2002 Supplemental Power Rate Proposal Appendix to Administrator's Final Record of Decision

WP-02-A-09

June 2001

BONNEVILLE
POWER ADMINISTRATION

2002 FINAL SUPPLEMENTAL GENERAL RATE SCHEDULE PROVISIONS

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GENERAL RATE SCHEDULE PROVISIONS ACRONYMS LIST

AAMTA	Augmentation Amount Actual
AAMTF	Augmentation Amount Forecast
AANR	Audited Accumulated Net Revenues
ACTUALLBCREVREQ	Actual Load-Based Cost Recovery Adjustment Clause Revenue Required
ACTUALLBCREVREQ(NS)	Actual Load-Based Cost Recovery Adjustment Clause Revenue Required (non-Slice)
ACTUALLBCREVREQ(S)	Actual Load-Based Cost Recovery Adjustment Clause Revenue Required (Slice)
ADJUST(NS)	Adjustment to a Purchaser's Non-Slice Monthly Bill
ADJUST(S)	Adjustment to a Purchaser's Slice Monthly Bill
aMW	Average Megawatt
ANR	Accumulated Net Revenues
APP	Augmentation Pre-Purchase
BPA	Bonneville Power Administration
BUYDOWN	Cost of Load Buydown
C&R Discount	Conservation and Renewables Discount
C&R(NS)	Conservation and Renewables Discount–Non-Slice
C&R(S)	Conservation and Renewables Discount–Slice
CRAC	Cost Recovery Adjustment Clause
CUSTREV(NS)	Customer Revenue with LB CRAC–Non-Slice
CUSTREV(S)	Customer Revenue with LB CRAC–Slice
DDC	Dividend Distribution Clause
DIURNALACA	Diurnal Augmentation Cost Actual
DIURNALACF	Diurnal Augmentation Cost Forecasted
DSIs	Direct Service Industrial Customers
FB CRAC	Financial-Based Cost Recovery Adjustment Clause
FCRPS	Federal Columbia River Power System
FERC	Federal Energy Regulatory Commission
FPS	Firm Power Products and Services (rate)
FY	Fiscal Year (Oct-Sep)
GRSPs	General Rate Schedule Provisions
HLH	Heavy Load Hour
IP	Industrial Firm Power (rate)
IPTAC	Industrial Firm Power Targeted Adjustment Charge
IOUs	Investor-Owned Utilities
kW	Kilowatt (1,000 watts)
kWh	Kilowatthour
LB CRAC	Load-Based Cost Recovery Adjustment Clause
LB CRAC%	Percent applied to sales revenue for loads subject to the LB CRAC
LBCREV(NS)	LB CRAC Revenues (Non-Slice) Received by BPA
LBCREV(S)	LB CRAC Revenues [Slice] Received by BPA

LDD(NS)	Low Density Discount non-Slice
LDD(S)	Low Density Discount Slice
LLH	Light Load Hour
LOAD(NS)	Non-Slice Load Subject to LB CRAC
LOAD(S)	Slice Load Subject to LB CRAC
May Proposal	May 2000 Final Power Rate Proposal
MARRA	Monthly Augmentation Resale Revenues Actual
MARRF	Monthly Augmentation Resale Revenues Forecasted
Mid-C	Mid-Columbia
MSC	Monthly System Capability
MW	Megawatt (1 million watts)
MWh	Megawatthour
NACA	Net Augmentation Cost Actual
NACDIFF	Net Augmentation Cost Difference
NACF	Net Augmentation Cost Forecasted
Northwest Power Act	Pacific Northwest Electric Power Planning and Conservation Act
NR	New Resource Firm Power
NSL(A)	Actual Non-Slice Load
NSL(F)	Forecasted Non-Slice Load
OC	Option Costs
PF	Priority Firm Power (rate)
PRICE	Price for Augmentation Amounts Not Pre-Purchased
RATE(NS)	Non-Slice Rates Without LB CRAC
RATE(S)	Slice Rates Without LB CRAC
REP	Residential Exchange Program
REP Settlement	Investor-Owned Utilities Residential Exchange Program Settlement
REVDIFF(NS)	Revenue Difference Non-Slice
REVDIFF(S)	Revenue Difference Slice
REVRATE(NS)	Adjusted Non-Slice Rates
REVRATE(S)	Adjusted Slice Rate
REVw/LBC(NS)	Actual non-Slice Revenues
REVw/LBC(S)	Actual Slice Revenues
REVw/oLBC(NS)	Baseline Non-Slice Revenues
REVw/oLBC(S)	Baseline Slice Revenues
RL	Residential Load (rate)
ROD	Record of Decision
SALESMAYAUGA	Actual Sales of Existing Augmentation Quantity
SALESMAYAUGF	Forecasted Sales of Existing Augmentation Quantity
SALESNEWAUGA	Actual Sales of New Augmentation Quantity
SALESNEWAUGF	Forecasted Sales of New Augmentation Quantity
Slice	Slice of the System product
SN CRAC	Safety-Net Cost Recovery Adjustment Clause
TAUGCA	Total Augmentation Cost Actual
TAUGCF	Total Augmentation Cost Forecasted
TARRA	Total Augmentation Resale Revenue Actual

