(iv)   Step Four

In this step, the difference in cost associated with meeting AAMTA for the six-month period between NACA(0) and NACA(120) is determined. The difference will be referred to as:

NACDIFF = NACA(0) – NACA(120).

(v)   Step Five

There will be a separate line item on the bill of each customer purchasing products at rates subject to the LB CRAC reflecting a debit or a credit, and referred to as ADJUST(S) for the Slice rate and ADJUST(NS) for Non-Slice Rates.

(a)   Bill Adjustment for a Slice purchaser.

ADJUST(S) = {REVDIFF(S) * [CUSTREV(S)/TREVw/LBC(S)]}/6

(b)   Bill Adjustment for Purchaser of Non-Slice products subject to the LB CRAC.

ADJUST(NS) = {[REVDIFF(NS) + NACDIFF] * [CUSTREV(NS)/TREVw/LBC(NS)]}/6

(c)   Each of these bill adjustments (ADJUST(NS)) (ADJUST(S)) will initially be added to the bill beginning the month following their finalization and shall continue for a six-month period. BPA and the purchaser may agree to a different payment schedule for any six-month period. For the first six-month period, since customers proposed two 3-month calculations, the results of the first 3-month calculation, scheduled for mid-February 2002, will be spread across 3 months, while the second 3-month adjustment, scheduled for June 2002, will be spread across six months (this assures no overlap between bill adjustments for the actual LB CRAC costs for this first six-month period).

2.   Financial-Based Cost Recovery Adjustment Clause

The FB CRAC is a temporary, upward adjustment to posted power rates for certain Subscription sales which occurs if end-of-year Accumulated Net Revenues (ANR) in the generation function are forecasted to fall below a threshold level.

The FB CRAC applies to power customers under these firm power rate schedules: PF [Preference (excluding Slice), Exchange Program, and Exchange Subscription], Industrial Firm Power (IP-02), including under the Industrial Firm Power Targeted Adjustment Charge (IPTAC) and Cost-Based Index Rate, Residential Load (RL-02), New Resource Firm Power (NR-02), and Subscription purchases under Firm Power Products and Services (FPS). The FB CRAC does not apply to power sales under Pre-Subscription contracts to the extent prohibited by such contracts, purchases under the PF Slice Rate, the 900 aMW of financial benefits provided under the financial portion of any REP Settlement or for BPA's contractual obligations for Seasonal and Irrigation Mitigation sales, including for any eligible customer that converts from Slice to another BPA product. The FB CRAC does apply to the 1,000 aMW power sale portion of the REP Settlement, including where power sales are converted to cash payments calculated pursuant to Section 5(b) of the Residential Exchange Settlement Agreement.

a. **Formula for Calculation of the Financial-Based Cost Recovery Adjustment Clause**

By August of the fiscal year immediately prior to each fiscal year of the rate period (*i.e.,* FY 2002-2006), a forecast of that end-of-year ANR will be completed. If the ANR at the end of the forecast year falls below the FB CRAC Threshold applicable to that fiscal year, the FB CRAC will trigger, and a CRAC rate increase will go into effect beginning in October of the upcoming fiscal year.

The Revenue Amount will be determined by the following formula:

Revenue Amount is the lower of:

FB CRAC Threshold minus forecasted ANR;

or

The annual Maximum Planned Recovery Amount, shown in Table B below.

Where Revenue Amount is the amount of additional revenue that an increase in rates under FB CRAC is intended to generate during the period that the rate increase is effective.

Where FB CRAC Threshold is the "trigger point" for invoking a rate increase under the FB CRAC. The threshold is pre-specified for the end of FY 2001, 2002, 2003, 2004, and 2005, in Table B.

Where ANR is generation function net revenues, as accumulated since 1999, at the end of each of the FY 2001-2005. Audited Actual Accumulated Net Revenues (AANR), confirmed by BPA's independent auditing firm, will be used for FY 1999 and 2000, and any subsequent year for which they are available. Unaudited AANR will be used to the extent audited actuals are not available.

