

Tiered Rates Methodology Table of Contents/Outline

I. Background/Purpose/Context

II. Determination of Tier 1 Rights

- A. Initial HWMs (as defined in contract, “ADC”) not subject to change in 7(i)
- B. Changes in HWM prior to each rate case (ADC), HWM not subject to change in 7(i)
- C. Definition of T1 rights – initially in product list, subsequently defined in contract
- D. Net Requirements (ADC, but transparent), Net Requirement not subject to change in 7(i)
- E. Use of HWMs and Net Requirements in rate case (ADC)
- F. T1 rights are locked down prior 7(i) for resource planning and rate setting purposes

III. Resources Dedicated to Tier 1 Service

- A. Federal Base System (Exhibit of named resources in contract)
 - 1. Projected output prior to each rate case for HWM and net requirement determinations (changes ADC)
 - 2. BPA is committed for rate period to providing an amount of Tier 1 power equal to the forecast FBS output used in HWM and net requirement determinations
 - 3. FBS amount used to set rates can differ from amount used in HWM and net requirement determinations
- B. BPA Power Purchases
 - 1. Limit on augmentation purchases (ADC)
 - 2. Augmentation purchases projected prior to each rate case (ADC)
 - 3. FBS replacement purchases to fulfill T1 delivery obligation established prior to 7(i)

C. Changes (increases and decreases) to FBS resources over time in advance of each rate case (ADC)

IV. Federal Resources Not Available for Tier 1 Service

A. Initial (e.g., existing obligations to serve that may expire)

B. Changes over time (expiration of obligation => increase HWM)

V. Costs Included in Tier 1 Service (T1 cost table in contract)

A. Process for establishing updated costs for rate process

VI. Costs Excluded from Tier 1 Service

A. Tier 2 costs (actual as incurred)

B. Product development costs (Tier 2 options)

C. Conditions under which Tier 2 costs may and may not be assigned to Tier 1

VII. Allocation of Joint Costs

A. Categories of joint costs set out in table in contract

B. Methods for allocating joint costs to T1 and T2 (ADC)

VIII. Tier 1 Revenue Requirement

A. Embedded resource costs

B. Risk mitigation costs

C. Cost of purchased power

D. Secondary revenue credit

IX. Tier 1 Cost Allocation and Rate Design (ADC)

To be determined

X. Distinguishing Tier 1 Service from Tier 2 Service

A. BPA commitment to cost separation (between Tier 1 and Tier 2, and within Tier 2)

B. BPA commitment to risk separation (between Tier 1 and Tier 2, and within Tier 2)

C. BPA commitment to separation of risk management tools and costs

- D. Enforcement of BPA commitments
- XI. Interface of Tier 1 Service and Tier 2 Service
 - A. e.g. variations between forecast and actual
- XII. Pricing of Additional Services from BPA
 - A. Tier 2
 - 1. Default service
 - 2. Resource-specific service
 - 3. Contract-specific service
 - 4. Bridging (short term or quarterly) service
 - 5. Renewable service
 - 6. Others services
 - B. Generation Shaping Service
 - C. Other
- XIII. Required Accounting Systems
 - A. Tier 1
 - B. Tier 2
 - C. Joint Costs
 - D. Product development and implementation costs
- XIV. Inclusion of Tiered Rate Methodology in Contracts
- XV. Review by FERC
- XVI. Duration of Methodology – term of contract
- XVII. Interpretation and Methodology Enforcement
 - A. Enforcement of methodology during a rate case
 - B. Disputes and interpretation between rate cases