TARRF	Total Augmentation Resale Revenue Forecasted
TCAPPA	Total Cost of Augmentation Pre-Purchases Actual
TCAPPF	Total Cost of Augmentation Pre-Purchases Forecasted
TREVw/LBC(NS)	Total Revenues for Non-Slice With LB CRAC
TREVw/LBC(S)	Total Revenues for Slice with LB CRAC
TTREVw/LBC	Total Revenues with LB CRAC
TREVw/oLBC(NS)	Total Non-Slice Revenues Without LB CRAC
TREVw/oLBC(S)	Total Slice Revenues without LB CRAC
TTREVw/oLBC	Total Revenues without LB CRAC
TLA	Transmission Loss Adjustment

2002 FINAL SUPPLEMENTAL GENERAL RATE SCHEDULE PROVISIONS

A. Introduction

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

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

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

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

Revisions to:

SECTION II: ADJUSTMENTS, CHARGES, AND SPECIAL RATE PROVISIONS

F. Cost Recovery Adjustment Clause

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

1. Load-Based Cost Recovery Adjustment Clause

a. Application of the Load-Based Cost Recovery Adjustment Clause

The LB CRAC is a percentage rate adjustment based on BPA's cost of acquiring power to meet BPA's contractual obligations to serve loads in excess of the expected firm capability of the Federal Columbia River Power System (FCRPS).

The LB CRAC will be calculated and applied to the following rates for sales of energy, capacity, and load variance: PF [Preference, 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), excluding revenues generated by the FB CRAC, SN CRAC, and distributions under Dividend Distribution Clause (DDC).

The LB CRAC applies to the 1,000 average megawatts (aMW) power sale portion of the Residential Exchange Program (REP) Settlement, including where power sales are converted to cash payments calculated pursuant to Section 5(b) of the Residential Exchange Settlement Agreement. The LB CRAC will also apply to the Priority Firm Slice Rate, excluding revenues from the contractual true-up pursuant to the Slice Agreement, and payments pursuant to section T of these GRSPs.

The LB CRAC does not apply to power sales under Pre-Subscription contracts to the extent prohibited by such contracts, the 900 aMW of monetary benefits provided under the financial portion of the REP Settlement, or to BPA's current contractual obligations for Seasonal Irrigation Mitigation sales, including for any eligible customer that converts from Slice to another BPA product.

b. Definitions

(1) (AAMTA) "Augmentation Amount Actual" means the amount of actual augmentation required as determined in section f(1) of these GRSPs.

(2) (AAMTF) "Augmentation Amount Forecast" means the forecasted augmentation as determined in section d of these GRSPs.

(3) (ACTUALLBCREVREQ) "Actual LB CRAC Revenue Required" means an amount equal to the actual costs incurred by BPA to

acquire AAMTA during any six-month period, and is equal to the sum of ACTUALLBCREVREQ(NS) [for Non-Slice products] and ACTUALLBCREVREQ(S) [for the Slice product].

(4) (ACTUALLBCREVREQ(NS)) "Actual LB CRAC Revenue Required (Non-Slice)" means the portion of the actual costs incurred by BPA to acquire AAMTA during any six-month period purchases apportioned to Non-Slice Rates.

(5) (ACTUALLBCREVREQ(S)) "Actual LB CRAC Revenue Required (Slice)" means the portion of the actual costs incurred by BPA to acquire AAMTA during any six-month period that is apportioned to Slice.

(6) ADJUST(NS)) "Adjustment to a Purchaser's Non-Slice Monthly Bill" means the adjustment to a customer's monthly power bill for the purchase of energy, capacity and load variance products under Non-Slice Rates in an amount equal to one-sixth (1/6) of the customer's share of the Revenue Difference (REVDIFF[NS]) for the preceding six-month period.

(7) (ADJUST(S)) "Adjustment to a Purchaser's Slice Monthly Bill" means the adjustment to a customer's monthly power bill for purchases under Slice in an amount equal to the customer's share of REVDIFF(S) for the preceding six-month period.

(8) (APP) "Augmentation Pre–Purchase" means the quantity of power under a contract or other binding obligation entered into by BPA at least 120 days prior to the first day of the month for the delivery of AAMTF for a given month.

(9) (BUYDOWN) "Cost of Load Buydown" means the costs that BPA incurs to reduce or eliminate its contractual obligation to deliver firm power to regional customers and thereby lower the AAMTF or AAMTA for a month.

(10) (C&R(NS)) "Conservation and Renewables Discount–Non-Slice" means the total dollars actually credited to all Non-Slice purchasers under the Conservation & Renewable Discount.

(11) (C&R(S)) "Conservation and Renewables Discount–Slice" means the total dollars actually credited to all Slice purchasers under the Conservation & Renewables Discount.

(12) (CUSTREV(NS)) "Customer Revenue with LB CRAC–Non-Slice" means the actual revenues received by BPA from each customer for a given six-month period for the purchase of energy, capacity and load variance service at Non-Slice Rate subject to the LB CRAC, reduced by any C&R(NS) and LDD(NS).

(13) (CUSTREV(S)) "Customer Revenue with LB CRAC - Slice" means the actual revenues received by BPA from each customer for a given six-month period for purchases at the Slice rate subject to the LB CRAC, reduced by any C&R(S) and LDD(S).

(14) (DIURNALACA) "Actual Diurnal Augmentation Cost" means the diurnal cost, in dollars, actually incurred by BPA to acquire AAMTA. Diurnal costs are calculated using monthly flat AAMTA and the diurnal cost of acquiring that AAMTA.

