

2007 Wholesale Power Rate Adjustment Proceeding (WP-07)

**ADMINISTRATOR'S FINAL
RECORD OF DECISION**

**APPENDIX A:
2007 WHOLESAL POWER RATE
SCHEDULES AND GENERAL RATE
SCHEDULE PROVISIONS**

July 2006

WP-07-A-02



4. Contingent Recalculation of the DDC Thresholds if additional sources of liquidity are acquired in FY 2006, 2007, or 2008.

The Thresholds for the DDC will be recalculated if the Administrator determines, in his sole determination, both that BPA has received sufficient assurance after the WP-07 Record of Decision (ROD) has been issued that an additional source of liquidity has become available to BPA, and that the additional source of liquidity warrants recalculation of the Thresholds. For this purpose, an additional source of liquidity includes amounts available under the Flexible PF Rate Program in excess of the \$125 million used in final rate studies; however, additional liquidity, available under the Flexible PF Rate Program will in no case serve to reduce PBL's minimum liquidity reserve level, used to calculate a Treasury miss, below \$50 million.

(a) Conditions occurring after the WP-07 ROD but before the beginning of FY 2009.

If additional sources of liquidity are obtained in time to include in the calculation of the DDC for FY 2007, FY 2008, or FY 2009, then the DDC Thresholds will be recalculated for the remaining whole fiscal years of the rate period. The revised Thresholds will be applied to the DDC calculations for the remaining years of the rate period.

(b) Determining the Change in the DDC Thresholds

BPA shall account for the change in liquidity by adjusting the liquidity reserve requirement in the WP-07 Final Study version of ToolKit. The thresholds for the DDC will be established based on the same 92.6% three-year Agency TPP criterion used to set rates in the WP-07 rate proceeding. No other update will be included in the contingent recalculation of the DDC Threshold.

The Adjusted DDC Thresholds will be in effect for the remaining years in the rate period.

G. Emergency NFB Surcharge

The Emergency NFB Surcharge (Surcharge) is a charge intended to recover costs as specified herein. This Surcharge is a separate adjustment from the NFB Adjustment. If a Trigger Event that is used to implement a Surcharge is also used to trigger an NFB Adjustment, the NFB Adjustment amount will be reduced by such Surcharge Amount.

The Surcharge addresses the fact that the CRAC does not produce revenues in the same fiscal year in which Financial Effects occur. The Surcharge may be implemented in fiscal years 2007, 2008, and/or 2009 if the events required to impose the Surcharge occur in those fiscal years.

The Surcharge is based on Heavy Load Hour, Light Load Hour, Demand and Load Variance sales for power customers under the following firm power rate schedules:

- PF-07 [Preference (excluding the PF Slice Product) and PF Exchange Power];
- Industrial Firm Power (IP-07);
- New Resource Firm Power (NR-07); and
- BPA’s contractual obligations for Irrigation Rate Mitigation Product sales.

The Surcharge is also based on benefits provided by BPA, of:

- the 2200 aMW of monetary benefits provided under the Investor-Owned Utility Residential Exchange Program Settlement Agreement (IOU REP Settlement benefits); and
- the benefits provided to Direct Service Industry (DSI) customers under their BPA contracts in effect during the FY 2007-09 period.

The Surcharge is not based on sales under the following:

- the PF Slice Product; or
- Pre-Subscription contracts to the extent prohibited by such contracts.

1. Definitions

(a) A Trigger Event is when one of the following four kinds of events arises and results in changes to BPA’s FCRPS ESA obligations compared to those in the Final Studies of the WP-07 BPA rate proceeding as modified prior to this Trigger Event:

- (1) A court order in *National Wildlife Federation vs. National Marine Fisheries*, CV 01-640-RE, or any appeal thereof (“Litigation”);
- (2) An agreement (whether or not approved by the Court) that results in the resolution of issues in, or the withdrawal of parties from, the Litigation;
- (3) A new NMFS FCRPS BiOp; or
- (4) A BPA commitment to implement Recovery Plans under the ESA that results in the resolution of issues in, or the withdrawal of parties from, the Litigation.

