided if the same amount of energy was provided flat within the monthly Heavy Load Hour period. This reduction will be applied regardless of when the customer’s actual CSP occurs. The total Demand Charge Billing Determinant cannot be reduced below zero for any reason.

5.3.5 **Contract Demand Quantity**

The CDQ is a quantity of demand that is subtracted from a customer’s CSP as part of the process of determining the Demand Charge Billing Determinant. For all customers, BPA will calculate 12 CDQs, one for each month. Each customer’s CDQs will be derived from the weighted average of each customer’s FY 2005-2007 monthly HLH load factors applied to the customer’s average adjusted Measured FY 2010 Load for monthly HLH less the HLH Existing Resources for CHWM amounts for the corresponding months for Fiscal Year 2012 as set forth in Exhibit A of the customer’s CHWM Contract on September 30, 2009. The determination of CDQs will be performed concurrent with CHWM determinations, and the CDQs will be included in each
customer’s CHWM Contract at the same time as its CHWM. Because CDQs cannot be
determined until late in FY 2011, BPA may use a forecast of CDQ for each customer for setting
rates in the WP-12 7(i) Process. The actual CDQs determined in accordance with section 5.3.5.2
or 5.3.5.3 will be used for billing during FYs 2012-2013 and in all subsequent Rate Periods.

The 12 CDQs for a JOE will be calculated as described above using the aggregate loads of the
individual members of the JOE.

5.3.5.1 Calculation of the Historical (FY 2005-2007) Load Factor

The first step in determining the CDQs for each customer is the calculation of the HLH load
factor for each customer for each month of the year using FY 2005, 2006, and 2007 load data.
The aHLH energy amounts for each month in FY 2005, 2006, and 2007 will be calculated using
the metered HLH TRL for the month less the HLH Existing Resources for CHWM amounts for
the corresponding months for Fiscal Year 2012 as set forth in Exhibit A of the customer’s
CHWM Contract on the effective date of the CHWM contract. The CSP for each month will be
the highest hourly TRL amount during HLH in the month less the same respective Existing
Resources for CHWM amounts in average HLH form.

The Contract CSP for each month will be calculated by averaging the same-month CSPs for
FY 2005, 2006, and 2007 (e.g., [(Jan 05 CSP + Jan 06 CSP + Jan 07 CSP)/3]). The Contract
aHLH energy for each month will be calculated by averaging the same-month aHLH energy for
each of FYs 2005, 2006, and 2007. To calculate the HLH load factor for each month, BPA will
divide the Contract aHLH by the Contract CSP for each respective month. BPA will take into
account anomalies such as recovery peaks when calculating a customer’s HLH load factor (a
recovery peak may occur after a significant interruption of electric service to a customer as an

unusually large use of energy measured for the first hour immediately following return to
service).

BPA will adjust the HLH load factor of each customer by dividing the customer’s HLH load
factor by 91 percent. The adjusted HLH load factor will be limited so it does not exceed
100 percent.

5.3.5.2 Calculating CDQs

To determine each customer’s CDQs, BPA will apply the adjusted HLH monthly load factors to
the customer’s average adjusted Measured FY 2010 Load for monthly HLH less the HLH
Existing Resources for CHWM amounts for the corresponding months for Fiscal Year 2012 as
set forth in Exhibit A of the customer’s CHWM Contract on September 30, 2009. Once
calculated, the CDQs will be included in the CHWM Contract and will not be changed during
the CHWM Contract term except pursuant to section 4.1.9 and for annexations. The following
formula will be used for each month of FY 2010 to calculate the CDQs:

\[
CDQ = \frac{aHLH_{2010}}{adjLoadFac} - aHLH_{2010}
\]

where:

\( CDQ = \) Contract Demand Quantity (expressed in kilowatts)

\( aHLH_{2010} = \) average adjusted Measured FY 2010 Load for monthly HLH less the
HLH Existing Resources for CHWM amounts for the corresponding
months for Fiscal Year 2012 as set forth in Exhibit A of the customer’s
CHWM Contract on September 30, 2009

\( adjLoadFac = \) Adjusted HLH Load Factor for each month, calculated pursuant to
section 5.3.5.1
Before the CDQs are finalized, BPA will determine whether the Demand Charge Billing Determinant for any Customer for each month of FY 2010, using the actual CSP for each such month and the monthly CDQ calculated in accordance with this section 5.3.5.2, is equal to zero or will exceed two times the average of all customers’ Demand Charge Billing Determinants as a percentage of their CSP for such month. If so, BPA will determine whether 1) there was a discrete event beyond the control of the customer that increased the Demand Charge Billing Determinant; 2) the size of the Billing Determinant is likely to recur in the future; and 3) the recalculation of the adjusted HLH load factor and CDQ will not materially frustrate BPA’s policy objective of having all customers with HLH load factors that are less than 100 percent face the marginal cost of capacity.

If BPA concludes that the calculated Demand Charge Billing Determinant is not an anomaly and is likely to recur, then BPA will adjust the CDQ for such month as follows. If the initially calculated CDQ produced a calculated Demand Charge Billing Determinant that exceeds two times the average of all customers’ Demand Charge Billing Determinants as a percentage of their CSPs for such month, then BPA will establish the CDQ for such month for such Customer so that the calculated Demand Charge Billing Determinant equals two times the average of all customers’ Demand Charge Billing Determinants as a percentage of their CSPs for such month. If the initially calculated CDQ produced a calculated Demand Charge Billing Determinant equal to zero percent of the Customer’s CSP for such month, BPA will establish the CDQ for such month at the highest number that will produce a calculated Demand Charge Billing Determinant of zero. That is, BPA will remove excess CDQ headroom only, without establishing the CDQ so as to expose the Customer to a Demand Charge in such month.
Calculating New Publics’ CDQs

A New Public that forms out of all or part of the TRL of an Existing Public will receive a share of the Existing Public’s CDQ. Such an assignment will be based on the forecast new load profiles of the New Public and Existing Public. It will be proportionate to the share (measured in kilowatts) of the forecast monthly CSP of the Existing Public that is transferred to the New Public, net of any Non-Federal Resources that are transferred to the New Public by the Existing Public.

The CDQ for New Publics that are formed from an entity other than an Existing Public will be calculated with the average of all Existing Publics’ monthly adjusted Heavy Load Hour load factors as described above and the monthly forecast aHLH energy as determined for calculating the New Public’s CHWM. BPA may adjust such CDQs to be more reflective of similarly situated utilities, taking into account such factors as geographic location, Non-Federal Resources, and the nature of the Total Retail Load. When New Publics’ CHWMs are phased in as described in section 4.1.6.5, the CDQ will change each Rate Period until the CHWM phase-in process has concluded.

Demand Rate

BPA will base the Demand Rate on the annual fixed costs (capital and O&M) of the marginal capacity resource as determined in each 7(i) Process. BPA will identify the marginal capacity resource and the annual fixed costs associated with that resource for each Rate Period. To determine the Demand Rate, BPA will spread such annual fixed costs to months in proportion to the monthly Heavy Load Hour energy prices used to set the Load Shaping Rates. Such marginal capacity resource may be based on BPA’s Resource Program and/or costs of BPA’s recent capacity additions. Or it may be based on third-party sources, which may include, but are not limited to, the Energy Information Administration, EPRI Technical Assessment Guide, the
Northwest Power and Conservation Council, and Integrated Resource Plans of Pacific Northwest electric utilities. The shape of the Demand Rate may be subject to a dampening methodology proposed in each 7(i) Process if there proves to be significant volatility in the shape of the Demand Rate from Rate Period to Rate Period. Alternatively, BPA may base the Demand Rate on the market price for capacity if a viable capacity market develops in the Pacific Northwest.

5.4 Other Tier 1 Charges
BPA will limit Tier 1 Rates and Charges to those detailed in this section 5. These limitations pertain to the core charges of the PF rate design, which include Customer Charges, Load Shaping Charge, and Demand Charge, and do not encompass other adjustments, charges, and special rate provisions (e.g., targeted adjustment charges, unauthorized increase charges, conservation credits or surcharges), or any other charges allowed under section 12.5. These limitations do not include rate adjustments due to risk mitigation (e.g., application of a CRAC), new or modified risk mitigation tools, or mid-Rate Period rate adjustments for cost recovery purposes. In addition, BPA may also, without revising the TRM, impose separate rates for product switching, which will be developed as needed in the applicable 7(i) Process. If, notwithstanding the limitations expressed here, BPA or a party in a 7(i) Process wishes to institute a new rate or charge, it may propose a revision to this TRM to reflect such new rate or charge in accordance with the provisions in sections 12 and 13.
6 TIER 2 RATE DESIGN

Consistent with the provisions below, the specific rate designs for BPA’s Tier 2 Rate
Alternatives will be determined in 7(i) Processes. BPA’s allocation of costs to the Tier 2 Cost
Pools associated with the Tier 2 Rate Alternatives will be subject to the provisions of this TRM.
The allocation of Tier 2 Costs and the design of Tier 2 Rates will ensure to the maximum extent
possible that the Tier 2 Rates will recover the full allocated cost of BPA service to planned
Above-RHWM Load. The Tier 1 System will not be used in a manner that subsidizes the
allocated costs of Tier 2 Rate service, when such rates are established in the applicable
7(i) Processes. Unused Tier 1 System Capability forecast to provide service at Tier 2 Rates will
be allocated to the appropriate Tier 2 Cost Pool at the marginal cost of such power.

6.1 Overall Construct

Beginning in FY 2012, BPA will offer a Tier 2 Load Growth rate and a Tier 2 Short-Term rate.
In addition, from time to time BPA may offer a Tier 2 Vintage rate(s). BPA will establish a
Tier 2 Rate for each of the Tier 2 Rate Alternatives. Each customer electing a particular Tier 2
Rate Alternative will pay the rate associated with that rate alternative. Each Tier 2 Rate will be
established to recover all the costs allocated to the associated Tier 2 Cost Pool. BPA will
establish Tier 2 Rates based on the cost of providing a flat annual block of power. Service at the
Tier 2 Short-Term, Load Growth, and Vintage rates will include the transferred Renewable
Energy Certificates (RECs) that BPA has determined are associated with the resources whose
costs are allocated to the Tier 2 Cost Pool for such rate. BPA may propose in any 7(i) Process to
add Tier 2 Rate Alternatives.

The Tier 2 Rate Alternatives available to Load Following customers are the Load Growth rate,
the Short-Term rate, and Vintage rate(s) (if offered).
The Tier 2 Rate Alternatives available to Block and Slice/Block customers are the Short-Term rate and Vintage rate(s) (if offered).

6.2 Setting Tier 2 Amounts

The service BPA will provide priced at each Tier 2 Rate will be established in the CHWM Contract. Such service will be in fixed, annual amounts on a take-or-pay basis for each Fiscal Year of a Rate Period. The schedule for establishing specific amounts of service at Tier 2 Rates pursuant to customers’ CHWM Contract elections of Tier 2 Rate Alternatives is as follows:

1) For Load Following customers, in the RHWM Process BPA will establish quantities of power that will be sold at the Tier 2 Short-Term rate and/or Tier 2 Load Growth rate for each Fiscal Year of the Rate Period based on customers’ elections. For the first Rate Period (FY 2012-2013), such quantities will be established by November 1, 2009, based on the THWM.

2) Block and Slice/Block customers purchasing at the Tier 2 Short-Term rate will specify the quantity to be purchased for each year of the purchase period by the notice deadline, as described in section 4.3.1.

3) Block, Slice/Block, and Load Following customers purchasing at a Tier 2 Vintage rate, if offered, will establish purchase quantities for each year the rate is offered, in accordance with the terms of the Vintage rate offering, at the time each customer selects a particular Tier 2 Vintage rate.

6.3 Cost Basis

In the applicable 7(i) Process, BPA will establish a Cost Pool for each Tier 2 Rate Alternative, as described in section 2.2.4. Section 3.4 contains additional guidance regarding the allocation of specific resource costs.
6.3.1 Cost Component Construct

The costs included in each of the Tier 2 Cost Pools will be BPA’s costs of serving the customers who elect service at the corresponding Tier 2 Rate Alternative.

For a Tier 2 Rate Alternative based on block energy purchases from market sources, the costs allocated to that Cost Pool will include costs that BPA incurs to serve load at a set price with a combination of forward and spot purchases of block energy from the market. When this type of Tier 2 Rate is set, BPA may not have actually made all the market purchases needed to serve the loads at this rate. Consequently, this type of rate may be comprised of both known and projected costs of the energy from market purchases, a risk component to cover the expected risks of providing service at a set forward price (which could take the form of some combination of planned net revenues for risk and rate adjustments or true-ups), and an Overhead Cost Adder. See section 6.3.3 for the construct of the Overhead Cost Adder.

For a non-dispatchable resource serving a Tier 2 Rate Alternative, the costs allocated to that Tier 2 Cost Pool will include costs BPA incurs to serve load with a purchase of the specific non-dispatchable resource. These types of costs may include the cost of the resource purchase; any RSS charges; transaction costs; risk mitigation tools for resource outages not already provided for through RSS and for other risks; and an Overhead Cost Adder. Transaction costs might include transmission and Balancing Authority Area charges for within-hour balancing; transaction costs may be known or be based on projections that are trued up after the fact. The RSS rates are the same as those that would be applied to a customer’s purchase of a non-dispatchable Non-Federal Resource to convert the resource delivery to the financial equivalent of a flat annual block.

For a dispatchable resource serving a Tier 2 Rate Alternative, the costs allocated to that Tier 2 Cost Pool will include costs and risks that BPA incurs to serve load with a purchase of a
dispatchable resource, with the customer assuming the operational risks. These types of costs include projected annual fixed costs (debt service and fixed O&M) of the resource; the expected fuel and variable O&M costs of the resource, based on its expected operation; a mechanism to true up the expected fuel and variable O&M costs to actual costs; the cost of operating reserves and replacement power for outages; a mechanism to compensate the customer for any savings from economic dispatch of the resource, including fuel remarketing proceeds; costs of transmission services, if any, to transmit power to the Federal system; transaction costs; and an Overhead Cost Adder.