(15) (DIURNALACF) "Diurnal Augmentation Cost Forecast" means the diurnal cost, in dollars, that BPA forecasts it will incur to acquire AAMTF. Diurnal costs are calculated using monthly flat AAMTF amounts and the diurnal cost of acquiring those AAMTF amounts.

(16) (LB CRAC%) "LB CRAC Percentage" means the percentage produced by dividing Net Augmentation Costs Forecasted (NACF) by Total Revenues without LB CRAC (TTREVw/oLBC).

(17) (LBCREV(NS)) "LB CRAC Revenues (Non-Slice) Received by BPA" means the amount of revenues actually received by BPA during any six-month period from the sale of energy, capacity and load variance services at Non-Slice Rates subject to the LB CRAC, as reduced by the C&R(NS) and LDD(NS).

(18) (LBCREV(S)) "LB CRAC Revenues [Slice] Received by BPA" means the amount of revenues actually received by BPA during any six-month period from sales at the Slice rate (WP-A-02, Section II.D.2), reduced by the C&R(S) and LDD(S).

(19) (LDD(NS)) "Low Density Discount Non-Slice" means the total dollars actually credited to all purchasers under Non-Slice Rates subject to the LB CRAC under the Low Density Discount.

(20) (LDD(S)) "Low Density Discount Slice" means the total dollars actually credited to all purchasers under the Slice rate under the Low Density Discount.

(21) (LOAD(NS)) "Non-Slice Load Subject to LB CRAC" means the loads that are served by BPA at Non-Slice Rate that are subject to the LB CRAC.

(22) (LOAD(S)) "Slice Load Subject to LB CRAC" means loads that are served by BPA at the Slice rate. LOAD[S] is initially 2,000 aMW, but will be adjusted to reflect contracted Slice loads prior to October 1, 2001.

(23) (MARRA) "Monthly Augmentation Resale Revenues Actual" means the actual monthly resale revenues determined by multiplying the: (a) sum of: (i) Sales of Existing Augmentation Quantity (SALESMAYAUGA) multiplied by $28.10; and (ii) Sales of New Augmentation Quantity (SALESNEWAUGA) multiplied by $19.26; by (b) the number of hours in the month.

(24) (MARRF) "Monthly Augmentation Resale Revenues Forecasted" means the forecasted monthly resale revenues determined by multiplying the: (a) sum of: (i) Sales of Existing Augmentation Quantity (SALESMAYAUGF) multiplied by $28.10; and (ii) Sales of New Augmentation Quantity (SALESNEWAUGF) multiplied by $19.26; by (b) the number of hours in the month.

(25) (MSC) "Monthly System Capability" means the monthly value obtained by shaping the firm system capability to BPA's firm monthly loads, where firm system capability equals 7,070 aMW of FCRPS capability, less the amount of such capability sold to Slice purchasers. A separate shape will be produced for each separate year in the rate period. These monthly amounts of MSC are established once in the Supplemental Rate Case ROD.

(26) (NACA) "Net Augmentation Cost Actual" means the additional augmentation costs that are actually required to be recovered through application of the LB CRAC. NACA is determined separately for each month in any given six-month period.

(27) (NACF) "Net Augmentation Cost Forecast" means the forecast of additional augmentation costs that are required to be recovered through application of the LB CRAC. NACF is forecasted separately for each month in any given six-month period.

(28) (NACDIFF) "Net Augmentation Cost Difference" means the difference between NAC(120) and NAC(0).

(29) (NSL(A)) "Actual Non-Slice Load" means the actual amount of load served by BPA under Non-Slice Rates during a six-month period.

(30) (NSL(F)) "Forecasted Non-Slice Load" means the amount of load served by BPA during a six-month period under Non-Slice Rates.

(31) "Non-Slice Rates" means all BPA firm power rates, other than the PF Slice Rate and includes PF Preference, PF Exchange Program, PF Exchange Subscription, Industrial Firm Power, Industrial Firm Power Targeted Adjustment Charge and Industrial Firm Power Cost Based Index, Residential Load, New Resource Firm Power and the Firm Power Products and Services Rates.

(32) (OC) "Option Costs" means the costs actually incurred or revenues received by BPA by entering into physical or financial option contracts, or other financial contracts, or to reduce the cost of acquiring the cost of AAMTA or AAMTF.

(33) (PRICE) "Price For Forecasted Augmentation Amounts Not Pre-Purchased" means the forward price per megawatthour (MWh) used by BPA to determine the cost of purchasing power equal to the amount by which AAMTF exceeds APP. The PRICE will be established by BPA through the use of documented quotes for specific quantities from brokers or marketers or publicly available forward price indices. In each case, it is for electricity delivered at the Mid-Columbia market hub.

(34) (RATE(NS)) "Non-Slice Rates Without LB CRAC" means the Non-Slice rates established by BPA in May 2000 in the Administrator's Record of Decision in BPA Docket WP-02.

(35) (RATE(S)) "Slice Rate without LB CRAC" means the Slice rate established by BPA in May 2000 in the Administrator's Record of Decision in BPA Docket WP-02.

(36) (REVDIFF(NS)) "Revenue Difference Non-Slice" means the amount by which actual LBCREV(NS) exceeds or is less than ACTUALLBCREVREQ(NS) during any six-month period.

(37) (REVDIFF(S)) "Revenue Difference Slice" means the amount by which actual LBCREV(S) exceeds or is less than ACTUALLBCREVREQ(S) during any six-month period.