(b) Financial Effects of a Trigger Event are changes within the fiscal year to BPA’s finances due to a Trigger Event that affects power sales revenues, fish and wildlife credits, power purchases, direct program expenses of the anadromous fish component of BPA’s fish and wildlife program, Corps of

Engineers and Bureau of Reclamation Operations and Maintenance expenses, and amortization of capital costs when compared with the projection of generation function revenues and expenses to the extent available, and forecasted results for the remainder of the fiscal year as modified prior to this Trigger Event. These effects are the total effects on the Federal System including the effects borne directly by Slice Customers.

- (c) The Agency Within-year TPP is the probability that the Agency (i.e., both Power and Transmission) will be able to meet all Agency financial obligations to the Treasury for the fiscal year in which a Trigger Event occurred, and which takes into account for the remainder of such fiscal year: (i) all funds reasonably expected to be available to the Agency to repay the Treasury, including but not limited to financial reserves (including deferred borrowing), funds available from Energy Northwest refinancing under the Debt Optimization Program, and expense reductions and revenue increases, and BPA's then current best estimate of 4(h)(10)(C) credits for that year; and (ii) all financial obligations reasonably expected to require payment, including but not limited to Treasury payments scheduled in the WP-07 BPA rate proceeding, repayments to Treasury required pursuant to the previous exercise of liquidity tools, prepayments to Treasury required or called for by the Debt Optimization Program, and updated forecasts of other reasonably necessary expenses and reasonably necessary uses of cash.
- (d) Surcharge Amount is the amount of money to be collected under this surcharge provision. Adjusted Surcharge Amount is the Surcharge Amount reduced by the amount of reduction in benefits paid to the IOUs and DSIs after accounting for the impact on the Slice True-up.
- (e) Revenue Basis is the 12-month totals of revenue from firm power sales subject to the Surcharge for the fiscal year immediately prior to the fiscal year in which the Trigger Event occurred, or for FY 2007, the analogous sales that occurred in FY 2006.
- (f) Customers and holders of benefit contracts (collectively Customers) is intended to represent those that are obligated to recover the costs as specified herein.
- (g) Customer Percentage is the Revenue Basis associated with each Customer divided by the total Revenue Basis. Each Customer Percentage will be rounded to four decimal places.

2. Criteria for Assessing the Surcharge

The Surcharge will be assessed if: (i) a Trigger Event occurs; and (ii) the Agency Within-year TPP for the fiscal year in which the Trigger Event has occurred is calculated to be less than 80 percent when the Financial Effects of the Trigger Event, but not the revenues from the Surcharge, are taken into account. If this Agency Within-year TPP is equal to or above 80 percent, then no Surcharge will be assessed. If the Agency Within-year TPP is below 80 percent in a fiscal year, but no Trigger Event is deemed to have occurred in the fiscal year, then no Surcharge will be assessed. There can be more than one Trigger Event in a year, and therefore there could be more than one rate Surcharge implemented in a fiscal year.

A Trigger Event may have Financial Effects in more years than the fiscal year in which the Trigger Event occurs. In such a case, the Trigger Event will be deemed to have occurred in each fiscal year in which there are Financial Effects of the Trigger Event, and subsections G.3, G.4, G.5, and G.6 will be used for each such subsequent fiscal year during the FY2007-09 rate period to determine whether the implementation of a Surcharge is warranted in each such subsequent fiscal year. If there are, or are deemed to be, multiple Trigger Events in any fiscal year, the Financial Effects of those events will be the net effect for that fiscal year.

The earliest time a determination of whether to levy a Surcharge for a subsequent fiscal year can be made is during the CRAC/NFB/DDC calculations in August or September of the year in which the Trigger Event occurs (*i.e.*, August or September prior to the start of the first such subsequent fiscal year).

No Surcharge will be levied if the Surcharge Amount described below is calculated to be less than \$10 million. If the first month in which the Surcharge bill is sent out occurs during the last quarter of the fiscal year in which the Trigger Event occurred, then the Surcharge Amount in each such month shall not exceed \$25 million.