The expected value of a probabilistic forecast of ANR through the end of each fiscal year will be calculated and used to determine if the threshold has been reached, and what the Revenue Amount is. Net revenues for any given fiscal year are accrued revenues less accrued expenses, in accordance with Generally Accepted Accounting Practices, with the following two exceptions. First, for purposes of determining if the FB CRAC threshold has been reached, actual and forecasted expenses will include BPA expenses associated with Energy Northwest debt service as forecasted in the WP-02 Final Studies. Second, the impact of adopting Financial Accounting Standard 133, Accounting for Derivative Instruments and Hedging Activities, will not be considered in determining if the CRAC threshold has been reached. Only generation function revenues and expenses, which is to say actual and forecasted revenues and expenses that are associated with the production, acquisition, marketing, and conservation of electric power, will be included in determinations under the FB CRAC. Accrued revenues and expenses of the transmission function are excluded. Impacts of forecasted revenues, positive or negative, from contractual true-up pursuant to the Slice Agreement shall be included in the revenue forecast when determining the FB CRAC. As part of BPA's annual audit process, BPA's independent outside auditing firm will confirm that BPA's AANR determination was consistent with applicable criteria. This confirmation will be made in accordance with additional agreed upon procedures established by BPA and its independent outside auditing firm after consultation with interested parties.

Where Maximum Planned Recovery Amount is the maximum annual amount planned to be recovered through the FB CRAC.

Table B

End of Fiscal Year	FB CRAC Threshold (ANR)	Maximum Planned Recovery Amount (Beginning October)
2001	$ -386M	NONE
2002	$ -408M	$135 M
2003	$ -265M	$150 M
2004	$ -299M	$150 M
2005	$ -299M	$175 M

Once the Revenue Amount is determined, that amount will be converted to the FB CRAC Percentage. The FB CRAC Percentage is the percentage increase in customers' rate (not including LB CRAC) in each of the firm power rate schedules listed above. This percentage will be applied to generate the additional FB CRAC revenue.

The FB CRAC Percentage will be determined by the following formula:

FB CRAC Percentage =
Revenue Amount
Divided by
FB CRAC Revenue Basis

For FY 2002, the FB CRAC Revenue Basis is the total generation revenue (not including LB CRAC) for the loads subject to FB CRAC for the fiscal year in which the FB CRAC implementation begins, based on the then most current revenue forecast. For FYs 2003-2006, FB CRAC Revenue Basis is the total generation revenue (not including LB CRAC) for the loads subject to FB CRAC plus Slice loads for the fiscal year in which the FB CRAC implementation begins, based on the then most current revenue forecast. Each non-Slice product's total charge for energy, demand, and load variance will be increased by this CRAC percentage amount.

Rate increases under the FB CRAC will be due in 12-monthly payments from November (for the October billing period) through October of the following year.

b.   **FB CRAC Adjustment Timing**

In August prior to the beginning of each year of the rate period, the Administrator will determine whether the expected value of the ANR forecast at the end of that current fiscal year is below the FB CRAC Threshold. If the ANR is forecasted to fall below the FB CRAC Threshold, the Administrator will propose, by the end of August, to assess a cost recovery adjustment to applicable rates for power deliveries beginning in October.

Each customer will be notified, on or about September 1st, of the percentage increase in rates due to the FB CRAC. The rates used to calculate the customers' bills for the following October through September will reflect the FB CRAC increase.

c.   **FB CRAC Notification Process**

BPA shall follow the following notification procedures:

(1)   **Financial Performance Status Reports**

Each quarter, BPA shall post on its electronic information access (World Wide Web) site, preliminary, unaudited, year-to-date aggregate financial results for generation, including ANR.

By January of each year, BPA shall post on its web site the audited AANR attributable to the generation function for the prior fiscal year ending September 30.

In May and August of each year, BPA shall post on its web site an end-of-year forecast of ANR attributable to the generation function.

(2)   **Actions to mitigate the need for the FB CRAC**

If actual accumulated net revenues at the end of a fiscal year are within $150 million of the FB CRAC threshold for the subsequent year, BPA will prepare and post on its Web site an analysis for the causes of BPA's financial decline compared to the rate case plan, and propose a prioritized list of potential actions to avert or mitigate the need for FB CRAC. BPA shall conduct a public comment period on these actions to avert or reduce a potential FB CRAC rate adjustment by the following October.

(3)   **Notice of FB CRAC Trigger**

BPA shall complete and adopt a probabilistic forecast of end-of-year ANR in August of each year. BPA shall notify all customers and rate case parties by the end of August, in each of the FYs 2001-2005, if the expected value of ANR is forecasted to fall below the FB CRAC Threshold for that fiscal year and, if so, the extent to which BPA intends to adjust rates under the FB CRAC. Notification will include the audited AANR for the prior FY, the forecast of end-of-year ANR, the calculation of the Revenue Amount, and the FB CRAC Percentage. The notice shall also describe the data and assumptions relied upon by BPA. Such data, assumptions and documentation, if non-proprietary and/or non-privileged, shall be made available for review at BPA upon request. The notice shall also contain the tentative schedule for the remainder of the FB CRAC implementation process.

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

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

d.   **True-up**

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

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

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

3.   Safety-Net Cost Recovery Adjustment Clause

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