(38) (REVRATE(NS)) “Adjusted Non-Slice Rates” means the Non-Slice Rates that will apply to sales of energy, capacity and load variance products during the immediately upcoming six-month period.

(39) (REVRATE(S)) “Adjusted Slice Rate” means the Slice rate that will apply to sales of the Slice product during the immediately upcoming six-month period.

(40) (REVw/LBC(NS)) “Actual Non-Slice Revenues” means the monthly revenues actually received by BPA from sales of energy, capacity and load variance products during any six-month period, reduced by the C&R(NS) and LDD(NS).

(41) (REVw/LBC(S)) “Actual Slice Revenues” means the monthly revenues actually received by BPA from sales of the Slice product during any six-month period reduced by C&R(S) and LDD(S).

(42) (REVw/oLBC(NS)) “Baseline Non-Slice Revenues” means the monthly revenues received by BPA from sales of energy, capacity and load variance products subject to LB CRAC using RATE(NS) during any given six-month period reduced by the C&R(NS) and LDD(NS).

(43) (REVw/oLBC(S)) “Baseline Slice Revenues” means the monthly revenues received by BPA from sales of the Slice product during any given six-month period calculated using RATE(S), reduced by the C&R(S) and LDD(S).

(44) (SALESMAYAUGA) “Actual Sales of Existing Augmentation Quantity” means the resale of augmentation of 1,745 aMW minus [(actual DSI load/1486) * 450].

(45) (SALESMAYAUGF) “Forecasted Sales of Existing Augmentation Quantity” means the resale of augmentation of 1,745 aMW minus [(forecasted DSI load/1486) * 450].

(46) (SALESNEWAUGA) “Sales of New Augmentation Quantity Actual” means the actual monthly amount (in aMW) by which AAMTA is greater than the amount in SALEMAYAUGA.

(47) (SALESNEWAUGF) “Sales of New Augmentation Quantity Forecasted” means the forecasted monthly amount (in aMW) by which AAMTF is greater than the amount in SALEMAYAUGF.

(48) (TAUGCA) "Total Augmentation Cost Actual" means the sum of the monthly DIURNALACA, BUYDOWN and OC amounts for a given six-month period.

(49) (TAUGCF) "Total Augmentation Cost Forecast" means the sum of the monthly DIURNALACF, BUYDOWN, and OC amounts for a given six-month period.

(50) (TARRA) "Total Augmentation Resale Revenue Actual" means the sum of the separate monthly MARRA amounts for a given six-month period.

(51) (TARRF) "Total Augmentation Resale Revenue Forecasted" means the sum of the separate monthly MARRF amounts for a given six-month period.

(52) (TCAPPA) "Total Cost of Augmentation Pre-Purchases Actual Non-Slice" means the actual total cost to acquire APPA(NS).

(53) (TCAPPF) "Total Cost of Augmentation Pre-Purchases Forecasted" means the forecasted total cost of the APP made for a month.

(54) (TREVw/LBC(NS)) "Total Revenues for Non-Slice With LB CRAC" means the sum of all REVw/LBC(NS) for any given six-month period.

(55) (TREVw/LBC(S)) "Total Revenues for Slice with LB CRAC" means the sum of all REVw/LBC(S) for any given six-month period.

(56) (TTREVw/LBC) "Total Revenues with LB CRAC" means the sum of TREVw/LBC(S) and TREVw/LBC(NS).

(57) (TREVw/oLBC(NS)) "Total Non-Slice Revenues Without LB CRAC" means the sum of all REVw/oLBC(NS) for any given six-month period.

(58) (TREVw/oLBC(S)) "Total Slice Revenues without LB CRAC" means the sum of all REVw/oLBC(S) for any given six-month period.

(59) (TTREVw/oLBC) "Total Revenues without LB CRAC" means the sum of TREVw/oLBC(S) and TREVw/oLBC(NS).

(60) (TLA) "Transmission Loss Adjustment" means the Network loss factor adjustment applied under applicable BPA Transmission Business Line tariffs.

c. **Procedure**

Step One below addresses the calculations for determining the LB CRAC percentages that will apply to each six-month period. Step Two below addresses the determination of any rebate or surcharge due to actual LB CRAC exceeding or falling short of the actual costs incurred by BPA to acquire power after the end of the preceding six-month period. This section also describes the procedure by which BPA will provide public process on the application of the LB CRAC.

(1) Step One is calculation of the LB CRAC percentage and resulting adjustment to the rates that will be applied in each six-month period. On or about 90 days prior to the beginning of each six-month period (or in the case of the calculation of the LB CRAC to be applied for the period April 1 through September 30, 2002, on or about 45 days prior to the beginning of that second six-month period), BPA will establish the LB CRAC percentage and resulting adjustment to the rates that will apply to the sale of products under rates subject to the LB CRAC during upcoming six-month period. Using the process described in c(3) below, BPA will determine what data must be revised to develop the LB CRAC for the next six-month period. As a result of rate mitigation efforts, the Step One analysis will occur in two parts. This two-part process is designed to address the problem of some rate mitigation contracts containing pricing that is itself tied to the LB CRAC. For power buybacks made at a premium above the base rate plus the LB CRAC, in part one, BPA will: (a) include the premium portion of any such agreement; and (b) exclude the quantities of any such agreement from the calculation of REVw/LBC(S) and REVw/oLBC(NS). The increment in rates applicable to any such rate mitigation agreement from part one will then be added to the cost of meeting augmentation used in the calculation of the LB CRAC% in part two. Then, in part two the LB CRAC% and REVRATE will be determined. It is this set of adjusted rates that will appear on customer's bills.