A Tier 2 Rate Alternative Cost Pool can include combinations of market purchases and resource costs, as described above.

6.3.2 Resource Support Services

Tier 2 Rates based on the costs of resources acquired by BPA to serve Above-RHWM Loads will include appropriate RSS charges, Resource Shaping Charges (to account for the costs of converting resource output into flat annual delivery), and Resource Shaping Charge Adjustments (to recover the cost differential between planned and actual energy output) necessary to price the service as if the resource output is serving a flat annual load. RSS supplied from the Tier 1 System for resources serving loads at Tier 2 Rates will ensure energy neutrality, and RSS charges will compensate the Composite Cost Pool for the value of the RSS and for risk exposure incurred due to the provision of RSS. The forecast costs for RSS allocated to a Tier 2 Cost Pool will be set in each 7(i) Process for each Rate Period.

6.3.3 Overhead Cost Adder

Each Tier 2 Cost Pool will include an Overhead Cost Adder. This adder will provide an offset to the Composite Cost Pool for the general and administrative (overhead) costs associated with
BPA’s provision of power at Tier 2 Rates. In each 7(i) Process, BPA will propose a per-kilowatthour adder to be applied to all power sold at Tier 2 Rates. The adder will be set at a level that will reasonably compensate the Composite Cost Pool for the costs of providing the service, which BPA expects would be comparable to typical electricity broker fees. The costs resulting from the application of the adder will be added to each Tier 2 Cost Pool. The revenues resulting from allocating the adder to Tier 2 Cost Pools will be credited to the Composite Cost Pool.

6.4 Remarketing of Tier 2 Amounts

If BPA remarkets a customer’s Tier 2 purchase obligation pursuant to the CHWM Contract, then BPA will credit the proceeds (net of any remarketing costs as described in section 6.4.1 below) to such customer. The customer must continue to pay for the entire purchase at the appropriate Tier 2 Rate.

6.4.1 Calculating the Remarked Tier 2 Rate Proceeds

If BPA remarkets for a customer any Tier 2 Rate Alternative purchase obligation, the proceeds (as established below) obtained from such remarketing will be netted against the customer’s monthly bill. BPA will calculate the proceeds for the remarked energy using forecast market prices for a flat annual block of power for the applicable Fiscal Year according to procedures established in the relevant 7(i) Process. The total proceeds of the remarked energy will be reduced for aggregated transaction costs, including such costs as broker or other marketing fees, transmission costs, transmission losses, and odd lot remarketing costs. Transaction costs also could include a risk component or adjustment mechanism for the risk associated with the potential difference between forecast and actual market prices.
The customer will remain responsible for paying any Resource Shaping Charge Adjustment that applies to the amount of its Tier 2 Rate Alternative purchase obligation that BPA is remarketing. Remarketing of Tier 2 Rate Alternative purchase obligation amounts that include a transfer of RECs will not affect any transfer of RECs associated with such amounts. An example of how to calculate remarked Tier 2 Rate proceeds can be found in Attachment E. This procedure will be applied whether or not BPA actually remarkets the power or uses it for its own purposes.

6.5 Transferring to a Tier 2 Vintage Rate Alternative or Modifying a Tier 2 Load Growth or Short-Term Purchase

BPA will determine in the applicable 7(i) Process whether any rates or charges should be applied to a customer transferring from the Tier 2 Short-Term rate service to a Tier 2 Vintage rate service so that the rates or charges mitigate cost shifts to other customers. See Attachment F for an example of a Tier 2 Vintage Rate. Similarly, BPA will determine in the applicable 7(i) Process whether any rates or charges should be applied to customers exercising their contract right to modify their Load Growth Rate purchase or reduce their Short-Term Rate purchase outside of the standard notice deadlines and purchase periods in order to apply Non-Federal Resources to serve their load. The purpose of these rates or charges would be to mitigate cost shifts to other customers.
THE SHARED RATE PLAN (SRP)

BPA will provide a Load Following customer with a limited opportunity to select the Shared Rate Plan (SRP), as provided in the CHWM Contract, if the customer has committed to purchase 100 percent of its Above-RHWM Load service at the Tier 2 Load Growth rate. Access to the SRP is limited to a number of customers whose Transition Period Contract High Water Mark (THWM) does not exceed 700 aMW in aggregate total. If there are requests for more than the 700 aMW THWM limit for the SRP by the date specified in the CHWM Contract, BPA will stack the requests from smallest to largest THWMs (in average megawatts) until the last customer selected has its entire THWM fit within the 700 aMW limit. This stacking may exclude larger customers requesting the SRP, accepting as many smaller customers as can be accommodated.

Under the SRP, each participant will pay the same SRP customer rate as all other SRP participants. An SRP participant’s Billing Determinant, the Shared Rate Cost Allocator (SRCA), will be its Forecast Net Requirement share of the total Forecast Net Requirement for all SRP participants, averaged over the Rate Period. BPA will ensure that this rate option does not shift costs to other customers not participating in the SRP. Additionally, in accordance with the RD Policy and associated Record of Decision, the amount of power forecast in the 7(i) Process to be available to each SRP participant at Tier 1 Rates will be no more than what each SRP participant would have received individually in the absence of the SRP.

To calculate the SRP Customer Rate, BPA will estimate revenues to be recovered from the SRP participants by determining the forecast Rate Period revenues associated with each SRP participant under the Composite Customer Rate, the Non-Slice Customer Rate, and the Tier 2 Load Growth rate; summing these revenues for all participants; and dividing the sum by 100. The resulting value yields the SRP Customer Rate in the form of a dollar per one percentage
point of SRCA. Each SRP participant will pay this rate multiplied by its SRCA. The SRCA will
be expressed as a percentage on the customer bill, similar to the TOCA.

The SRP Customer Rate will be established as a flat monthly rate. Pursuant to section 5.1.6, a
customer may request that its total charges under the SRP be reshaped through a Fiscal Year.

SRP participants’ share of energy true-ups associated with the Resource Shaping Charge
Adjustment for the resources whose costs are allocated to the Tier 2 Load Growth Cost Pool will
be shared by all SRP participants based on each participant’s SRCA.

After each billing month, the Load Shaping Charges will be calculated for each SRP participant
as if it were not an SRP participant. The amounts so calculated will not be billed to the
individual SRP participant but instead will be summed and allocated based on each participant’s
SRCA. The SRP participants will be subject to the Load Shaping Charge True-Up at the end of
each Fiscal Year. Such true-up amounts also will be summed and allocated based on each
participant’s SRCA.

BPA will continue to calculate and apply the Demand Charges on an individual customer basis
and in the same manner as for all Load Following customers.

The Low Density Discount (LDD; see section 10.2) and Irrigation Rate Mitigation (IRM; see
section 10.3) may need to be applied differently for eligible customers that participate in the SRP
to ensure that they receive comparable treatment to those LDD/IRM-eligible customers that are
not SRP participants. These issues will be resolved in relevant 7(i) Processes.
In addition, PURPA may require a customer to take a Non-Federal Resource to load. A customer’s participation in the SRP will allow for the application of Non-Federal Resources in this circumstance.

Pursuant to procedures set forth in the CHWM Contracts, SRP participants will have a one-time right to leave the SRP during the contract term. A customer leaving the SRP will be subject to the same rate design as any other Load Following customer electing to have its entire Above-RHWM Load served at the Tier 2 Load Growth rate: Composite Customer Rate, Non-Slice Customer Rate, Load Shaping Rates, Demand Rate, and Tier 2 Load Growth rate. This right does not replace the contract right of a customer to change its product selection.
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8 RESOURCE SUPPORT SERVICES AND RESOURCE SHAPING CHARGE

Resource Support Services (RSS) will be offered under the CHWM Contract. RSS presently include Diurnal Flattening Service (DFS), Forced Outage Reserve Service (FORS), Transmission Curtailment Management Service (TCMS), and Secondary Crediting Service (SCS). RSS may in the future include other related services that may be proposed in an applicable 7(i) Process. The proposed RSS are available for all specified Non-Federal Resources that Load Following customers contractually dedicate to serving their TRL and for specified new renewable resources Block and Slice/Block customers contractually dedicate to serving their TRL. BPA will provide DFS and SCS as 5(b) services and FORS and TCMS as 9(i) services under the Northwest Power Act under rates established in the applicable 7(i) Process. BPA will offer comparable pricing methodology, terms, and conditions for each of these services for qualifying resources whether the purchaser is a Load Following, Block, or Slice/Block customer. RSS also is used to make Federal resource acquisitions financially equivalent to a flat block. BPA will develop or modify the design and pricing governing these products in each 7(i) Process. Unless a different pricing approach is specifically set forth in section 8.4, the capacity component of each RSS service will be priced at the Demand Rate, and the energy component will be priced at the market price of energy for the appropriate time period for the particular RSS service.

In addition, this section describes the Resource Shaping Charge and the Resource Shaping Charge Adjustment, which are not part of the Resource Support Services but are included here because they are applied to resources.

8.1 Diurnal Flattening Service

DFS makes a variable or intermittent resource, or that portion of the resource that is variable or intermittent, financially equivalent to a resource that is flat within each of the 24 Monthly/Diurnal periods of the year. Because the DFS is applied to only the variable
component of the resource(s), coverage of outages in the firm component is not provided through the DFS. Forced Outage Reserve Service (described in section 8.2) is available for the firm component of a resource.

Pricing of the DFS will consist of two charges, one for capacity and one for energy. BPA will use the resource’s historical scheduled generation (or historical metered generation when scheduled generation is not applicable) and any applicable regional Integrated Resource Plans to price this service. When historical scheduled generation or historical metered generation is not available, BPA will use historical scheduled generation from a similar resource until historical scheduled generation or historical metered generation becomes available. Groups of resources (i.e., those whose costs are allocated to specific Tier 2 Cost Pools or Non-Federal Resources serving a single customer’s Above-RHWM Load) may be aggregated for purposes of pricing the DFS. BPA also may consider grouping customer resources for purposes of applying and pricing the DFS, although only upon request of a customer group.

8.2 Forced Outage Reserve Service

FORS is the service that provides an agreed-to amount of capacity and energy to load during the forced outages of a qualifying resource. BPA may, upon request, also provide limited FORS for outages of related facilities that affect the generation associated with a qualifying resource. BPA will decide in a future 7(i) Process whether to offer FORS for such facilities, and these reserve services will be priced and offered separately and will be resource-, location-, and situation-specific. FORS may be arranged for when Operating Reserves expire or when the resource operator recognizes imminent failure and must initiate a controlled shutdown. Contracts for FORS will establish qualifying criteria, notification requirements, and limits on energy amounts that will be provided under the product.
8.3 Transmission Curtailment Management Service

BPA will provide TCMS for customers’ qualifying resources when a transmission curtailment occurs between the qualifying resource and the customer load, provided that the transmission curtailment probability is within acceptable limits. If this service is requested, BPA will go to the market to provide such service. BPA will decide the pricing of this service in the applicable 7(i) Process.

8.4 Secondary Crediting Service

SCS provides Load Following customers that dedicate the entire output of an Existing Resource (metered or scheduled hydro) with a credit for the amount of energy produced by the resource in excess of its Firm Critical Output (either dispatchable or non-dispatchable). SCS is an optional service available to Load Following customers only. This service will apply to resources for which secondary energy amounts are established. A customer taking the SCS will receive a credit against its PF rate charges for the amount of secondary energy applied to its retail load in each month. The method for establishing this credit (and any transaction costs) will be determined in the applicable 7(i) Process. In order to avoid double counting, only the Firm Critical Output as set forth in Exhibit A of the customer’s CHWM Contract will be considered for calculation of the Load Shaping Charge. This ensures that the credit received for secondary energy will be captured only once through the SCS and not through the Load Shaping Charge as well.

8.5 Resource Shaping Charge

The Resource Shaping Charge is a charge or credit that adjusts for the difference in value between planned resource energy shapes that are flat within each of the 24 Monthly/Diurnal periods of the year compared to an equivalently sized flat annual block. The Resource Shaping Charge will apply to any resource(s) used to meet a customer’s Above-RHWM Load and will be resource-specific and customer-specific. For a resource for which BPA provides the DFS, BPA
will apply the Resource Shaping Charge to the 24 Monthly/Diurnal flat blocks. A resource that
is contractually committed to be flat within each Monthly/Diurnal period of the year but not flat
between those periods will be subject to the Resource Shaping Charge. A resource that is
contractually committed to be flat annually will avoid the Resource Shaping Charge. If a
customer fails to meet contractual commitments, it may incur additional charges or penalty
charges as provided in the Wholesale Power Rate Schedules and GRSPs, including the
Unauthorized Increase Charge or its successors.

The Resource Shaping Rate will be equal to the Load Shaping Rate (see section 5.2). The
Billing Determinant for the Resource Shaping Charge will be the difference between a flat
annual block and the resource’s forecast Monthly/Diurnal firm output (flat annual block minus
the resource’s forecast firm output). This Resource Shaping Charge Billing Determinant may be
a positive or a negative number:

1) A resource forecast to produce less energy than the flat annual block during any of the
24 Monthly/Diurnal periods of the year will result in a positive Billing Determinant for
that period. When the Billing Determinant is applied to the Resource Shaping Rate, the
result is the Resource Shaping Charge. The Resource Shaping Charge will be BPA’s
forecast market cost of purchasing power to make up the difference between the diurnally
flat energy amount and an equivalent diurnal amount that would correspond to the flat
annual block, based on the market price forecast used for the Load Shaping Rates (see
section 5.2.2).