3. Formula for Calculating the Financial Effects and the Surcharge Amount

The calculation of the Financial Effects will be determined as follows making use of the best information available at the time:

$$\begin{aligned} \text{Financial Effects} &= \\ &\text{Expected Value Modified Net Revenue without Trigger Event} \\ &\text{Minus} \\ &\text{Expected Value Modified Net Revenue with Trigger Event} \end{aligned}$$

Where:

- (a) The Expected Value Modified Net Revenue without Trigger Event is BPA's projection of what the Modified Net Revenues would be at the end of the fiscal year assuming the Financial Effects of the Trigger Event did not take place. Such projection will be based on actual generation function revenues and expenses to the extent available and forecasted results for the remainder of the fiscal year, and will include revenues and expenses that are associated with the production, acquisition, marketing, and conservation of electric power, including BPA's best estimate of 4(h)(10)(C) credits.
- (b) The Expected Value Net Revenue with Trigger Event is the identical projection as made in (1) above except that BPA will assume the Financial Effects of the Trigger Event did take place.

The calculation of the Surcharge Amount will be determined as follows making use of the best information available at the time:

$$\begin{aligned} &\text{The Surcharge Amount} = \\ &\text{Financial Effects} \\ &\quad \text{Minus} \\ &\text{Expense Changes Borne by Slice Customers} \end{aligned}$$

Where:

- (a) The Expense Changes Borne by Slice Customers are the estimated costs subject to the Annual True-up Adjustment for Actual Costs, including changes in IOU and/or DSI benefits due to the Surcharge.

The portion of the Surcharge Amount allocated to the IOU and DSI customers in determining the Adjusted Surcharge Amount is set forth in subsection G.4 below. The Adjusted Surcharge Amount to be collected from firm power purchasers subject to the Surcharge, excluding the IOU and DSI customers, is set forth in subsection G.5 below.

4. Calculating IOU and DSI Portions of the Surcharge Amount

For the purpose of determining the Adjusted Surcharge Amount, a determination will be made of the portion of the Surcharge Amount to be realized from a reduction, if any, in the benefit payments to the IOUs and DSIs. Such reduction, if any, results from an increase in the rate (\$/MWh) used to calculate IOU and DSI benefits and will be realized by reducing the payments to the IOUs and DSIs

during the months for which the Surcharge is billed to PF loads subject to the Surcharge.

Calculation and application of the Surcharge as applied to IOU REP Settlement benefits will be subject to the cap and floor on IOU benefit amounts under REP Settlement Agreements. Calculation and application of the Surcharge as applied to DSI benefits will be subject to the cap on DSI benefit amounts under the DSI agreements.

For the purpose of determining the Adjusted Surcharge Amount, IOU and DSI benefits will be recalculated through adjustment of the PF rate used to calculate benefits under the IOU REP Settlement Agreements and the PF rate used to calculate the DSI benefits until the sum of:

The Surcharge Amount =

the increased revenue that would be realized from a Surcharge on PF and other products subject to the Surcharge

Plus

the calculated reduction (in light of the annual effects of the cap and floor on IOU REP Settlement benefits and cap on DSI benefits) in IOU REP Settlement benefits and DSI benefits, if any, (less the effect of this reduction on the Slice True-up Adjustment Charge) that would result from such Surcharge

Any reduction in IOU or DSI benefits determined as described above will be reflected in benefit payments for the same months during which the monthly Surcharge bill is sent out.

5. Calculating the Portion of the Surcharge and the Payment Schedule for Other Customers

If the calculation in subsection G.4 above, yields a reduction in the IOU and/or DSI benefits, the total reduction during the period for the Surcharge will be calculated and subtracted from the Surcharge Amount to determine the portion of the Surcharge Amount that will be collected from customers (other than the IOUs and DSIs) that are subject to the Surcharge (Adjusted Surcharge Amount).

Each Customer Percentage will be multiplied by the Adjusted Surcharge Amount, and divided by the number of billing months payable before the end of the then current fiscal year to determine each customer's Monthly Surcharge, subject to the limit set forth in subsection G.2 above. The Monthly Surcharge will be added to each customer's bill for each billing month payable before the end of the current fiscal year. In the discretion of the Administrator, BPA may collect the

Adjusted Surcharge Amount by modifying the Monthly Surcharge to collect less in earlier months and more in later months of the fiscal year.