(2) Step Two is the calculation of the amount by which actual LB CRAC revenues exceeded or fell short of the actual costs incurred by BPA to acquire power for the most recently concluded six-month period. As is described below, this calculation does not require a new calculation of the LB CRAC percentage or rates.

The amount by which actual LB CRAC revenue exceeded or fell short of actual power costs will be established on or about 90 days after the end of the most recent six-month period. Any such excess or shortfall will be treated separately from any LB CRAC adjustment for the upcoming six-month period. A part of this determination involves revising data from that used to develop the LB CRAC in c(1) immediately above.

(3) Fifteen days prior to the date that BPA must establish the LB CRAC Percentage pursuant to paragraph c(1) above, and any charge or rebate for the amount of any excess or short-fall from the preceding six-month period, BPA will conduct a publicly noticed workshop. For the calculations to be performed for the first six-month period, BPA shall hold two workshops approximately 14 days apart, with the first workshop on or about June 6, 2001. The purpose of the workshop before a six-month period will be to provide customers with information used by BPA to develop the LB CRAC Percentage and adjusted rates for the next six-month period. The information used to perform these calculations will be provided to customers at a quarterly level of aggregation. The purpose of the workshop after a six-month period will be to determine any additional charge or rebate due individual customers for any excess or shortfall of actual LB CRAC revenue to cover NACA from the preceding six-month period. The information used to perform these calculations will be at a quarterly level of aggregation (including total and individual customer revenues used for such calculations). These workshops will provide customers with an opportunity to ask questions about BPA's calculations, and to provide BPA with information relevant to the calculation of the LB CRAC Percentage, adjusted rates, and any proposed charge or rebate.

d. **Revenue and cost calculations performed before each six-month period**

Before the six-month period, these calculations are performed with forecasted amounts to determine the LB CRAC Percentage and revised rates to be applied to purchaser bills during that period.

(1) Calculating AAMTF

This is a two-step process.

(i) Step One – Forecasted Non-Slice Loads (NSL(F))

In this step, BPA will determine what, if any, changes are required in the Forecasted Non-Slice loads contained in the Supplemental ROD.

(ii) Step Two – Forecasted Augmentation Amount (AAMTF)

For each month separately, AAMTF = (NSL(F) – MSC) * (1 + TLA)

(2) Calculating the DIURNALACF

In this calculation, BPA establishes the costs it expects to incur to acquire AAMTF for each diurnal period for each month in the six-month period.

The following calculations will be separately performed for the HLH in a month and the LLH in each month in the next six-month period.

(i) If APP is greater than AAMTF,
DIURNALACF = (AAMTF/APP) * [TCAPPF]

(ii) If APP is equal to AAMTF,

DIURNALACF = TCAPPF

(iii) If APP is less than AAMTF,

DIURNALACF = [TCAPPF] + [(AAMTF-APP) * PRICE * Diurnal Hours]

(3) Calculating Total Augmentation Cost Forecast for a six-month period

BUYDOWN and OC obligations incurred as of the date of the forecast, and DIURNALCF monthly values for a six-month period will be summed to determine the Total Augmentation Cost Forecast (TAUGCF) for the six-month period.

TAUGCF = Sum of the six monthly (DIURNALACF + BUYDOWN + OC)

(4) Calculating Monthly and Total Augmentation Resale Revenues

This calculation establishes the resale revenue amount to be subtracted from TAUGCF for the six-month period.

The definitions of SALESMAYAUGF and SALESNEWAUGA for both the setting of the LB CRAC% and determining any credit or debit are modified to properly address the calculation of augmentation resale revenue to reflect rate mitigation.

SALESMAYAUGF = Minimum [AAMTF, 1,745 aMW minus [(forecasted DSI load/1486) * 450].

SALESNEWAUGF = MAX [0, AAMTF – SALESMAYAUGF]

MARRF = [(SALESMAYAUGF * $28.10) + (SALESNEWAUGF* $19.26)] * Hours in the month

TARRF = Sum of MARRF for each month in a six-month period

(5) Calculating Net Augmentation Cost Forecast for a six-month period

Once the TARRF is established, the NACF will be determined. This is the amount of forecasted costs that must be recovered in an LB CRAC mechanism.

NACF = TAUGCF - TARRF

(6) Calculating Monthly Revenues

This calculation determines the monthly revenues BPA receives from the sale of energy, capacity, and load variance products, including Slice, at rates that are subject to LB CRAC before the application of the LB CRAC.

<u>For the Slice rate</u>,

REVw/oLBC(S) = [RATE(S) * LOAD(S)] – LDD(S) – C&R(S)

Because the Slice rate is stated as $/% per month, REVw/oLBCS, LOAD(S) is calculated using the percentage of Slice contracted, for example, 28.29% = 2,000 aMW of Slice. For Slice calculations, LDD(S) and C&R(S) are calculated as dollars. That is, LOAD(S) = (actual Slice load/7070)*100.