2) A resource forecast to produce more energy than the flat annual block during any of the
24 Monthly/Diurnal periods of the year will result in a negative Billing Determinant for
that period. When the Billing Determinant is applied to the Resource Shaping Rate, the
result is the Resource Shaping Charge. The Resource Shaping Charge will be BPA’s
forecast market value of selling power to reflect the difference between the diurnally flat
energy amount and an equivalent diurnal amount that would correspond to the flat annual block, based on the market price forecast used for the Load Shaping Rates (see section 5.2.2).

In each 7(i) Process, BPA will calculate the Resource Shaping Charge for each resource(s) for the Rate Period and bill it flat across all months during the Rate Period.

8.5.1 **Resource Shaping Charge Adjustment**

For each Monthly/Diurnal period, the Resource Shaping Charge Adjustment Billing Determinant is the difference between the forecast generation and the actual generation of the resource for that Monthly/Diurnal Period. Such difference between forecast and actual generation will not be due to discretionary dispatch decisions or forced outages, but rather output variations due to weather, fuel quality, and other factors that affect generation output. The Resource Shaping Charge Adjustment ensures that the Resource Shaping Charge and DFS are energy-neutral services and are cost neutral on a forecast price basis. If a resource produces more than its forecast energy, then a credit is due to account for the excess generation. Conversely, if a resource produces less than its forecast energy, then a charge is due to account for the under-production. The Resource Shaping Rate will be applied to the difference between forecast generation and actual generation. BPA will compute the Resource Shaping Charge Adjustment and charge or credit it on the customer’s monthly bill.
9 RISK MITIGATION

9.1 Overview of Risk in the TRM
In each 7(i) Process, BPA will establish risk mitigation mechanisms and set rates that are consistent with BPA’s then-current agency financial risk standard(s), as set out in BPA’s then-current financial plan.

The CHWM Contract includes take-or-pay provisions that obligate each customer to pay its monthly BPA power bills calculated using the Tier 1 and Tier 2 Rates applicable to each customer.

9.2 Risk in Tier 2
Risks in Tier 2 will be assessed in each 7(i) Process both for each Tier 2 Rate Alternative and collectively for all Tier 2 Rate Alternatives to determine if the terms and conditions have mitigated such risks sufficiently to meet BPA’s risk standards. In addition to such terms and conditions, BPA will include in Tier 2 Rates any supplementary risk mitigation necessary to meet BPA’s risk standards. Altogether, Tier 2 risk mitigation will be structured so that the risk associated with Tier 2 Rates will not increase the costs allocated to Tier 1 Cost Pools or require any enhancement of Tier 1 risk protection mechanisms beyond what would have been required absent sales at Tier 2 Rates. BPA recognizes that it may be limited in Tier 2 Rate offerings by the foregoing requirements that Tier 2 risks not increase costs allocated to Tier 1 or require enhancement of Tier 1 risk protections.

In each 7(i) Process, when there is more specificity about the resource and purchase costs allocated to the various Tier 2 Cost Pools, BPA will assess the risks of providing service at the various Tier 2 Rate Alternatives. BPA will propose risk mitigation tools for each Tier 2 Cost Pool (e.g., planned net revenues for risk, cost recovery adjustment clauses, true-ups to actual
costs), as appropriate, that will be in addition to the Resource Shaping Charge Adjustment (see section 8.5.1).

9.3 Risk in Tier 1

In each 7(i) Process, BPA will assess the risks related to the costs and revenues allocated to the Tier 1 Cost Pools, design risk mitigation measures, and set the Tier 1 Rates to meet BPA’s risk standard(s). Such measures may include planned net revenues for risk, cost recovery adjustment clauses, true-ups to actual costs, and other measures determined appropriate by BPA. The primary financial risk mitigation measures for the Slice Product are the transfer of the net secondary revenue risk to Slice purchasers (by providing them with secondary energy instead of a rate credit for anticipated net secondary revenues) and the Slice True-Up (see section 2.7 for more information).

9.4 Assessment of Aggregate Risk

If, after assessing and mitigating risks for each Tier 2 Cost Pool and for Tier 1 Cost Pools, BPA finds that Power function risks have not been adequately mitigated pursuant to BPA’s risk standards, then BPA will allocate the remaining risk and any additional mitigation between the tiers in the applicable 7(i) Process, consistent with this TRM.
10 OTHER RATE DESIGN

10.1 Rates for Unanticipated Load

BPA will develop rates in the applicable 7(i) Process for service to unanticipated loads (e.g., due to delay in the start-up of a specified new Non-Federal Resource). Unanticipated loads are public preference loads that BPA is obligated to serve under the Northwest Power Act, but of which BPA has not had the notice to serve as required by the CHWM Contract or General Rate Schedule Provisions (GRSPs) in order for a customer to receive service at Tier 1 or Tier 2 Rates. The GRSPs developed in the applicable 7(i) Process will establish the terms and conditions for application of these rates. These rates are intended to reflect the costs associated with the power and services needed to serve such load.

In other instances, load that BPA does not have an obligation to serve may face an unauthorized increase (UAI) charge. For example, if a customer does not provide for serving load when a Non-Federal Resource has an outage, and BPA delivers power, such power deliveries would be charged the UAI.

10.2 Low Density Discount

In the applicable 7(i) Process, BPA will propose a long-term Low Density Discount (LDD) that will remain in effect without change for multiple Rate Periods (or the contract period) to the extent permitted by section 7(d)(1) of the Northwest Power Act. No LDD will be paid on purchases for Above-RHWM Load.

For the post-FY 2011 period BPA will propose in the applicable 7(i) Process to 1) modify the definition of Consumers in the LDD section of the General Rate Schedule Provisions (GRSPs); 2) adapt the LDD to tiered rates; and 3) modify the calculation of LDD for Slice.
The LDD benefit to a JOE will be equivalent to the sum of LDD benefits for all eligible individual members of the JOE. BPA will determine the LDD for the JOE based on each such individual utility member’s LDD amount.

10.2.1 Modified Definition of Consumers

BPA will propose that effective October 1, 2011, the definition for Consumers in the LDD section of the FY 2012 GRSPs will be as follows:

Consumers will be the number of consumers, by classification, having a current service connection in December of each year. Residential consumers (seasonal and non-seasonal) should be counted on the basis of the number of residences served. If one meter serves two residences, then two consumers should be counted. If a water heater is metered separately from other appliances on the same premises, the water heater load will not count as a separate consumer. Security or safety lights, billed to a residential customer, will not be counted as an additional consumer.

Seasonal consumers expected to resume service during the next seasonal period will be counted during off-season periods as well.

A residence and commercial establishment on the same premises, receiving service through the same meter and being billed under the same rate schedule, would be classified as one consumer based on the rate schedule. If the same rate schedule applies to both the residential and the commercial class, the consumer should be classified according to the principal use.

Consumers for Public Street and Highway Lighting should be counted by the number of billings, regardless of the number of lights per billing.

10.2.2 Adapting the LDD to Tiered Rates

Under tiered rates, the Tier 1 LDD for customers experiencing load growth will be adjusted in order to provide an LDD benefit equivalent to what it would have been under melded rates, and the cost of that benefit will be allocated to the Composite Cost Pool. The LDD will be based on a customer’s TRL, minus Existing Resources for CHWM and NLSLs. The base discount will be determined using the adjusted TRL and the LDD Percentage Discount Table, as published in the
applicable GRSPs. To reflect an increase or decrease in a customer’s adjusted TRL, the percentage discount will be adjusted for application to the customer’s bill. For example, if a customer is eligible for an LDD of 5 percent on its adjusted TRL, and its RHWM is 10 aMW and its Annual Net Requirement load 11 aMW, then the customer would have its LDD percentage adjusted upward to 5.5 percent. The 7 percent cap would also be adjusted upward by the same amount for affected customers. All other GRSP criteria to qualify for the LDD would be retained, as modified in section 10.2. The formula used to calculate the LDD percentage to be applied to the customer’s bill during the Rate Period is:

\[
applicableLDD = \text{eligibleLDD} \times \frac{\text{adjTRL}}{RHWM}
\]

where:

- \(applicableLDD\) = LDD percentage to be applied to a customer’s bill
- \(eligibleLDD\) = LDD percentage indicated by the customer’s eligibility factors
- \(adjTRL\) = customer’s Total Retail Load less output of Existing Resources for CHWMs and NLSLs
- \(RHWM\) = customer’s Rate Period High Water Mark

This applicable LDD percentage will apply to all charges for purchases by an eligible customer under the Tier 1 Rates (Customer Charge, Load Shaping Charge, and Demand Charge). The LDD adjustment for customers experiencing load growth will apply to LDD-eligible Slice customers in a similar manner. The eligibility requirements of C/M (consumers per mile of line) and K/I (kilowatthour to investment ratio) will be calculated in the same manner as was the case as of the effective date of this TRM.
10.2.3 Calculation of LDD for Slice

A Slice/Block customer will have its LDD dollar benefit calculated by BPA as though it is a Load Following customer. BPA will use the previous Fiscal Year’s load data to calculate an annual LDD dollar benefit amount. This amount will be divided by 12 to derive a monthly LDD credit, which will be applied to the customer’s monthly power bills over the next 12 months. There will be no separate Slice and Block LDD benefits calculated. The LDD percentage will be adjusted for load growth as described in section 10.2.2.

10.3 Irrigation Rate Mitigation

Beginning with the FY 2012 Rate Period and continuing through the term of the CHWM Contracts, BPA will propose inclusion of an Irrigation Rate Mitigation Product (IRMP) in BPA’s wholesale power 7(i) Process initial rate proposals in the form of a fixed percentage discount on the Tier 1 Rates. Eligible irrigation loads will be identified in a customer’s CHWM Contract and will not increase during the term of the contract. The discount will not apply to loads served at Tier 2 Rates.

The IRMP benefit to a JOE will be calculated based on individual utility members and billed to the JOE and earmarked for each eligible utility.

In the applicable 7(i) Process, BPA will propose a fixed IRMP percentage. The IRMP percentage will be one minus the ratio of 1) the sum of the IRMP participants’ estimated charges at the FPS rates paid under the Irrigation Rate Mitigation Product for FY 2009 to 2) the sum of the IRMP participants’ estimated charges that would have occurred under May through August HLH and LLH PF energy rates for FY 2009 adjusted for any applicable discounts such as LDD (BPA estimates that the resulting IRMP percentage will be approximately 30-34 percent). This percentage will be multiplied by the sum of the Slice and Non-Slice customer charges divided by
the Tier 1 System Capability (expressed in MWh) to derive a dollars per MWh discount. This
discount will be seasonally available to qualifying loads during May, June, July, August, and
September.

The CHWM Contract will include a provision acknowledging the IRMP as a rate adjustment, the
terms of which will be determined in 7(i) Processes and subject to BPA’s GRSPs. The CHWM
Contract also will specify qualifying irrigation load. The amount of the IRMP discount to be
applied to qualifying irrigation loads for the relevant Rate Period will be determined in the
applicable 7(i) Process. Any discount, if adopted by the Administrator, will be included in the
applicable GRSPs.

BPA will propose to include in the FY 2012 proposed GRSPs the following basis for IRMP
eligibility. To qualify for the IRMP discount, the customer must meet one of the following
criteria:

1) The customer must have participated in BPA’s FY 1997-2001 Summer Seasonal Product.
2) The customer must have participated in BPA’s FY 2007-2011 Irrigation Rate Mitigation
   Product.
3) At least 75 percent of the customer’s Total Retail Load must be placed on BPA starting
   October 1, 2011, and the customer’s irrigation rate schedule sales, May through
   September in FY 2002-2004, divided by its TRL for FY 2002-2004, is at least 5 percent;
   or, if less than 5 percent, the average megawatthour use for May through September in
   FY 2002-2004 (15 months/3 years) is 7,500 megawatthours or more.

Eligibility will be determined twice. The first time will be at the time the customer signs the
CHWM Contract in calendar year 2008 and will be for existing IRMP customers and qualifying
Summer Seasonal Product customers. The second eligibility determination will be made
90 calendar days after BPA issues the final TRM ROD, for new eligible customers. Their CHWM Contracts will be amended to reflect the eligible kilowatthour amounts.

For a Slice/Block customer, BPA will apply the percentage reduction to the lesser of the customer’s qualifying irrigation load (in kilowatthours) specified in its CHWM Contract or the sum of its monthly Block purchase at Tier 1 Rates plus the Slice Percentage of the monthly Tier 1 System Capability. No other charges or billing determinants will be affected.

There will be a true-up process at the end of each year’s May to September irrigation season to ensure that the customer experienced the full amount of irrigation load stated in the CHWM Contract. If a customer’s May to September measured irrigation load is less than the amount of load eligible for mitigation, a true-up calculation will determine the amount the customer owes BPA at end of the irrigation season. The details and requirements of the true-up will be developed in the applicable 7(i) Process and included in the GRSPs for each applicable Rate Period.

BPA will require IRMP participating customers to implement cost-effective conservation measures on eligible irrigation systems in their service territories, as described in the GRSPs. The conservation measures may be eligible for future BPA conservation programs; the amount of BPA support will be determined in applicable 7(i) Processes.

10.4 Direct-Service Industry Service

BPA might provide service benefits to the DSIs after FY 2011, including a financial mechanism similar to the existing FY 2007-2011 DSI contract or some level of physical power under a Regional Dialogue contract. If BPA were to make such a sale, it might be necessary for BPA to purchase power to provide such service, as described in section 3.2.1.3. Notwithstanding any
other provisions in this TRM, all issues associated with the establishment of the Industrial Firm Power (IP) rate under section 7 of the Northwest Power Act will be determined in the applicable 7(i) Process. BPA does not intend to tier the IP rate, but it is neither authorized nor prohibited from doing so by this TRM.