If the Surcharge is applied to the PF rate in FY 2007, the FY 2006 data used to perform the calculation described in the paragraph above will be the FY 2006 revenue without FB CRAC or SN CRAC revenue; revenue used in this calculation from pre-Subscription customers (except the Hungry Horse pre-Subscription customers) will be increased for these calculations by adding the LB CRAC rates for the first and second halves of FY 2006.

6. Surcharge Notification Process

BPA shall use the following procedures depending on if one or both of the criteria defined in subsection G.2 occur:

(a) Notification Procedures When a Trigger Event and Agency Within-year TPP Criterion Occur at Different Times During the Same Fiscal Year

(1) Notice of Trigger Event Only

If, at the time a new Trigger Event (*i.e.*, not a deemed Trigger Event) occurs, BPA has not determined pursuant to the subsection G.6.(a)(1) methodology that the Agency Within-year TPP is below 80 percent, then BPA shall notify customers within seven (7) days of the occurrence of the Trigger Event. This initial notice will be posted to BPA's website and provided by e-mail to those listed on the service list for the WP-07 BPA rate proceeding. Such notice will include a description of the Trigger Event and the time and location of a public workshop to be conducted no later than two weeks after the issuance of the notice.

At the workshop, BPA will explain the Trigger Event and the estimated Financial Effects. BPA will provide and explain the data, models, and assumptions used to calculate the Surcharge Amount and Adjusted Surcharge Amount. BPA staff will respond to reasonable requests for data and calculations and will accept comments on any of the foregoing topics. At the customers' request, Power Business Line (PBL), Account Executives shall provide customers their Customer Percentage of the Adjusted Surcharge Amount or benefit reduction, calculated pursuant to subsection G.4 or G.5 as applicable.

No Surcharge will be assessed under this subsection G.6.(a)(1) until the procedural requirements of subsection G.6.(a)(2) have been satisfied.

(2) Notice of Agency Within-year TPP Falling Below 80 Percent Following a Trigger Event

If at some time later in the fiscal year in which a Trigger Event has occurred BPA determines using the methodology developed pursuant to the subsection G.6.(a)(1) that the Agency Within-year TPP is below 80 percent, BPA will notify customers within seven (7) days of such a determination. In addition, this notice will be posted to BPA's website and provided by e-mail to those listed on the service list for the WP-07 BPA rate proceeding.

Such notice will include the time and location of a public workshop to be conducted no later than seven (7) days after the issuance of the notice. This notice will also include updated calculations of the Financial Effects and the Agency Within-year TPP. Concurrently, BPA's PBL Account Executives will inform customers of their Customer Percentage of the Adjusted Surcharge Amount or reduction to their benefits due to the Surcharge, as applicable.

At this workshop, BPA will explain the calculation of the Agency Within-year TPP, the Surcharge Amount and the Adjusted Surcharge Amount, as set forth in subsections G.2, G.3, G.4, and G.5, including the monthly shape of payments. BPA will provide data and assumptions used in these calculations. BPA staff will respond to relevant requests for data and calculations and will accept comments on any of the foregoing topics.

(b) Notification Procedures when Trigger Event and Agency Within-year TPP Criterion Occur at the Same Time

If a Trigger Event has occurred and BPA concurrently determines using the methodology developed pursuant to subsection G.6.(a)(1) that the Agency Within-year TPP is below 80 percent, then BPA shall notify customers of those two events within seven (7) days of the Trigger Event. In addition, this notice will be posted to BPA's website and provided by e-mail to those listed on the service list for the WP-07 BPA rate proceeding.

This notice will include the time and location of a public workshop to be conducted no later than seven (7) days after the issuance of the notice. Such notice will also include BPA's calculations of the Financial Effects and the Agency Within-year TPP. Concurrently, BPA's PBL Account Executives will inform customers of their Customer Percentage of the Adjusted Surcharge Amount and reduction to their benefits due to the Surcharge, as applicable.