For Non-Slice Rates for Part One:

REVw/oLBC(NS) = [RATE(NS) * LOAD(NS) * Hours in month] – LDD(NS) – C&R(NS) – ((energy quantity of rate mitigation deals tied to LB CRAC * $19.26/MWh))

For Non-Slice Rates for Part Two:

REVw/oLBC(NS) = [RATE(NS) * LOAD(NS) * Hours in month] – LDD(NS) – C&R(NS)

Because Non-Slice Rates are stated as $/MWh and $/kW-month, LOAD(NS) is expressed in MWh and kW for the month. LDD(NS) and C&R(NS) are values of the discounts in dollar amounts.

(7) Calculating Total Revenues without the LB CRAC for a six-month period

TREVw/oLBC(S) = REVw/oLBC(S) for each month in six-month period.

TREVw/oLBC(NS) = REVw/oLBC(NS) for each month in six-month period.

TTREVw/oLBC = TREVw/oLBC(S)+TREVw/oLBC(NS)

e. **Calculation of the LB CRAC percentage and revised rates for Slice and Non-Slice products**

Calculations under this section e only occur once in advance of each six-month period to make the adjustment that will apply to the upcoming six-month period. When the six-month period is over, the calculations in section f are performed.

(1) Calculating the LB CRAC Percentage

LB CRAC% = NACF/TTREVw/oLBC

(2) Calculating the adjustment to RATE(NS) and RATE(S)

(i) Slice Rate

The spreadsheet model defines a variable Multiplier(S) which equals the bracketed term:

Multiplier (S) = {[((TREVw/oLBC(S) + LDD(S)) * LB CRAC%) + (TREVw/oLBC(S) + C&R(S) + LDD(S))]/[TREVw/oLBC(S) + C&R(S) + LDD(S)]}

REVRATE(S) = RATE(S) * Multiplier(S)

(ii) <u>Non-Slice Rates</u>

The spreadsheet model defines a variable Multiplier(NS) which equals the bracketed term:

Multiplier (NS) = {[((TREVw/oLBC(NS) + LDD(NS)) * LB CRAC%) + (TREVw/oLBC(NS) + C&R(NS) + LDD(NS))]/[TREVw/oLBC(NS) + C&R(NS) + LDD(NS)]}

REVRATE(NS) = RATE(NS) * Multiplier(NS)

(3) Application of Revised Rates

The REVRATE(S) and REVRATE(NS) will replace the RATE(S) and RATE(NS), respectively, on purchaser's bills for products sold in the next six-month period that are subject to the LB CRAC.

f. **Calculations performed after the close of each six-month period**

After the six-month period, these calculations are performed with actual amounts to determine the amount of any adjustment to individual customer bills as a result of an over or under collection of LB CRAC revenues.

(1) Calculating AAMTA

This is a two-step process.

(i) Step One – Actual non-Slice Loads (NSL(A))

In this step, BPA will determine the actual non-Slice loads.

(ii) Step Two – Actual Augmentation Amount (AAMTA)

For each month separately, AAMTA = (NSL(A) – MSC) * (1+ TLA).

(2) Calculating DIURNALACA

In this calculation, BPA establishes the costs it actually did incur to acquire AAMTA for each diurnal period for each month in the six-month period.

The following calculations will be separately performed for the HLH in a month and the LLH in each month in the proceeding six-month period.

(i) If APP is greater than AAMTA,

DIURNALACA = (AAMTA/APP) * [TCAPPA]

(ii) If APP is equal to AAMTA,

DIURNALACA = TCAPPA

(iii) If APP is less than AAMTA,

DIURNALACA = [TCAPPA] + [(AAMTA-APP) * PRICE * Diurnal Hours]

(3) Calculating Total Augmentation Cost Actual for a six-month period

Once DIURNALACA, BUYDOWN, and OC are determined, these monthly values for a six-month period will be summed to determine the Total Augmentation Cost Actual (TAUGCA) for the six-month period.

TAUGCA = Sum of the six monthly (DIURNALACA + BUYDOWN + OC)

(4) Calculating Monthly and Total Augmentation Resale Revenues

This calculation establishes the resale revenue amount to be subtracted from TAUGCA for the six-month period.

SALESMAYAUGA = Minimum[AAMTA, 1,745 aMW minus [(actual DSI load/1486) * 450].

SALESNEWAUGA = MAX[0, AAMTA – SALESMAYAUGA]

MARRA = [(SALESMAYAUGA * $28.10) + (SALESNEWAUGA * $19.26)] * Hours in the month

TARRA = Sum of MARRA for each month in a six-month period

(5) Calculating Net Augmentation Cost Actual for a six-month period

Once the TARRA is established, the NACA will be determined. This is the actual costs that must be recovered in an LB CRAC mechanism.

NACA = TAUGCA - TARRA

(6) Calculating Monthly Revenues

(i) This calculation determines the monthly revenues BPA *would have* received from the sale of energy, capacity, and load variance products, including Slice, at rates that are subject to LB CRAC before the application of the LB CRAC, but using actual loads.

For the Slice rate,

REVw/oLBC(S) = [RATE(S) * LOAD(S)] – LDD(S) – C&R(S)

Because the Slice rate is stated as $/% per month, REVw/oLBCS, LOAD(S) is calculated using the percentage of Slice contracted, for example, 28.29% = 2,000 aMW of Slice. That is, LOAD(S) = (actual Slice load/7070) * 100.

For Non-Slice rates,

REVw/oLBC(NS) = [RATE(NS) * LOAD(NS) * Hours in month] – LDD(NS) – C&R(NS)

Because Non-Slice rates are stated as mills/kWh and $/kW-month, LOAD(NS) is expressed in kWh and kW for the month.