10.5 Section 7(b)(2) Rate Test

10.5.1 PF Exchange Rate for Customers with a CHWM Contract
For customers that have a signed CHWM Contract and a Residential Purchase and Sale (RPS) Agreement and have agreed they will not seek and will not receive residential exchange benefits pursuant to section 5(c) of the Northwest Power Act other than pursuant to Section IV(G) of BPA’s 2008 Average System Cost Methodology or its successor, BPA will establish a PF Exchange rate(s) in each 7(i) Process. Such rate(s) will be set consistent with the Northwest Power Act and subject to TRM sections 10.5.3 and 10.5.4. Such rate(s) will be based on the costs and credits allocated in such 7(i) Process to the Tier 1 Cost Pools, appropriate transmission costs, and appropriate loads. Such rate(s) will not be based on costs and credits allocated in such 7(i) Process to the Tier 2 Cost Pools, other appropriate transmission costs, or Tier 2 loads.

10.5.2 PF Exchange Rate for Customers without a CHWM Contract
For customers that have not signed a CHWM Contract and have signed an RPS Agreement, BPA will establish a PF Exchange rate(s) in each 7(i) Process. Such rate(s) will be set consistent with the Northwest Power Act and subject to TRM sections 10.5.3 and 10.5.4. Such rate(s) will be based on the costs and credits allocated in such rate case to the Tier 1 and Tier 2 Cost Pools, appropriate transmission costs, and appropriate loads.
10.5.3 Section 7(b)(2) or Section 7(b)(3) Issues Not Addressed by TRM

Notwithstanding any other provisions in this TRM, this TRM does not address, and therefore
neither authorizes nor precludes, the allocation of section 7(b)(2) trigger amounts to BPA surplus
sales, including secondary energy sales under the Slice product. Notwithstanding any other
provisions in this TRM, all issues pertaining to calculation of the section 7(b)(2) rate test and
allocation of the section 7(b)(3) surcharge will be determined in the applicable 7(i) Process.

10.5.4 Interaction of Multiple PF Exchange Rates

To the extent that multiple PF Exchange rates affect the net costs of the REP, the cost effect of
such multiple rates will be appropriately reflected in the Tier 1 Cost Pool.
11 APPROVAL AND DURATION OF THE TRM

Except as it is subject to changes pursuant to sections 12 and 13, this TRM shall be effective October 1, 2008, through September 30, 2028, and shall apply to power sales specified herein for the period October 1, 2011, through September 30, 2028.

In the event that the Federal Energy Regulatory Commission (FERC) approves this TRM for a period that ends prior to September 30, 2028, then BPA will, prior to the expiration of the then-effective TRM effective period, 1) propose continuation of the TRM in a hearing conducted pursuant to section 7(i) of the Northwest Power Act or its successor, and thereafter 2) resubmit the TRM to FERC for approval through September 30, 2028. References in sections 12 and 13 to the TRM are to the TRM as approved by FERC.

In the event that FERC disapproves this TRM, or remands it to BPA without approval, before taking any action in response to such action BPA will hold one or more noticed public meetings to consult with customers that have signed CHWM Contracts regarding the appropriate course of action to pursue in response to such action by FERC.
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12 CRITERIA AND CONDITIONS FOR REVISING THE TRM

It will be BPA’s policy to revise the TRM as little as possible. BPA reserves the right to revise the TRM after February 1, 2009, but only in accordance with the criteria and conditions set forth in this section 12 and the applicable processes set forth in section 13. Any revisions identified before February 1, 2009, must be agreed to by BPA and preference customer representatives designated by the Public Power Council, and will be proposed by BPA after that date in a future section 7(i) rate proceeding, with the revisions not subject to the procedural requirements of sections 12 and 13.

BPA will propose only those revisions under sections 12.1 and 12.2 that are necessary to comply with a court ruling or ensure cost recovery and will seek to limit both the number and scope of such revisions. Before proposing any revision to the TRM to ensure timely cost recovery, to the extent practicable BPA will take the following steps in addition to adhering to the applicable process set forth in section 13:

1) BPA will make reasonable efforts to recover the costs from the party(s) that would otherwise be responsible for such costs. Such efforts may include making demand on any available credit support and pursuing legal action when appropriate.

2) BPA will make good faith efforts to reduce BPA power costs so as to offset the cost that would otherwise occasion the need for a change in the TRM to ensure cost recovery.

3) If the cost recovery problem is occasioned by the design of the TRM, BPA will convene a public meeting with customers and interested parties to discuss alternatives to a revision of the TRM.

4) After taking such steps, BPA will issue a report to customers and interested parties regarding the efforts, including those listed (1-3) above, that the Administrator has taken before resorting to a revision to the TRM, and why the set of safeguards BPA followed...
when entering identified transactions (e.g., service at a Tier 2 Rate) was not sufficient to avoid the cost recovery problem.

These criteria, or disputes over whether the Administrator has satisfied them, do not override and will not be allowed to frustrate the Administrator’s responsibility to establish rates to recover costs and timely repay the U.S. Treasury.

12.1 Revisions to TRM to Ensure Cost Recovery or Comply with Court Ruling

BPA reserves the right to revise any part of this TRM if the Administrator has determined in accordance with the applicable procedures set forth in section 13 that: 1) BPA cannot timely and reasonably recover its costs without revising the TRM; or 2) a revision to the TRM is necessary to effectively comply with a court ruling. For purposes of this TRM, reference to a court ruling shall be deemed to include a ruling of the Federal Energy Regulatory Commission that disapproves or remands a BPA rate based on the TRM.

12.2 Provisions of the TRM that May be Revised Only to Ensure Cost Recovery or Comply with Court Ruling

The provisions of the TRM identified below cannot be revised except and unless the Administrator determines in accordance with the applicable procedures set forth in section 13 that BPA cannot otherwise timely recover its costs or that the change is necessary to effectively comply with a court ruling:

1) The methodology used to determine CHWMs and RHWMs as defined in sections 4.1 and 4.2, except in those instances the TRM specifically provides for in sections 4.1 and 4.2.

2) The basic Tier 1 Rate design described in section 5, consisting of the concept of three Tier 1 Cost Allocator (TOCA) Customer Charges (Composite, Slice, and Non-Slice); the
development of a Load-Shaping Charge for customers purchasing Block or Load-Following products; and Demand Charge Billing Determinants, which include a Contract Demand Quantity, as set forth in section 5.3.

3) The establishment of Tier 2 Rates, as set forth in section 6, that reflect the costs of resource acquisitions and purchases BPA must make to serve Above-RHWM Load.

4) Cost allocation principles set forth in section 2.1.

12.3 Revision for Unintended Consequences

With the exception of TRM changes that are constrained by section 12.2 or implementation of the TRM reserved by section 12.5, BPA retains the discretion to, in accordance with the applicable procedures of section 13, propose revisions in the TRM to address or avoid unintended consequences that put at risk the policy goals underlying the TRM as set forth at pages 5-7 of the RD Policy.

12.4 Improvements and Enhancements

Revisions to the TRM not covered by section 12.1, 12.2, or 12.3 and that are proposed by BPA or a Customer Group to improve and enhance the TRM may be made consistent with section 13.3.

12.5 Actions Not Considered to be a Revision to the TRM

The Administrator reserves the discretion he or she otherwise possesses under law to establish, undertake, or otherwise address the following, including through implementation of the TRM consistent with the terms thereof for those matters governed by the TRM, in appropriate cases:

1) Calculation of actual rate levels.
2) Any rate issues identified in this TRM that are specifically reserved for determination in a future 7(i) Process. These include, but are not limited to:

a) Rate treatment for customers that execute non-CHWM contracts (see section 1)

b) Forecast of the Tier 1 System Firm Critical Output (see section 3.1); forecasts of RP Augmentation (see section 3.2); forecasts of Balancing Power Purchases (see section 3.3)

c) Allocation of costs consistent with sections 2.1, 2.2, and 2.3 and the Allocated Tiered Cost Table, Table 2

d) Risk mitigation (consistent with section 9)

e) Development of System Shaped Load for each customer (see section 5.2.1)

f) Determination of the Overhead Cost Adder to Tier 2 Cost Pools (see section 6.3.3)

g) Design, pricing, and application of the RSS rates (see section 8)

h) Irrigation Rate Mitigation true-up (see section 10.3)

i) Application of section 7(c) of the Northwest Power Act (see section 10.4)

j) Application of sections 7(b)(2) and 7(b)(3) of the Northwest Power Act (see section 10.5)

k) Rates for New Publics (see section 4.1.6)

l) Rates for unanticipated Above-RHWM Load (see section 10.1)

m) Rates for product switching (see section 5.4)

n) Rates for transfer between Tier 2 Rate Alternatives or from a Tier 2 Rate Alternative to application of Non-Federal Resources to serve Above-RHWM Load (see section 6.5)
o) Adjustments to the size of the base amount on which an interest credit is calculated for ratemaking purposes for crediting to the Composite Cost Pool (see section 2.5)

3) TRM Exhibits will be filled in and revised consistent with the terms of the TRM.

The actions described in this section 12.5 do not constitute a “revision” to the TRM.
13 PROCESSES FOR TRM REVISIONS

In this section 13:

**Customer** means a Public that purchases power from BPA at a Tier 1 Rate under a CHWM Contract.

**Customer Group** means a group comprised of not less than 45 percent of the Customers (utility count).

13.1 Process Generally Applicable to Any TRM Revision

No revision to the TRM may be made without the introduction, consideration, and adoption of such revision in a 7(i) Process. BPA will comply with the applicable requirements of this section 13 when proposing revisions to the TRM as described in sections 12.1-12.4. In the event that a proposed revision to the TRM has not satisfied the requirements for introduction in a 7(i) Process set out herein, then BPA shall neither propose nor adopt such proposed revision in a 7(i) Process until the applicable requirements of section 13 are satisfied. Except as provided in section 13.3, nothing in this section 13 limits the positions that a Customer may advocate in a 7(i) Process regarding the TRM. Nothing in section 12 or this section 13 either 1) precludes any party to a BPA 7(i) Process, other than a Customer, from making any proposal or offering any testimony or other evidence on any matter that may otherwise be raised in a BPA 7(i) Process or 2) constrains any person or entity from taking any position with BPA on any issue outside of a 7(i) Process.

The TRM provides that certain inputs for establishing, administering, or implementing the TRM (e.g., CHWM determination process and results, RHWM Process and results) shall be as determined outside a 7(i) Process. Any dispute concerning determination of such inputs shall not be subject to any of the procedures of this section 13, except as specifically provided for in section 13.10.
13.2  Process for Section 12.3 Revisions to TRM (“Unintended Consequences”)

13.2.1  Unintended Consequence Proposal

The procedures set forth in this section 13.2.1 apply only to revisions to the TRM as provided for in section 12.3 that address or rectify unintended consequences of the TRM that affect only Customers with CHWM Contracts, or that do not affect or affect only in a *de minimus* manner the IOU or DSI customers of BPA or BPA customers that are not eligible for or do not take service under CHWM Contracts (“Unintended Consequence Proposal”). Such procedures do not apply to, and an Unintended Consequence Proposal does not encompass, proposed revisions to the TRM that are necessary to address or rectify unintended consequences of the TRM that affect BPA programs or policies of general application (e.g., the unintended consequence affects programmatic responsibilities such as fish and wildlife, conservation, or transmission).

BPA or a Customer Group may propose an Unintended Consequence Proposal in a 7(i) Process only after complying with the requirements of this section 13.2.1.

Before such an Unintended Consequence Proposal is introduced in a 7(i) Process by BPA or a Customer Group, BPA will notify all Customers in advance of the 7(i) process of the Unintended Consequence Proposal and the proponent’s reasons 1) why the Unintended Consequence Proposal will address or rectify the unintended consequence that puts at risk the policy goals underlying the TRM as set forth at pages 5-7 of the RD Policy and 2) how the value of the Unintended Consequence Proposal outweighs any detriment created by it. The notice will specify the date by which each Customer may object to the Unintended Consequence Proposal and the means for registering its objection.

BPA or the Customer Group may propose in a 7(i) Process the Unintended Consequence Proposal unless it is objected to by Customers totaling both 1) at least 70 percent of Customers (utility count) and 2) at least 50 percent of the sum of the CHWMs, with both of the foregoing
measured by the individual vote of each Customer. In determining the total, BPA shall count each abstention and absence of a vote as a vote that the Customer does not object to the proposed change.

In the event that the Customers objecting to the Unintended Consequence Proposal equal or exceed the voting requirements of the preceding paragraph, then BPA, the Customer Group, or any Customer shall not propose in any 7(i) Process the Unintended Consequence Proposal until the voting requirements of this section 13.2 are satisfied.

In the event that the Customers objecting to the Unintended Consequence Proposal are less than the voting requirements of this section 13.2, BPA or the Customer Group may propose in a 7(i) Process the Unintended Consequence Proposal.

13.2.2 TRM Revision within 7(i) Process

Any proposals to revise the TRM to address unintended consequences within the scope of section 12.3, but not within the scope of section 13.2.1, may be proposed, considered, and decided in the normal course through the 7(i) Process. However, before such a proposal is introduced in a 7(i) Process by BPA or a Customer Group, BPA will notify all Customers in advance of the 7(i) Process of the proposal and the proponent’s reasons 1) why the proposal will address or rectify the unintended consequence that puts at risk the policy goals underlying the TRM as set forth at pages 5-7 of the RD Policy and 2) how the value of the proposal outweighs any detriment created by it.

13.3 Process for Section 12.4 Revisions to the TRM (“Improvements and Enhancements”)

BPA or a Customer Group may propose a revision to the TRM as provided for in section 12.4 (“Improvement Proposal”) only after complying with the requirements of this section 13.3.
Before BPA or the Customer Group proposes in a 7(i) Process an Improvement Proposal, BPA
or the Customer Group will notify all Customers of the Improvement Proposal in advance of the
7(i) Process and the proponent’s reasons 1) why the Improvement Proposal will improve or
enhance implementation of the TRM in a way that will continue to effectuate its purposes but be
more cost-effective and efficient, customer responsive, readily implementable, or capable of
fulfilling the TRM’s purposes and 2) how the value of the Improvement Proposal outweighs any
harm created by it. The notice will specify the date by which each Customer may express its
support for the Improvement Proposal, and the means for registering its support.