At this workshop, BPA will explain the calculations of the Agency Within-year TPP, the Surcharge Amount and the Adjusted Surcharge Amount, as set forth in Subsections G.2, G.3, G.4, and G.5, including the monthly shape of payments. BPA will provide data and assumptions used in these calculations. BPA staff will respond to relevant requests for data and calculations and will accept comments on any of the foregoing topics.

7. Final Notification Procedures for Monthly Surcharge and Fiscal Year Surcharge Amount to Be Paid By Customers

BPA will provide written Final Notice to each Customer in accordance with the notice provisions of their BPA contract no later than seven (7) days following the conclusion of the workshop described in subsection G.6.(a)(2) or G.6.(b). Such Final Notice will state the monthly Adjusted Surcharge Amount and the total Surcharge Amount to be recovered from each customer by September 30 of the fiscal year that the Surcharge is in effect.

The monthly Adjusted Surcharge Amount will be included on a bill to power customers, and will be payable in accordance with the applicable payment provisions of the customer's power contract. The first monthly Adjusted Surcharge Amount will be billed no sooner than 30 days following the Final Notification described in this subsection G.7.

8. Process Following Implementation of Surcharge

Within thirty (30) days of the Final Notice described in subsection G.7 of implementation of a Surcharge, BPA will convene two or more meetings, the schedule for which will not exceed sixty (60) days.

At the first meeting, customers and interested persons may request additional information and explanations about the Trigger Event, its Financial Effects, and the updated Agency Within-year TPP. Customers and interested persons may also request information regarding BPA's financial performance to date, revenue and expense forecasts for the remainder of the fiscal year, the calculation of the Surcharge Amount and Adjusted Surcharge Amount, and any other materials related to the Surcharge then in effect. BPA will provide responses to relevant information requests as promptly as possible but in any case no later than 48 hours prior to the last meeting. Subsequent meetings may be held, as necessary.

At the last meeting, customers and interested persons may ask questions of and present their views to the Administrator. Customers and interested persons may also submit their views in writing to the Administrator within seven days after the meeting.

Based on the information and views presented during the process provided for in this subsection G.8 and not later than twenty (20) days after the final meeting, the Administrator will issue a close-out letter that addresses the issues raised in the meetings, the need for the Surcharge and whether the Surcharge is set at the appropriate level, all in accordance with these GRSPs. If the Administrator determines that the Surcharge Amount needs to be adjusted, the close-out letter will establish the refund or credit amount to Customers for the amounts over-collected or adjust the Surcharge then in effect for the remainder of the year or remove it entirely if one or more of the following occur:

- (a) the Agency Within-year TPP, not including future surcharge payments, is determined at the time of the close-out letter, using the methodology developed pursuant to subsection G.9, to be greater than 90 percent;
- (b) an updated Surcharge calculation results in a change compared to the Surcharge calculated in subsection G.7.
- (c) in BPA's initial determination to assess the surcharge, BPA did not follow the Within-year TPP methodology established pursuant to subsection G.9.

9. Agency Within-year TPP Methodology Proceeding

Within 120 days following the WP-07 ROD, BPA will begin a proceeding to describe in detail the methodology to be used to calculate the Agency Within-year TPP, consistent with subsection G.2. The description of the Agency Within-year TPP methodology will include: (1) how forecasts for the remainder of such a fiscal year will be made; (2) how forecasts for the Agency's expected funds and financial obligations will be made; (3) which revenues, expenses or other funds and financial obligations will be treated deterministically and probabilistically; (4) which tools will be used for performing probabilistic calculations; and (5) how and from what sources the data for major components of the Agency Within-year TPP will be obtained or derived.

The Agency Within-year TPP methodology will not be changed during the FY 2007-09 period except through a subsequent proceeding which would trigger at least 45-days before Surcharge bills could be sent to customers that rely on the new methodology.

H. Excess Factoring Charges

1. Excess Within-Day Factoring Charge

The within-day factoring test compares the hour-by-hour shape of the customer's load to the customer's hour-by-hour energy take from BPA within a day. This test identifies whether or not the hour-by-hour shape of the customer's take from