(ii) Calculating Actual Monthly Revenues received

This calculation determines the monthly revenues BPA *actually did* receive from the sale of energy, capacity, and load variance products, including Slice, at rates that are subject to LB CRAC *after* the application of the LB CRAC, but using actual loads.

For the Slice rate,

REVw/LBC(S) = [REVRATE(S) * LOAD(S)] – LDD(S) – C&R(S)

Because the Slice rate is stated as $/% per month, REVw/oLBCS, LOAD(S) is calculated using the percentage of Slice contracted, for example, 28.29% = 2,000 aMW of Slice. That is, LOAD(S) = (actual Slice load/7070) * 100.

For Non-Slice rates,

REVw/LBC(NS) = [REVRATE(NS) * LOAD(NS) * Hours in month] – LDD(NS) – C&R(NS)

Because Non-Slice rates are stated as $/MWh and $/kW-month, LOAD(NS) is expressed in MWh and kW for the month.

(7) Calculating Total Revenues for a six-month period

(i) Without the LB CRAC applied

TREVw/oLBC(S) = REVw/oLBC(S) for each month in six-month period.

TREVw/oLBC(NS) = REVw/oLBC(NS) for each month in six-month period.

TTREVw/oLBC = TREVw/oLBC(S)+TREVw/oLBC(NS)

(ii) With the LB CRAC applied

TREVw/LBC(S) = REVw/LBC(S) for each month in six-month period.
TREVw/LBC(NS) = REVw/LBC(NS) for each month in six-month period.

TTREVw/LBC = TREVw/LBC(S)+TREVw/LBC(NS)

g. **Determining the surcharge or rebate at the close of a six-month period.**

The calculations in this Section g are made once for each six-month period. They are applied only after a six-month period and are used to determine whether the costs incurred by BPA to acquire AAMTA during the preceding six-month period were more or less than the LB CRAC revenues actually received by BPA during such six-month period. The calculations in this Section will be performed as soon as the necessary actual data is available after each six-month period. There are four steps involved in this determination.

Step One:	Calculate the LB CRAC revenues that were actually collected during the six-month period separately for Slice and Non-Slice sales;
Step Two:	Calculate the LB CRAC revenues that are needed to cover the AAMTA power costs incurred by BPA during the six-month period, divided between Slice and Non-Slice products based on actual LB CRAC revenues;
Step Three:	Calculate the difference between Step One and Step Two for Slice and Non-Slice products separately;
Step Four:	Calculate the change in cost of meeting AAMTA associated with using the NACA(120) and NACA(0).
Step Five:	Calculate the adjustment to the bill of each customer.

(i) Step One

LBCREV(S) = TREVw/LBC(S) – TREVw/oLBC(S)

LBCREV(NS) = TREVw/LBC(NS) – TREVw/oLBC(NS)

(ii) Step Two

ACTUALLBCREVREQ(S) = [NACA * (TREVw/LBC(S)/TTREVw/LBC)]

ACTUALLBCREVREQ(NS) = [NACA * (TREVw/LBC(NS)/TTREVw/LBC)]

(iii) Step Three

REVDIFF(S) = LBCREV(S) - ACTUALLBCREVREQ(S)

REVDIFF(NS) = LBCREV(NS) - ACTUALLBCREVREQ(NS)

(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:

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

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

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

a. **SN CRAC Notification Process**

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

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

b. **SN CRAC Hearing Process**

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

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

H. Dividend Distribution Clause

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

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

1. Formula for the Calculation of the Dividend Distribution Amount

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

AANR are generation function net revenues, as accumulated since 1999, at the end of each of the FY 2002-2005. Net revenues are accrued revenues less accrued expenses, in accordance with Generally Accepted Accounting Practices, with the following exceptions. For purposes of determining if the DDC threshold has been reached, actual and forecasted expenses will include BPA expenses associated with Energy Northwest debt service as forecasted in the Final Studies from the 2002 Final Power Rate Proposal, WP-02-FS, May 2000. 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 accrued revenues and accrued expenses that are associated with the production, acquisition, marketing, and conservation of electric power, are included in determinations under the DDC; accrued revenues and expenses of the transmission function are excluded. 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.

DDC Threshold is the level of AANR that must be realized before a distribution is made as required by this section. The DDC Threshold is $993 million for the end of FY 2002, $735 million for the end of FY 2003, and $401 million for the end of FYs 2004 and 2005.

The DDC threshold for any fiscal year will be adjusted upward by the following:

a. In the event that there has been a power system emergency (as defined in "FCRPS Protocols for Emergency Operation In Response to Generation or Transmission Emergencies" dated September 22, 2000, or replacement protocols) during the fiscal year; and BPA has agreed to provide additional funding to mitigate the impact of the emergency operations on fish and wildlife, any of the additional emergency-related fish and wildlife funding which BPA has not spent during that fiscal year will be added to the threshold amount for that year; and/or

b. In the event that BPA fish and wildlife operations and maintenance ("direct program") costs previously budgeted for expenditure in that fiscal year but were not spent, and for which a need continues, will be added to the threshold amount for that year.