BPA or the Customer Group may propose in a 7(i) Process the Improvement Proposal only if it
is approved by Customers totaling both 1) at least 70 percent of Customers (utility count) and
2) at least 50 percent of the sum of the CHWMs, with both of the foregoing measured by the
individual vote of each Customer. In determining the total, BPA shall count each abstention and
absence of a vote as a vote that the Customer does not approve the Improvement Proposal.

In the event that the Customers approving the Improvement Proposal are less than the voting
requirements of the preceding paragraph, then the Improvement Proposal will not be proposed in
any 7(i) Process by BPA, the Customer Group, or any Customer until the voting requirements in
this section 13.3 above are satisfied.

In the event that the Customers approving the Improvement Proposal are equal to or more than
the voting requirements of this section 13.3, then BPA or the Customer Group may propose the
Improvement Proposal in a 7(i) Process.
13.4 Process for Section 12.1 and 12.2 Revisions to the TRM (“Cost Recovery or Respond to Court Ruling”)

This section applies when BPA proposes in a 7(i) Process to revise the TRM to ensure cost recovery or respond to court ruling as provided for in section 12.1 or 12.2 (“Recovery/Response Proposal”), and one or more Customers believes that BPA’s Recovery/Response Proposal is not necessary to ensure cost recovery or respond to court ruling, and/or that the Recovery/Response Proposal is unreasonably disproportionate to what is needed to comply with the court ruling or to ensure cost recovery, compared to the alternative proposal(s), if any, offered by the Customer(s).

13.4.1 Customer Petition Disputing Response/Recovery Proposal

In such event, a written petition disputing such Response/Recovery Proposal may be filed with the Hearing Officer within twenty (20) Business Days after submission of BPA’s initial proposal in such 7(i) Process by Customers who are party to the 7(i) Process in their individual capacity and Customers who are members of groups and organizations such as the Pacific Northwest Generating Cooperative or the Public Power Council that are parties to such process totaling both 1) at least 70 percent of such Customers (utility count), and 2) at least 50 percent of the sum of the CHWMs, with both of the foregoing measured by the individual vote of each Customer.

Upon receipt of such petition, the Hearing Officer is empowered and required to determine, consistent with the rate case schedule and the procedural requirements of section 13.7, whether BPA’s Response/Recovery Proposal is necessary to ensure cost recovery or respond to court ruling as provided for in section 12.1 or 12.2, and/or whether the Response/Recovery Proposal is unreasonably disproportionate to what is needed to comply with the court ruling or to ensure cost recovery, compared to the alternative proposal(s), if any, offered by the Customer(s).
13.4.2 **BPA Petition for Mini-Trial**

If BPA disagrees with the determination of the Hearing Officer, BPA may within five (5) Business Days of the Hearing Officer’s decision petition the Hearing Officer for a Mini-Trial. If such a petition is timely made, the Hearing Officer shall expeditiously schedule, consistent with the rate case schedule and the procedural requirements of section 13.8, a Mini-Trial regarding whether BPA’s Response/Recovery Proposal is necessary to ensure cost recovery or respond to a court ruling as provided for in section 12.1 or 12.2, and/or whether the Response/Recovery Proposal is unreasonably disproportionate to what is needed to comply with the court order or to ensure cost recovery, compared to the alternative proposal(s), if any, offered by the Customer(s).

13.5 **Standard of Decision for Disputes Under Sections 13.6 and 13.6**

For purposes of resolving disputes arising under sections 13.6 and 13.9 whether an action or inaction proposed by BPA (“BPA Position”) is in Irreconcilable Conflict with the TRM, an Irreconcilable Conflict exists only when:

1) The TRM clearly and unambiguously requires or prohibits an action, and the BPA Position is contrary to such requirement or prohibition; or

2) The TRM is silent, ambiguous, or leaves a gap regarding the matter in question, and the BPA Position cannot be reconciled with any reasonable interpretation of what the TRM does provide for.

When determining whether an Irreconcilable Conflict exists, the interpretation of the TRM and other positions proposed by BPA shall be accorded a high degree of deference, as enunciated in *Chevron U.S.A., Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837, 104 S. Ct. 2778, 81 L.Ed.2d 694 (1984).
13.6 Disputes Alleging Irreconcilable Conflict With The TRM

This subsection applies when a Customer that is a party to a 7(i) Process alleges that a BPA Position in such 7(i) Process is in Irreconcilable Conflict with the TRM, and BPA disputes such allegation.

Within ten (10) Business Days after conclusion of the clarification process of BPA’s initial proposal in a 7(i) Process, Customers who are party to the 7(i) Process in their individual capacity and Customers who are members of groups and organizations such as the Pacific Northwest Generating Cooperative or the Public Power Council that are parties to such process totaling both 1) at least 70 percent of such Customers (utility count) and 2) at least 50 percent of the sum of the CHWMs of all such Customers, with both of the foregoing measured by the individual vote of each Customer, may file a petition with the Hearing Officer. Such petition must allege that 1) a BPA Position in the 7(i) Process is in Irreconcilable Conflict with the TRM; 2) BPA has not sought to revise the TRM to reconcile it with the BPA Position; and 3) such Customers for that reason oppose the BPA Position.

Upon receipt of such petition, the Hearing Officer is empowered and required to determine, consistent with the 7(i) Process schedule and the procedural requirements of section 13.7, whether the BPA Position identified in such petition is in Irreconcilable Conflict with the TRM, pursuant to the standard set forth in section 13.5. In response to such a petition, BPA may argue either or both that the BPA Position is not in Irreconcilable Conflict with the TRM or, if it is, that the BPA Position is a revision of the TRM permitted under section 12.1, 12.2, or 12.3 for which BPA now proposes a temporary or permanent revision to the TRM.

If the Hearing Officer concludes that the BPA Position identified in the Customers’ petition is not in Irreconcilable Conflict with the TRM, that conclusion is binding on all parties to and for purposes of such 7(i) Process.
If the Hearing Officer concludes that the BPA Position identified in the Customers’ petition is in Irreconcilable Conflict with the TRM, but BPA has argued in the alternative that the BPA Position is a permitted revision of the TRM pursuant to the substantive requirements of section 12.1, 12.2, or 12.3 and that BPA now proposes such a revision, the Hearing Officer will determine whether the BPA Position meets the substantive requirements for a TRM revision pursuant to section 12.1, 12.2, or 12.3. If the Hearing Officer concludes that the BPA Position meets the substantive requirements for a revision to the TRM as defined in section 12.1 or 12.2, the Hearing Officer shall make the determinations required by the last sentence of section 13.4.1 and, upon petition by BPA, proceed to schedule a Mini-Trial pursuant to section 13.4.2. If the Hearing Officer concludes that the BPA Position meets the substantive requirements for a TRM revision pursuant to section 12.3 and falls within the coverage of section 13.2.2, then the BPA Position will be considered in the ordinary course of the 7(i) Process and will not be subject to further proceedings pursuant to this section 13.

If the Hearing Officer concludes that the BPA Position is in Irreconcilable Conflict with the TRM, and if 1) BPA did not argue in the alternative that the BPA Position warrants a TRM revision as provided for in section 12.1, 12.2, or 12.3; 2) BPA did argue in the alternative that the BPA Position warrants a TRM revision as provided for in section 12.1 or 12.2, but the Hearing Officer concluded that the BPA Position does not warrant such a revision and BPA did not petition for a Mini-Trial pursuant to section 13.4.2; or 3) the Hearing Officer concludes that the BPA Position either does or does not warrant a TRM revision as provided for in section 12.3 and BPA has not argued that the BPA Position falls within the coverage of section 13.2.2, then the Hearing Officer shall strike all materials concerning the BPA Position from the record of the 7(i) Process and shall prohibit BPA from introducing such materials into the record of the 7(i) Process after it is closed, and such determination and actions by the Hearing Officer shall be conclusive and binding on BPA and the parties to the 7(i) Process. Nothing in this section 13.6
prohibits BPA from proposing in any subsequent 7(i) Process to revise the TRM to reconcile it
with such BPA Position using the procedures for revising the TRM set forth in sections 12
and 13.

If, in the case of 3) in the preceding paragraph, the Hearing Officer concludes that the BPA
Position is in Irreconcilable Conflict with the TRM, and the Hearing Officer concludes that the
BPA Position either does or does not warrant a TRM revision as provided for in section 12.3 but
BPA has argued that the BPA Position falls within the coverage of section 13.2.2, then the
Hearing Officer shall expeditiously schedule, consistent with the 7(i) Process schedule and the
relevant procedural requirements of section 13.8, a Mini-Trial regarding whether the BPA
Position falls within the coverage of section 13.2.2. If the Administrator determines that the
BPA Position does not fall within the coverage of section 13.2.2, then the Hearing Officer shall
strike all materials concerning the BPA Position from the record of the 7(i) Process. If the
Administrator determines that the BPA Position does fall within the coverage of section 13.2.2,
then the BPA Position shall continue to be considered and decided in the normal course through
the 7(i) Process.

13.7 Process for Disputes Before the Hearing Officer Brought Pursuant to TRM
Section 13.4 or 13.6

The Hearing Officer is empowered to establish and employ such procedures as he or she deems
necessary and appropriate to, consistent with the 7(i) Process schedule, efficiently, fairly, and
impartially hear disputes and make the determinations under section 13.4 or 13.6. In that regard,
the Hearing Officer shall provide all parties a reasonable opportunity to present their position on
such disputed matters, which may include submission of briefs, testimony, affidavits, and oral
argument as determined by the Hearing Officer. The decision of the Hearing Officer shall be in
writing, shall be based upon a consideration of the record presented on the disputed matter, and
shall include findings of fact and conclusions of law, with reasons and bases therefore, upon each
material issue of fact, law, or discretion presented on the record. The Hearing Officer may at any
time render an accelerated decision in favor of a party as to any or all parts of the disputed
matter, without further hearing or upon such limited additional evidence, such as affidavits or
briefing, as he or she may require, if no genuine issue of material fact exists and a party is
entitled to judgment as a matter of law.

13.8 Mini-Trial Before the Administrator Regarding Proposed TRM Change

If the Hearing Officer schedules a Mini-Trial pursuant to section 13.4 or 13.6, the following
procedures will apply. A Mini-Trial shall be a part of the 7(i) Process, shall be presided over by
the Hearing Officer, and shall consist of the following:

1) Parties shall file statements of position that summarize their arguments as to why the
   Hearing Officer’s decision should be upheld or reversed by the Administrator, whether in
   whole or in part. The Hearing Officer shall encourage parties with like positions to
   consolidate their submissions.

2) Oral presentations, not to exceed two (2) days in total, shall be scheduled before the
   Administrator. The order of presentation shall be the parties in opposition to the Hearing
   Officer’s decision, parties in support of the Hearing Officer’s decision, and rebuttal by
   parties in opposition. Parties’ presentations may consist of testimony, oral argument, or a
   combination of both. The Administrator may ask any questions or engage in any
   discussion with any of the participating parties that he or she deems appropriate.

3) Within five (5) Business Days of the oral presentations, the Administrator shall provide
   the Hearing Officer a written statement that the Administrator either adopts or does not
   adopt the Hearing Officer’s decision in whole or in part. If and to the extent that the
   Administrator adopts the Hearing Officer’s decision, that shall be conclusive on BPA for
   remaining purposes of the 7(i) Process. If the Administrator does not adopt the Hearing
   Officer’s decision in whole or in part, the Administrator shall summarize the basis for his
or her decision, but may elect to change his or her decision at the conclusion of the 7(i) Process in the Administrator’s Record of Decision.

13.9 **Process Applicable to Alleged Irreconcilable Conflict with the TRM Outside a 7(i) Process**

In the event a Customer(s) believes that a BPA action or inaction implementing the TRM outside a 7(i) Process, other than BPA actions or inaction encompassed by the matters described in section 13.10 ("BPA Proposal") is in Irreconcilable Conflict with the TRM, it shall promptly, but no later than ten (10) Business Days after the earlier of when BPA posts its proposal or it learns of the BPA Proposal, notify BPA in writing of the BPA Proposal with which it takes issue, and why it believes the BPA Proposal is in Irreconcilable Conflict with the TRM. Matters related to proposed revisions subject to section 13.2, 13.3, or 13.4 are not actions or inactions subject to this section 13.9.

If BPA agrees with the Customer, it shall suspend the action contemplated by or take the action omitted by the BPA Proposal that BPA and the Customer agreed were in Irreconcilable Conflict with the TRM. BPA may seek to revise the TRM to reconcile it with such BPA Proposal using the procedures for revising the TRM set forth in sections 12 and 13.

If BPA disagrees with the Customer, BPA will notify all Customers and interested parties of the receipt of the Customer’s notice within ten (10) Business Days thereof, and shall, if possible, provide a summary of the BPA Proposal and why the Customer believes it is and BPA believes it is not in Irreconcilable Conflict with the TRM. BPA shall promptly convene a public meeting with Customers and interested parties to discuss the notice and the BPA Proposal. BPA shall specify in writing at such public meeting and shall notice the date by which each Customer may express its support for the Customer’s notice that the BPA Proposal is in Irreconcilable Conflict with the TRM, and the means for registering its support.
If, within fifteen (15) Business Days after the conclusion of the public meeting held pursuant to
the previous paragraph, Customers totaling both 1) at least 70 percent of Customers (utility
count) and 2) at least 50 percent of the sum of the CHWMs, with both of the foregoing measured
by the individual vote of each Customer, do not indicate in writing or by electronic means
specified in BPA’s notice that they believe that the BPA Proposal is in Irreconcilable Conflict
with the TRM, then BPA shall proceed in the ordinary course. In determining the total, BPA
shall count each abstention and absence of a vote as a vote that the Customer does not object to
the BPA Proposal.

If, within fifteen (15) Business Days after the conclusion of the such public meeting, Customers
totaling both 1) at least 70 percent of Customers (utility count), and 2) at least 50 percent of the
sum of the CHWMs, with both of the foregoing measured by the individual vote of each
Customer, indicate in writing or by electronic means specified in BPA’s notice that they believe
that the BPA Proposal is in Irreconcilable Conflict with the TRM, then BPA shall refer the
matter to a third-party neutral for a binding decision whether BPA’s Proposal is in Irreconcilable
Conflict with the TRM. The third-party neutral shall be selected at random from a roster of
neutrals maintained by BPA and selected by BPA in consultation with Customers. BPA will
post on its website the name of the neutral selected.

Within ten (10) Business Days of posting of the neutral’s appointment, any Customer may
submit a written statement to the neutral, BPA, and other Customers in support of its position
that the BPA Proposal is in Irreconcilable Conflict with the TRM. Within the same ten (10)
Business Days period, BPA and any Customer may submit written statements to the neutral,
BPA, and other Customers supporting the position that the BPA Proposal is not in Irreconcilable
Conflict with the TRM. No written statement shall exceed fifty (50) double-spaced pages
(12 point font; 26 lines, except for single-spaced quotes), together with exhibits not in excess of one hundred (100) pages.

Within five (5) Business Days of receipt of the last of the written statements submitted pursuant to the paragraph immediately above, the neutral shall notify the parties whether the neutral wishes to hear argument or otherwise discuss the parties’ statements and, if so, the date for the hearing, provided such hearing shall occur within ten (10) Business Days of the notification by the neutral.

The neutral shall issue a written determination as to whether the BPA Proposal is in Irreconcilable Conflict with the TRM, which determination shall be made in accordance with the standard set forth in section 13.5. Such written determination shall be issued within ten (10) Business Days of the later of 1) the date the last written statement was submitted to the neutral or 2) the date of the hearing conducted by the neutral.

The decision of the neutral shall be binding on and accepted by the Administrator. If the neutral determines that the BPA Proposal is in Irreconcilable Conflict with the TRM, BPA shall suspend the action contemplated by or take the action omitted by the BPA Proposal that was determined by the neutral to be in Irreconcilable Conflict with the TRM. BPA may seek to revise the TRM to reconcile it with such BPA Proposal using the procedures for revising the TRM set forth in sections 12 and 13.

If prior to or during the process set forth in this section 13.9 BPA has taken the action or refrained from taking the action that the neutral subsequently determines to be in Irreconcilable Conflict with the TRM, BPA shall take all actions necessary to revoke such action or rectify such inaction. In no event shall the BPA Proposal, any decision made pursuant to this section 13.9, or
any action by BPA pursuant to such decision be construed to provide a basis for a claim of
damages; liability for loss of profits; or special, incidental, or consequential damages.

13.10 Dispute Resolution Process for Certain CHWM and RHWM Determinations

One or more third-party neutrals shall be retained by BPA, acting in consultation with
Customers, for the purpose of developing an understanding of factual matters determined by
BPA in connection with its establishment of CHWMs, RHWMs, and Tier 1 System Firm Critical
Output, and if requested pursuant to this section, providing non-binding decisions concerning
disputes over such factual matters. The third-party neutral shall have a strong engineering or
other technical background and experience sufficient to make an independent assessment of facts
in dispute in connection with such CHWM, RHWM and Tier 1 System Firm Critical Output
determinations.

In the case of CHWMs, such factual matters could involve matters such as Tier 1 System Firm
Critical Output; Non-Federal Resource capability that is different from the final determination of
Existing Resources for CHWMs (Attachment C); Measured FY 2010 Load; and any adjustments
to those values, such as Weather Normalization data or unauthorized or anomalous increases,
and the Conservation Adjustment, pursuant to section 4.1. In the case of RHWM, such factual
matters could involve matters such as correct application of the CHWM and the RHWM Tier 1
System Capability in the RHWM calculation, pursuant to section 4.2. In the case of RHWM
Tier 1 System Capability determinations, factual matters could include whether the appropriate
data source was used to determine RHWM Tier 1 System Capability.

BPA will brief the third-party neutral and answer questions regarding the internal procedures
BPA employs to make determinations in the CHWM and RHWM Processes. The neutral will
have access to relevant information from both BPA and the Customers, including information
necessary to developing an understanding of BPA’s conclusions, subject to appropriate confidentiality arrangements. Since the neutral cannot be expected to be conversant with every matter, BPA and the Customers will collaborate to identify and communicate to the neutral as early as practicable in the process matters that they anticipate may result in disputes. Within 3 days of the conclusion of the public meeting described in (3) below, Customers shall submit to BPA a written statement describing any issues for which a Customer may request neutral third-party review. Failure to timely submit such a list by a Customer will constitute a waiver of the right of such Customer to request neutral third-party review.

Consistent with its need to make timely, final decisions on each of the matters, BPA shall not make final decisions on CHWMs, RHWMs, or RHWM Tier 1 System Capability until after it has 1) posted its determination on its website; 2) provided information concerning the matter in response to reasonable information requests; 3) held a public meeting where BPA will explain its determination and Customers and BPA will discuss and seek to resolve issues; 4) reposted its determinations; and 5) concluded the dispute resolution process provided for below. BPA shall specify in writing at such public meeting and shall electronically post the date by which each Customer may express its support for a non-binding decision on CHWMs, RHWMs, and/or RHWM Tier 1 System Capability and the means for registering its support. BPA will allow 30 calendar days from the first posting (Step 1) through the reposting of its determination (Step 4).

Within ten (10) Calendar days of BPA reposting its determinations, a Customer may seek a non-binding decision by the neutral on factual matters concerning BPA’s initial determination of 1) a CHWM, 2) a RHWM, or 3) RHWM Tier 1 System Capability. A material factual matter must be one that, if decided in the requesting customer’s favor, would result in an adjustment to the subject CHWM or RHWM of ten (10) percent or more. In the case of RHWM Tier 1 System
Capability, the materiality requirement is deemed to be met if the following voting requirement is met. Such request for a non-binding decision by the third-party neutral regarding BPA’s determination of RHWM Tier 1 System Capability will be considered only if the neutral is concurrently provided with the written votes in support of such request by at least 70 percent of Customers (utility count), as measured by the individual written vote of each Customer.

The decision standard on BPA’s initial determinations for which the TRM provides standards is whether the BPA initial determination is reasonably consistent with the applicable TRM standard. An example of an applicable TRM standard is the retention criteria for Provisional CHWM Amounts. In that case, the decision standard would be whether BPA’s initial determination of retention or removal of Provisional CHWM Amounts is reasonably consistent with the threshold criteria for such retention; BPA would not revisit the threshold criteria themselves. The decision standard for BPA’s initial determinations where the TRM provides no standard is whether BPA’s initial determination is a reasonable one.

The dispute process will be a single hearing open to all Customers and shall last no longer than necessary, but in any event no longer than 30 calendar days, to permit the presentation of relevant information, consistent with BPA’s need to render timely, final decisions. The dispute process shall be appellate in nature. The neutral’s findings and conclusions may be summary in nature and shall be based upon all relevant information known by or previously made available to the neutral, including but not limited to materials that BPA has made publicly available, materials the parties have previously provided to BPA and the neutral, new or additional materials submitted with the consent of the neutral, and written submittals made to the neutral by BPA and the Customers. Written submissions shall not exceed fifty (50) double-spaced pages (12 point font; 26 lines, except for single-spaced quotes), together with exhibits not in excess of one hundred (100) pages. Testimony, cross examination, and oral argument will occur only upon request of the neutral. The neutral shall transmit his or her decision in writing to the
Customers and Administrator, who shall make a final decision on each disputed issue after consideration of the neutral’s report.
## Tables

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<th>Description</th>
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Table 2
Allocated Tiered Cost Table

- Grayed shading in “Actual Data” columns indicates that item is not subject to Slice True-Up.
- Blackened row indicates that item is wholly assigned to another Cost Pool.

### A. Allocation Between Composite and Non-Slice Cost Pools

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<td>Year 1 Composite Cost Pool</td>
<td>Year 1 Non-Slice Cost Pool</td>
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### B. Composite Cost Pool

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<td>Bureau of Reclamation</td>
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<td>148</td>
<td>Conservation Rate Credit</td>
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<td>Rate Design Adjustments Sub-Total</td>
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<td>Total Composite Cost</td>
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### Table 2 (continued)

#### C. Slice Cost Pool

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<td><strong>COSTS AND RATE ADJUSTMENTS</strong></td>
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<td><strong>Actual Data</strong></td>
<td><strong>Year 2</strong></td>
<td><strong>Actual Data</strong></td>
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<td><strong>SLICE COST:</strong></td>
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<td>152</td>
<td>Slice Implementation Expenses (100 percent allocated to Slice customers)</td>
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<td>153</td>
<td><strong>Total Slice Cost for 100 percent allocated expense</strong></td>
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<td><strong>Total Slice Cost for allocation according to Slice Percentage</strong></td>
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#### D. Non-Slice Cost Pool

| 155 | **NON-SLICE COST:** | | | | |
| 156 | Other Power Purchases (Balancing) | | | | |
| 157 | Other Power Purchases (Capacity) | | | | |
| 158 | Hedging/Mitigation | | | | |
| 159 | Transmission & Ancillary Services | | | | |
| 160 | Third Party Trans & Ancillary Services | | | | |
| 161 | Bad Debt Expense | | | | |
| 162 | Depreciation | | | | |
| 163 | Interest Earned on BPA Fund for Power | | | | |
| 164 | Planned Net Revenues for Risk | | | | |
| 165 | Accrual revenues (MRNR adjustment, if applicable) | | | | |
| 166 | **Less Revenue Credits:** | | | | |
| 167 | Tier 1 Secondary Revenue Credit (less Secondary associated with Unused RHWM) | | | | |
| 168 | Demand Revenue | | | | |
| 169 | Load Shaping Revenue | | | | |
| 170 | **Total Non-Slice Cost** | | | | |

#### E. Tier 2 Cost Pool

| 171 | **TIER 2 COST (calculated for each T2 Rate):** | | | | |
| 172 | Acquisition Costs | | | | |
| 173 | BPA Overhead Costs | | | | |
| 174 | RSS Adder | | | | |
| 175 | Other costs, including risk-related, if appropriate | | | | |
| 176 | **Total Tier 2 Cost** | | | | |
F. Customer Charge Rate Calculations

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<td>Non-Slice</td>
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<td>178</td>
<td>Annual Revenue Requirement (2-year total)</td>
<td>(Line 150, Col F)</td>
<td>(Line 153, Col F)</td>
<td>(Line 170, Col F)</td>
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<td>Monthly Revenue Requirement (2-year total divided by 24 months)</td>
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<td>180</td>
<td>Sum of Billing Determinants (TOCAs)</td>
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<td>One Percent of Monthly Requirement (Rate Per Percent = Monthly Revenue Requirement divided by Line 180)</td>
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<td>31</td>
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<td>Lost Creek</td>
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Table 3.2
DESIGNATED NON-FEDERALLY OWNED RESOURCES

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<td>Ashland Solar Project</td>
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<td>3</td>
<td>Columbia Generating Station</td>
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<td>4</td>
<td>Condon Wind Project</td>
<td>9/30/2022</td>
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<td>5</td>
<td>Dworshak/Clearwater Small Hydropower</td>
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<td>6</td>
<td>Elwha Hydro</td>
<td>(year to year)</td>
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<td>7</td>
<td>Foote Creek 1 (37% share)</td>
<td>7/21/2022</td>
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<td>8</td>
<td>Foote Creek 2</td>
<td>12/31/2014</td>
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<td>Foote Creek 4</td>
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<td>10</td>
<td>Fourmile Hill Geothermal</td>
<td>(year to year)</td>
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<td>12</td>
<td>Glines Canyon Hydro</td>
<td>(year to year)</td>
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<td>Klondike 1 Wind Project</td>
<td>5/31/2022</td>
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<tr>
<td>14</td>
<td>Stateline Wind Project (30% share)</td>
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### Table 3.3
DESIGNATED BPA CONTRACT PURCHASES

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<th>Discretionary Contract?</th>
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<td>Rock Island #2 CER for Canada</td>
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<td>9/15/2024</td>
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<td>9</td>
<td>PASA to BPA Peak Replacement</td>
<td>94BP-93658</td>
<td>4/30/2015</td>
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<td>10</td>
<td>PASA to BPA Seasonal/Energy/Exchange</td>
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<td>4/30/2015</td>
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<td>11</td>
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<td>12</td>
<td>PPL to BPA Southern Idaho</td>
<td>89BP-92524</td>
<td>Mutually agreed (contract expected to be replaced)</td>
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<td>13</td>
<td>RVSD to BPA Peak Replacement</td>
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<td>16</td>
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<td>9/30/2009 (contract expected to be replaced)</td>
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**AUGMENTATION CONTRACT PURCHASES**

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Figures

Figure 4.1  CHWM Determination Process
Figure 4.2  Non-Irrigation Load Weather Normalization
Figure 4.3  Irrigation Load Weather Normalization
Figure 4.4  Formation of New Publics - Phasing in of Additional CHWM Amounts
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Figure 4.1 CHWM Determination Process

1. CHWM
2. Adjust for verified conservation that reduces FY2010 load
3. Determine Eligible Load
4. Drilldown
5. Subtract existing resources for CHWM
6. Normalize non-irrigation load for weather
7. Normalize irrigation load
8. Adjust for anomalous loads
9. Determine measured FY2010 Load
Figure 4.2 Non-Irrigation Load Weather Normalization

1. Subtract Existing Resources for CHWM
2. Normalize non-irrigation load for weather
3. Adjust for anomalies
4. Determine HDD & CDD
   - Degree Days (HDD & CDD)
5. Determine difference between FY 2010 HDD & CDDs
6. Add monthly adj. values to HDD & CDDs to adjust
7. Normalized irrigation load

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Figure 4.2
Page 136
Figure 4.3 Irrigation Load Weather Normalization

1. Subtract existing resources for CHWM
2. Normalize non-irrigation load for weather
3. Normalize irrigation load
4. Adjust to average load value times load growth factor
5. Determine historical average irrigation load value
6. Adjust for anomalous
7. Determine measured FY 2010 load

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Figure 4.3
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As described in section 4.1.6.5, when requests from Competing New Publics exceed the 50 aMW Rate Period limit, Competing New Publics larger than 10 aMW will have the amount of their CHWM requests over 10 aMW phased in over subsequent Rate Periods. The phase-in will be 33.3 percent for the first 24 aMW above the initial 10 aMW and 20 percent for any remaining amounts.