DDC Amount is the aggregate amount in excess of the DDC Threshold that is available to be distributed to customers. The DDC Amount may be equal to zero and will be determined by the following formula:

DDC Amount =
AANR - DDC Threshold, as adjusted

The first $15 million of the DDC Amount, if the DDC Amount exceeds $15 million, or the entire DDC Amount if it equals $15 million or less, will be allocated to qualifying customers' participating in the C&R Discount. The C&R Discount is a rate mechanism designed to encourage incremental conservation and renewable resource development by BPA's power purchasers under PF, IP, RL, and NR rate schedules. *See* C&R Discount GRSPs, Section II.A.

The Customer DDC Amount, which is the DDC Amount after reduction by the $15 million as described in the preceding paragraph, will be returned to power customers. Any such amounts will be returned to customers in proportion to the DDC Customer Revenue Amount, which is the revenue BPA received from each customer under rates subject to the DDC since the beginning of the rate period, or since the last DDC, whichever is later. A customer's DDC Customer Revenue Amount excludes Slice revenues, and includes all Non-Slice CRAC revenues. The IOU financial benefit is included as revenue based on the product of each customer's share of 900 aMW and the sum of the RL-02 rate and the amount of any CRAC applied to power deliveries under such rate.

DDC Percentage =
Each customer's DDC Customer Revenue Amount
divided by
sum of all Customer Revenue Amounts

Each covered power customer will receive a rebate equal to the Power Customer DDC Percentage times the Customer DDC Amount. One-twelfth of each customer's share of the Customer DDC Amount will be credited to customers, on bills for deliveries beginning April 1, and for any FY 2003-2005, remain in effect for 12 months, *i.e.*, through March 30 of the following year. In the last year of the rate period (FY 2006), one-sixth of each customer's share of the Customer DDC Amount will be credited to customers, on bills for deliveries beginning April 1, through September 30, 2006.

2. Determination of a Distribution

In January of each year of the rate period (FY 2003-2006), the Administrator will determine whether the AANR exceeds the DDC Threshold. If the AANR exceeds the DDC Threshold, customers and rate case parties will be so notified. By March 1, the Administrator will provide calculations of any proposed distribution of Customer DDC Amount. The Administrator will issue a final decision on the proposal on or about April 15.

3. Distribution Notification Process

BPA shall follow the following notification procedures:

a. **Financial Performance Status Reports**

By no later than August 31 of each year, BPA shall post on its electronic information access site (World Wide Web) a forecast of AANR attributable to the generation function for the FY ending September 30.

b. **Notice of DDC Trigger**

On or about January 15, in each of the FY 2003-2006, BPA will notify all power customers and rate case parties if the AANR exceeds the DDC Threshold. (If the December unaudited AANR report for the generation function indicated that the DDC Threshold might be exceeded, and the audited actuals show that it was not exceeded, customers will also be notified.)

(1) On or about February 15, of any of the FY 2003-2006 in which the AANR exceeds the DDC Threshold, the Administrator will notify all power customers and rate case parties. Notification will include the AANR for the prior fiscal year, the DDC Amount, the calculation of any adjustments to the threshold, calculation of the DDC Amount, the sum of Customer Revenue Amounts, and each customer's proposed DDC 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 DDC implementation process.

Prior to March 15, BPA will conduct a public review and comment process on the proposal.

(2) On or about April 15, of any of the FY 2003-2006 in which the AANR exceeds the DDC Threshold, BPA shall notify customers to which the DDC applies of the decision on the proposal, the final calculation of the DDC Amount, the allocation of the DDC Amount, and, if applicable, the resulting level of the Power Customer DDC Percentage to be applied to each applicable firm power rate schedule.

J. Five-Year Flat Block Price Forecast

The Five-Year Flat Block Price Forecast is BPA's price estimate of the market price for five-year block purchases for the FY 2002-2006 period. This forecast is used in calculating the cash component of the settlements of the REP with regional IOUs as described in BPA's Power Subscription Strategy. The Five-Year Flat Block Price Forecast for this purpose is $38 per MWh.

S. Slice True-Up Adjustment

Each year BPA will calculate the financial true-up for the previous fiscal year, in accordance with the provisions of the Slice Agreement. This contractual true-up will be completed each year regardless of whether the LB CRAC has increased or decreased the PF Slice Rate. See the Slice Product Costing and True-Up Table (Table D). The revenues from this contractual true-up will not be included in any calculation, or application, of the LB CRAC. In addition, adjustments to the Slice rate contained in Administrator's Record of Decision in 2002 Final Power Rate Proposal, WP-02-A-02, May 2000, that occur in accordance with the methodology in section F of these GRSPs are separate, and are applied separately from, the financial true-up under the Slice Agreement referred to in this paragraph.

X. Slice Portion of IOU Settlement

Each monthly Slice bill will include a line item to account for the proposed increment in the IOU cash settlement above the May Proposal. The revenues from this section will not be included in any calculation of the LB CRAC.

The monthly adjustment per one-percent Slice is proposed to be:
[Incremental amount of IOU Settlement costs in the Supplemental Rate Case ROD/12/100] = $ per month per one-percent Slice.
The incremental amount of IOU Settlement costs = [($38.00/MWh-$28.10/MWh) x (900 aMW x 8,760 hours)]/12/100
= $78,051,600/12/100
= $65,043 per month per one-percent Slice

Revisions to:

SECTION III: DEFINITIONS

B. Definition of Rate Schedule Terms

24. Inventory Augmentation (or Inventory Solution)

    BPA's action to supplement the capability of the Federal System Resources, as a result of BPA's Subscription process.