The example below is for a Competing New Public seeking to purchase 64 aMW.

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<th>D</th>
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<td>4 20% for all else</td>
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Attachments

Attachment A - Cost Verification Process for the Slice True-Up Adjustment Charge

Attachment B - CHWM Calculation Summary

Attachment C - Existing Resources for CHWMs

Attachment D - Conservation Adjustment

Attachment E - Example of Calculating the Remarketed Tier 2 Proceeds

Attachment F - Tier 2 Vintage Rate Example
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Attachment A

Cost Verification Process for the Slice True-Up Adjustment Charge

1. Slice True-Up Adjustment Charge and Agreed-Upon Procedures
   a) Upon completion of the BPA annual audit, BPA will calculate the Slice True-Up Adjustment Charge for the Fiscal Year just concluded, consistent with the requirements of section 2.7 of the TRM and the Cost Allocation Table (Table 2 of the TRM) as established in the applicable 7(i) Process. BPA will provide notification to the Slice customers of the Slice True-Up Adjustment Charge applicable to all Slice customers.

   b) After such notification, BPA will post for review by customers the TRM Cost Allocation Tables (i.e., Composite, Non-Slice, and Slice Cost Pools) reflecting the actual expenses and revenue credits from the Fiscal Year just concluded. The Slice True-Up Adjustment Charge applicable to each Slice customer will not be posted. Following the posting of the Cost Allocation Tables, BPA will allow 15 Business Days for the identification by any customer of any Slice True-Up Adjustment issue for consideration by BPA for inclusion in the Agreed-Upon Procedures (AUPs). AUPs are defined as services that fall under the category of miscellaneous financial services provided to BPA by an external auditor that are covered contractually between BPA and an external auditor.

   c) After the identification of such issues, BPA will draft the tasks to be included in the AUPs to address such issues. The proposed tasks will be posted for all customers to review together with a deadline (not to exceed 10 Business Days from the date of the posting) for requests to include additional tasks. Customers will have an opportunity to consult with BPA regarding the specific tasks for inclusion in the AUPs and to request the inclusion of tasks additional to the proposed tasks posted by BPA. BPA will finalize the AUPs, which will include all proposed tasks included in BPA’s initial posting and any additional tasks requested by customers. However, BPA may exclude any requested...
additional task that BPA reasonably determines: 1) is without merit; 2) would be immaterial to the calculation of the Slice True-Up Adjustment; 3) is a matter outside the scope of the Slice True-Up calculations as provided in section 1a; or 4) challenges an allocation between Slice and non-Slice customers previously determined in a 7(i) Process. BPA will decide whether the AUPs will be performed by BPA’s auditor or an external auditor selected by BPA.

d) The AUPs will describe the specific tasks to be performed, the deliverables expected, and the timeframe the auditor will have to complete the specific tasks. The AUPs are procedures for the performance of specific tasks that the auditor agrees to perform and that specify the depth and scope of the work to be performed. The AUPs are not subject to, and do not give rise to, audit standards, responsibilities, or liabilities, and the auditor will not express an audit opinion on the specific tasks performed under the AUPs. For the Slice True-Up Adjustment, the scope of work will be constrained to verify that BPA’s Slice True-Up Adjustment contains only those expenses or revenue credits permitted to be included in, and does not contain any expenses or revenue credits that should be excluded from, the Slice Rate pursuant to the TRM and the applicable Cost Allocation Table established in the applicable 7(i) Process. BPA and the auditor will determine the means used to perform the scope of work in the AUPs in order to minimize the workload of such AUPs. BPA’s accounting policies and standards, management decisions, and other policies are not subject to review and question.

2. **Cost Verification for Slice True-Up**

a) The cost verification for Slice True-Up will commence after (1) completion of BPA’s annual audit; (2) Slice customers are notified of the Slice True-Up Adjustment Charge; (3) all customers have been provided the opportunity to review the Cost Allocation Tables with Fiscal Year actual amounts listed in the applicable expense and revenue
credit categories; (4) all customers have had an opportunity to address Slice True-Up Adjustment issues for consideration by BPA to be included in the AUPs and an opportunity to review the draft list of AUP tasks; (5) the auditor has completed all of the finalized tasks and provided to BPA the results of the AUPs; and 6) BPA’s release of the AUP results to all customers.

b) The auditor will have until approximately 120 calendar days after the date the Slice customers receive their notification of the Slice True-Up Adjustment Charge for a Fiscal Year to complete the finalized tasks in the AUPs and provide the results to BPA.

3. Cost Verification Workshops

a) The cost verification workshops will be publicly noticed and open to all customers and interested parties. The first workshop will include BPA presentations on and its review of the calculation of the Slice True-Up Adjustment and the results of the AUPs. At this workshop, customers will review the materials presented and may pose questions. Customers will have a reasonable amount of additional time, not to exceed 15 Business Days, after the conclusion of the initial workshop to formulate and pose to BPA in writing any further questions regarding the Slice True-Up Adjustment.

b) BPA will establish a 15 Business Day comment period during which customers and interested parties may submit written comments on the AUP results and the issues that were raised during the initial workshop related to the Slice True-Up Adjustment.

c) Promptly following the close of the comment period pursuant to section 3b, BPA will hold at least one follow-up workshop to address all issues raised during the initial workshop and the comment period. Upon customer request, if agreed to by BPA, and if provided for in the retention agreement between BPA and the auditor, BPA will request that the auditor who performed the AUPs attend the follow-up workshop and provide clarification to questions raised related to the AUP results.

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Attachment A
A-3
4. BPA’s Draft Response, Third-Party Review Process, and BPA’s Final Response

a) BPA will issue within 15 Business Days of the close of the last follow-up workshop a Draft Response addressing any submitted written comments on the AUP results and issues raised in the comment period. BPA will provide a copy of such draft response to all parties who submitted comments on BPA’s initial response.

b) Any customer or interested party who is aggrieved by BPA’s Draft Responses regarding the Slice True-Up Adjustment may request a neutral third-party non-binding review process by providing written notice, within 10 Business Days (notice period) of the issuance of the Draft Response, to BPA and all parties who submitted comments. The notice shall contain a concise statement of each BPA Draft Response that is disputed and an explanation of the nature and basis of the grievance.

c) If no party requests the neutral third-party non-binding review process within the notice period, then neutral third-party review shall be waived by all parties for all purposes for the applicable cost verification for Slice True-Up, and BPA will take the actions necessary to implement the decisions set out in its Draft Response document, including but not limited to any further adjustment of payment(s) or credit(s) to Slice customers.

d) Any issue raised pursuant to section 4b above will be forwarded to the neutral third party for non-binding review unless BPA reasonably determines that such issue is inappropriate for third-party non-binding review because it concerns: (1) the allocation of a New Expense; (2) matters that are immaterial to the calculation of the Slice True-Up Adjustment; or (3) matters that are outside the scope of the cost verification process for the Slice True-Up Adjustment as set forth in section 1a above. Any such Slice True-Up Adjustment issues that are excluded from non-binding review shall be determined by BPA without reference to the neutral third party, and BPA’s decision shall be part of, and communicated at the same time as, BPA’s Final Decision provided for in section 4h below. If such issues excluded from non-binding review are subsequently decided in a
7(i) Process, and as a consequence of BPA’s 7(i) Process review of the issue different
decisions are made and result in a different Slice True-Up Adjustment, the positive or
negative difference will be either charged or credited, as the case may be, to the Slice
customers with interest as provided for consistent with the requirements of section 2.7.3
of the TRM.

e) In accordance with section 4b, BPA will, promptly following the close of the notice
period, notify each customer or interested party who is aggrieved by one or more of
BPA’s Draft Responses as to whether the issue(s) will be forwarded to a third-party non-
binding review process. If there is to be a non-binding third-party review process, BPA
will promptly appoint the neutral third party.

f) If the issue(s) is to be submitted to a third-party non-binding review process, the issue(s)
will be submitted to the neutral third-party expert by written submission. Such written
submissions shall be submitted to the third-party expert not later than 20 Business Days
after the posting of the third-party appointment on the BPA website, and shall not exceed
fifty (50) double-spaced pages (12 point font; 26 lines, except for single-spaced quotes),
together with exhibits not in excess of fifty (50) pages. The third-party expert may pose
questions to any party making a submittal and may permit oral argument on some or all
of the issues presented, in his or her discretion. The third-party expert will issue a written
opinion on all matters at issue within 30 Business Days of the later of the written
submittals or oral argument.

g) The third-party expert must have a level of experience with the utility industry of not less
than 10 years, with knowledge of accounting, cost allocation, and ratesetting
methodology and practices. The third-party expert will be selected by BPA in
consultation with the customers participating in the third-party non-binding process.
h) Upon completion of the third-party non-binding review process, BPA will provide a Final Response disposing of the issues and questions dealt with in the opinion of the third-party expert. In such Final Response, BPA may either adopt in whole or in part or reject in whole or in part the disposition of the issues and questions in the opinion of the third-party expert. The Final Response will also include BPA’s decisions on the issues not referred to the third party pursuant to section 4d above. Upon the issuance of such Final Response, BPA will take the actions necessary to implement the decisions set out in its Final Response document, including but not limited to any further adjustment of payment(s) or credit(s) to Slice customers.
Attachment B

CHWM Calculation Summary

1. BPA will determine customer load eligible for BPA’s calculation of CHWM (Eligible Load) by subtracting the customer’s Existing Resources for CHWM from the customer’s adjusted Measured FY 2010 Load, as defined below.

\[ \text{EligibleLoad} = 2010\text{AdjustedLoad} - \text{ExistingResourcesforCHWM} \]

where:

\[ 2010\text{AdjustedLoad} = \text{Measured FY 2010 Load adjusted for load anomalies (see section 4.1.1.2) and Weather Normalization (see section 4.1.1.3)} \]

\[ \text{ExistingResourcesforCHWM} = \text{customer’s Non-Federal Resource values as shown in Attachment C} \]

2. If the sum of all utilities’ Eligible Load is greater than the Tier 1 System Firm Critical Output, BPA will augment the Tier 1 System, subject to the limits described in section 3.2.1. The Tier 1 System Firm Critical Output for this calculation will be the average of the FY 2012 and FY 2013 Tier 1 System Firm Critical Output (the average value will be used due to substantial differences in Columbia Generating Station capability in alternate years). Tier 1 System Firm Critical Output for the RHWM Process will be calculated similarly (i.e., an average of the two years of the Rate Period) for the ensuing Rate Periods.

The following paragraphs provide a sequential overview of the CHWM calculation process. The sections referenced below and TRM section 4 must be consulted for a full description and necessary related information.
3. BPA will scale each customer’s Eligible Load to the forecast Tier 1 System Firm Critical Output:

\[ Scaled\text{EligibleLoad} = \frac{T1SFCO_{2012,2013}}{\sum \text{EligibleLoad}} \times \text{EligibleLoad} \]

where:

\[ T1SFCO_{2012,2013} = \text{the average of Tier 1 System Firm Critical Output for FY 2012 and FY 2013 plus Augmentation Limit} \]

4. BPA will adjust its calculation of Scaled Eligible Load for the customer’s credited FY 2007-2010 conservation. Then BPA will rescale the adjusted Scaled Eligible Load (see section 4.1.4) to arrive at the customer’s CHWM:

\[ CHWM_{\text{final}} = \frac{\sum \text{SEL}}{\sum \text{ConsAdjSEL}} \times \text{ConsAdjSEL} \]

where:

\[ \text{ConsAdjSEL} = \text{BPA’s preliminary calculation of the customer’s Scaled Eligible Load adjusted for the amount of credited conservation the customer achieved from FY 2007-2010} \]
### Attachment C

#### Existing Resources for CHWMs

This table reflects all known customer resources and associated amounts for use in CHWM determinations (column D), except for dedicated consumer-owned and PURPA resource amounts that will not be known until Regional Dialogue contracts are signed. Notes follow the table.

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TRM-12S-A-03
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<td>Adjusted Amount (aMW)</td>
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<tr>
<td>TANNER EC</td>
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<td>-</td>
<td>-</td>
<td>13/</td>
<td></td>
<td></td>
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<tr>
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<td>-</td>
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<td></td>
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<td>-</td>
<td>-</td>
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<tr>
<td>TILLAMOOK</td>
<td>Hooley Digester - biomass</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td>UMATILLA</td>
<td>Boardman</td>
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<td>-</td>
<td>4/</td>
<td></td>
<td></td>
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<tr>
<td>UMATILLA</td>
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<td>2/</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UMPQUA</td>
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<td>-</td>
<td>4/</td>
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<tr>
<td>UNITED ELEC COOP</td>
<td>Wanapum</td>
<td>-</td>
<td>-</td>
<td>4/</td>
<td></td>
<td></td>
</tr>
<tr>
<td>USBIA WAPATO</td>
<td>Drop 2 / Drop 3 hydro</td>
<td>-</td>
<td>0.207</td>
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<td>-</td>
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<td>1/ 12/</td>
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<td>WASCO ELEC COOP</td>
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<td>4/</td>
<td></td>
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<td>-</td>
<td>-</td>
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<td></td>
<td></td>
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<tr>
<td>WELLS REC</td>
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<td></td>
</tr>
<tr>
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<td>-</td>
<td>2/</td>
<td></td>
<td></td>
</tr>
<tr>
<td>WHATCOM</td>
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<td>-</td>
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<td>-</td>
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<td></td>
</tr>
</tbody>
</table>

Footnotes to Attachment C:

1. Participant share of Packwood. Resource amounts based on 1940-41 water.
2. Coffin Butte Phase 1 share owner; entire amount attributed to Consumers Power for CHWM purposes.
3. No Exhibit C amounts; resource amount is zero per threshold criterion. Buffalo Hydro (Fall River) included in this category of resources.
4. Not dedicated to serve retail load.
5. Resource amounts based on 2005-2006 PNCA Final Regulations; net of CEAEA.
6. No energy amounts in Exhibit C; energy amount is average of actual generation from October 2000 through September 2005.
8. For CHWM purposes and consistent with July 2007 RD Policy, BPA assumes that all available Priest Rapids and Wanapum power for Cowlitz, EWEB, Seattle, and Tacoma will be recalled by Grant.
10. NLSL resource and loads not included in CHWM calculations.
11. BPA recognized loss or partial loss of resource and is applicable for CHWM purposes.
12. Missing or erroneous Exhibit C value; calculated by BPA.
16. Final number derived from Exhibit C of Subscription Actual Partial (Load Following) Contract, in effect 12/8/2008 but signed prior to 9/30/06. Final amount also included FY 2010 Unspecified Resource amount from Exhibit C of Actual Partial contract.
17. The Hungry Horse Reservation (HHR) is Federal power certain Montana customers are entitled to receive from the Hungry Horse hydro project. In Northern Lights’ contract, this power was shown as a resource in Exhibit C. The contractual arrangement for HHR expires July 31, 2011, and the continuing right for HHR will be fulfilled through deliveries of Tier 1 power under Northern Lights’ Regional Dialogue contract.

18. Chelan, Douglas, and Grant PUDs are not expected to sign CHWM contracts (aside from the Grant Grand Coulee Load area). Therefore, no CHWM resources have been identified at this time for those utilities.

19. Wells Rural Electric Cooperative serves load both within and outside the Pacific Northwest. The Trout Creek Hydro resource serves only Wells’ extra-regional load.

20. Flathead has an NLSL load where they apply an off-site renewable resource (through the Green Exception) to reduce the load on BPA to below 10 aMW and they purchase PF power for the remainder of the load. The resource amount applied to that load in FY 2010 will be subtracted from Flathead's Total Retail Load for calculating its CHWM. If the amount of the NLSL load on BPA exceeds 10 aMW in FY 2010, then the entire amount of the NLSL would be subtracted from TRL for purposes of calculating the CHWM.

21. The 24.479 aMW amount in column C and D is only an estimate and is based on a 63.661 aMW forecast for the Pend Oreille NLSL load. The actual BoxCanyon resource amount that will be used for the CHWM calculation will depend on the actual measured amount of Pend Oreille's NLSL in FY 2010 and will be calculated using the following formula: 24.479 aMW + (63.661 aMW - the FY 2010 measured NLSL), where FY 2010 load is the greater of 42.240 aMW or the actual measured load.

22. This amount will be the lesser of the displayed amount and the measured FY 2010 onsite consumer load.
Attachment D

Conservation Adjustment

Example of Conservation Adjustment Calculation

The following table shows a simplified example of how the Conservation Adjustment works for a single utility doing varying amounts of conservation.

1) Row 2 shows the credit for the conservation the utility achieved. In this example it is assumed that all conservation is utility self-funded, and 100 percent credit is given for achieved conservation.

2) Row 3 accounts for the amount of conservation achieved in the calculation of Scaled Eligible Load (load with no conservation (100) minus the conservation achieved).

3) Row 4 shows the conservation credit being added back to arrive at the conservation-adjusted Scaled Eligible Load (row 2 + row 3).

4) Row 5 shows the calculation of the rebalancing factor by taking the sum of the individual Scaled Eligible Loads and dividing it by the sum of the conservation-adjusted Scaled Eligible Load for all utilities (7,470 aMW; the sum of the calculation of all the utilities’ Scaled Eligible Load plus the total conservation by all utilities).

5) Row 6 shows the CHWM—calculated by multiplying the rebalancing factor by the customer’s conservation-adjusted Scaled Eligible Load (row 5 × row 4).

Note that as the amount of conservation achieved increases, the amount of Augmentation decreases.
Single Utility Conservation Adjustment Scenarios

Assumptions: Tier 1 System Capability amount = 7300 aMW, including a 100 aMW Augmentation Limit; total conservation by all other utilities = 170 a MW.

<table>
<thead>
<tr>
<th>Scenario</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
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<td>1</td>
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<td>100</td>
<td>100</td>
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<td>1</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>100</td>
<td>99</td>
<td>97</td>
</tr>
<tr>
<td>4</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>5</td>
<td>7300/7470²</td>
<td>7300/7470²</td>
<td>7300/7470²</td>
</tr>
<tr>
<td>6</td>
<td>97.72</td>
<td>97.72</td>
<td>97.72</td>
</tr>
</tbody>
</table>

Net change due to conservation adjustment (aMW)  
0.72

Remaining amount eligible to purchase at Tier 1 Rates (aMW)

1 Rebalancing factor = the ratio of the sum of all Scaled Eligible Loads to the sum of all conservation-adjusted Scaled Eligible Loads.

2 The increase in the sum of the conservation-adjusted Scaled Eligible Loads would be offset by an equal reduction in augmentation; thus the 7470 aMW total would not change.

3 CHWM = rebalancing factor (row 5) times the customer’s conservation-adjusted Scaled Eligible Load (row 4).

Counting the Conservation Credit toward the Adjustment

The figure below shows how the process of counting conservation savings for the Conservation Adjustment will take place. The process for verifying savings is described in BPA’s Conservation Rate Credit and Conservation Acquisition Agreement Implementation Manual.
(Implementation Manual). The Implementation Manual must be followed for BPA-funded as well as utility self-funded conservation measures, projects, and programs.

BPA will conduct oversight of all utilities’ conservation savings that have been submitted in biannual and annual reports through the Planning, Tracking, and Reporting (PTR) system. To count toward the Conservation Adjustment, conservation measures and projects eligible for reimbursement according to the Implementation Manual must be started after October 1, 2006, and completed no later than September 30, 2010. Measures must also be effective on load in FY 2010 (i.e., measures where the measure life does not extend through FY 2010 or a major plant closing where measures were implemented will not count toward the Conservation Adjustment, as they do not reduce FY 2010 load).

Cost-Effective Measures
All savings that are claimed for credit toward the Conservation Adjustment must be considered cost-effective in accordance with the Implementation Manual in effect when the conservation is reported to BPA. BPA acquires cost-effective conservation as defined by the Council’s Power Plan. In determining cost-effectiveness, the Council looks to section 3(4) of the Northwest Power Act.

Deemed measures in the PTR for which BPA provides a reimbursement are considered cost-effective. Deemed measures are those measures with a predetermined amount of savings. Custom projects are considered measures or projects for which BPA has not deemed a reimbursement level or for which cost effectiveness has not been pre-determined. These projects
must be submitted as Custom Project Proposals (CPPs) and meet all of the Custom Project requirements, outlined in the Implementation Manual.

**Savings Entry into the PTR System**

For savings to be counted toward the Conservation Adjustment, they must be entered into and reported through the PTR annually, pursuant to the schedule required in the then-current BPA Implementation Manual. Annual reports in the PTR for FY 2010 must be submitted in suitable form no later than October 31, 2010. Credit will not be given toward the Conservation Adjustment for any savings contained in reports that are not submitted on time.

Deemed measures must be reported through the PTR and accepted by BPA’s Contracting Officer’s Technical Representative (COTR). The acceptance phase is when reports have been reviewed by the COTR and a determination has been sent by BPA accepting the report. Through the oversight process the amount of savings may change by 1) a utility notifying BPA that they made an error, or 2) BPA making an adjustment as a result of findings from an oversight review.

For custom projects, the Completion Report must be submitted and accepted no later than September 30, 2010, and be included in the Conservation Rate Credit (CRC) FY 2010 annual report and/or Conservation Acquisition Agreement (CAA) invoice. All required measurement and verification must take place and be final before the Completion Report is submitted to BPA for acceptance. Oversight applies to custom projects as well.

**Transparency of the Annual Conservation Savings Amount**

BPA will make public the pre- and post-conservation-adjusted CHWM amounts for each customer, along with the credited conservation amounts used for the adjustment process as further described in section 4.1.4. BPA will also release the conservation achievements for each
customer on an annual basis for achievements in FY 2007 through FY 2010. This will allow all
customers to see the amount of conservation being achieved by other utilities and entities. The
release will include BPA-funded and utility self-funded conservation achievements. Note that
the oversight process takes place throughout the year, and the released numbers may be
subsequently adjusted to reflect findings from the oversight process.

Verification and Oversight
Verification and oversight will be conducted in a similar manner for both BPA-funded and utility
self-funded claimed conservation. BPA or BPA’s agent will review and conduct oversight
inspections of report records; monitor or review the customer’s procedures and records; conduct
site visits; and verify energy savings methods and results. The number, timing, and extent of
such inspections shall be at the discretion of BPA and will be coordinated with the customer.
These reviews and inspections will occur at BPA’s expense.

Oversight may result in a change (increase or decrease) to the energy savings achieved by a
utility after the savings in the reports have been accepted. Therefore, depending on the timing of
the oversight, the published conservation achievements may be adjusted to account for findings
from the oversight process. For FY 2010, the numbers will be finalized by early 2011 and will
not be modified after that.

Non-Standard Cases and Exceptions
While the standard process as defined above will be followed for the vast majority of measures
and projects, there are some situations that will require exceptions, as described below.
Federal Conservation Projects

Federal conservation projects will not be required to input measure and project savings into the PTR system. These projects will be imported directly into BPA’s Energy Efficiency database. These savings are not put into the PTR because the Federal entities that would claim the savings are not standard utility customers and do not necessarily utilize CRC or CAA funding. If a utility wishes to claim savings for projects completed in its service territory at Federal facilities for which CRC or CAA funds were used, the utility will need to report the savings through the PTR as required by the Implementation Manual.

Irrigation Rate Mitigation Product

The Irrigation Rate Mitigation Product (IRMP) provides participants a one-quarter mill credit ($0.00025) for irrigation load to be utilized for the installation of cost-effective conservation measures. Energy savings from the IRMP have not been reported through the PTR system as of FY 2007. The PTR system will be modified in FY 2008 to accept IRMP reports for deemed measured and custom projects. There will be a procedure developed to inform customers of the updated reporting requirements. Additionally, there will be a process developed for adding to the PTR IRMP measures installed in FY 2007. Oversight for energy savings claimed under the IRMP conservation incentive will be conducted in a manner similar to other savings attributable to the Conservation Adjustment.

For savings to be reviewed and credited toward the CHWM Conservation Adjustment, measures and/or projects must be reported through the PTR on the timeline required in the Implementation Manual. PTR system reports for IRMP in the PTR for FY 2010 must be submitted in suitable form no later than October 31, 2010. Credit will not be given toward the Conservation Adjustment for any savings contained in reports that are not submitted on time.
Scientific Irrigation Scheduling

Scientific Irrigation Scheduling (SIS) is designed as having a three-year measure life, so any SIS measure/program initiated prior to FY 2007 will not be eligible for credit toward the Conservation Adjustment. Savings over the life of the SIS program are measured and collected; however, only those savings realized in FY 2010 will be credited toward the Conservation Adjustment. Therefore, irrigation savings will be counted from two different irrigation seasons (i.e., October 2009 and June-September 2010). Utilities must report all conservation savings attributable to SIS in the annual report for FY 2010 or a previous report.

Transformer De-energization

Transformer de-energization is designed as having a three-year measure life. Only those savings actually realized in FY 2010 from transformer de-energization will be credited toward the Conservation Adjustment.
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Example of Calculating the Remarked Tier 2 Proceeds

Assume that in FY 2014 BPA must remarket 1 aMW of a Load Following customer’s 3 aMW purchase of renewable power that is priced at a Tier 2 Vintage rate of $82.25/MWh. The summer before the Fiscal Year that BPA will remarket the 1 aMW, BPA will calculate the average market price used for valuing Tier 2 remarked amounts. Assume the calculated average market price for a flat block of power is $60/MWh. Assume that a 10 percent discount ($6/MW) off this market price is the appropriate amount to compensate BPA for costs such as broker or other marketing fees, transmission costs, transmission losses, and odd-lot sizes. Transaction costs also could include a risk component or adjustment mechanism for the risk associated with the potential difference between forecast and actual market prices. A sample customer bill is shown below.

POWER BILL

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<td>Sub-Total</td>
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<td></td>
<td></td>
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Assume only for purposes of this example that customers have committed to purchase 20 aMW of renewable Tier 2 Vintage rate service. In this example, the basis for the Vintage rate is a 70 MW wind farm that BPA acquires at a cost of $70/MWh. The forecast generation of the wind farm is 20 aMW. In addition to the cost of the power, the rate will include Resource Support Services (RSS) components, including the Diurnal Flattening Service (assume a rate of $18/MWh) and the Resource Shaping Charge (assume a rate of $3/MWh) to price it equivalent to an annual flat block of power. The Overhead Cost Adder is also included (assume $0.25/MWh). Also assume that BPA has determined that no risk mitigation or transaction costs are required.

The calculation of the Vintage rate for the specified 70 MW wind farm looks like this:

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</table>

* Does not include transmission or Transmission Services wind-integration charges, including imbalance.

A customer that has subscribed to 3 aMW (26,280 MWh) of power at this Tier 2 Vintage rate would be charged $2,398,050 for the year. This customer is also subject to any energy true-ups (through the Resource Shaping Charge Adjustment) and possible remarketing credits/charges.
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