Post-2028 Residential Exchange Program Average System Cost Methodology Workshop 1

October 23, 2025

9:00 am – 4:00 pm

RHR and WebEx

POST 2028 REP

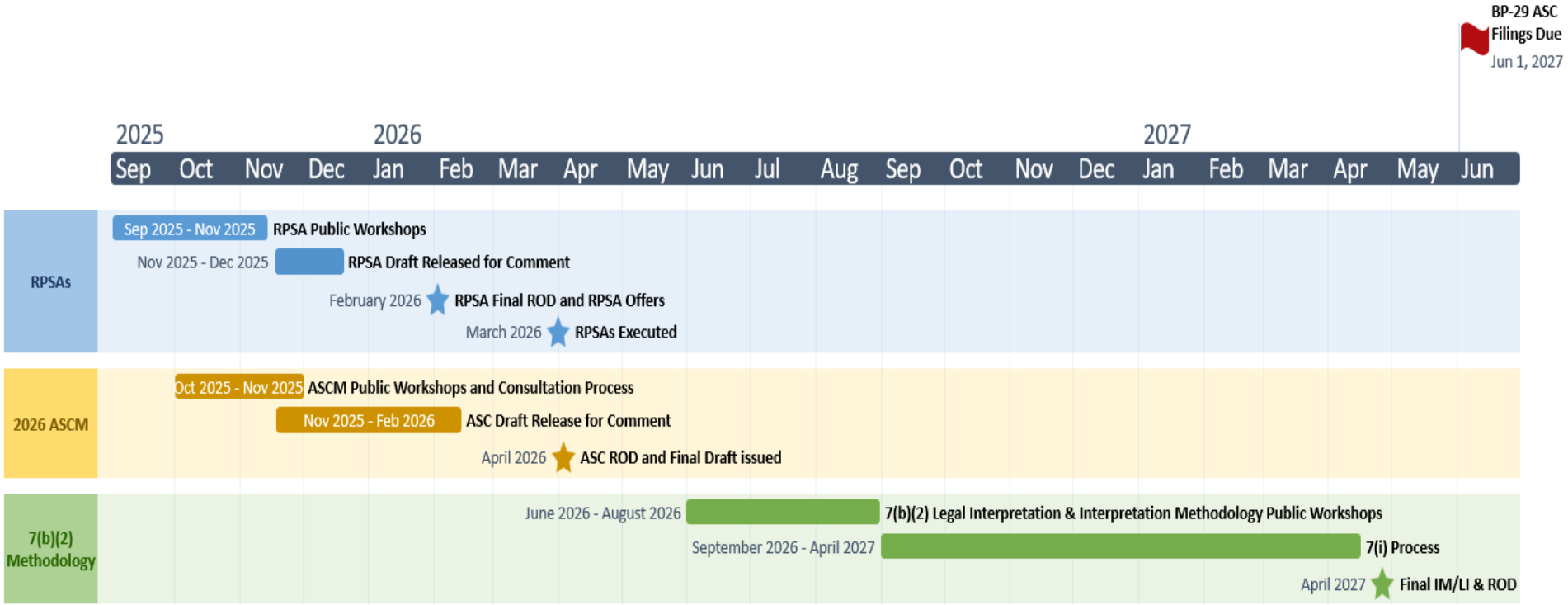
October 23rd Workshop Agenda

Workshop #1 Topics	Presenter(s)
Opening Remarks	Kim Thompson
Introductions and Agenda	Scott Winner
Phase 2 Engagement and ASCM Process	Paulina Cornejo
ASCM Background	Rich Greene
Calculating ASCs under 2008 ASCM	Michael Edwards
PART I: ASCM and Appendix 1	Rich Greene/Michael Edwards
PART I: ASCM Structure	Paulina Cornejo
PART I: ASCM Proposed to Carry Forward and Proposed Updates	Michael Edwards
PART I: FERC Accounts	Scott Winner
PART I: Functional Overview Appendix 1	Michael Edwards
PART II: Rules of Procedure	Michael Edwards
Workshop 2 Topics and Closeout	Scott Winner
Breaks	Est. Times
LUNCH	Noon – 1:00 pm

Post-2028 REP Team

- Kim Thompson, REP Sponsor (VP of NW Requirements Marketing)
- Paulina Cornejo, REP Policy Lead (PSRF)
- Michael Edwards, REP Technical Lead (PSRF)
- Aimee Robinson, Economist (PSRF)
- Rich Greene, Legal Counsel
- Neal Gschwend, Legal Counsel
- Stephanie Adams, Rates and 7(b)(2) Lead (PSR)
- Jonathan Ramse, Economist (PSR)
- Daniel Fisher, Power Rates Manager (PSR)
- Scott Winner, PSRF Supervisor

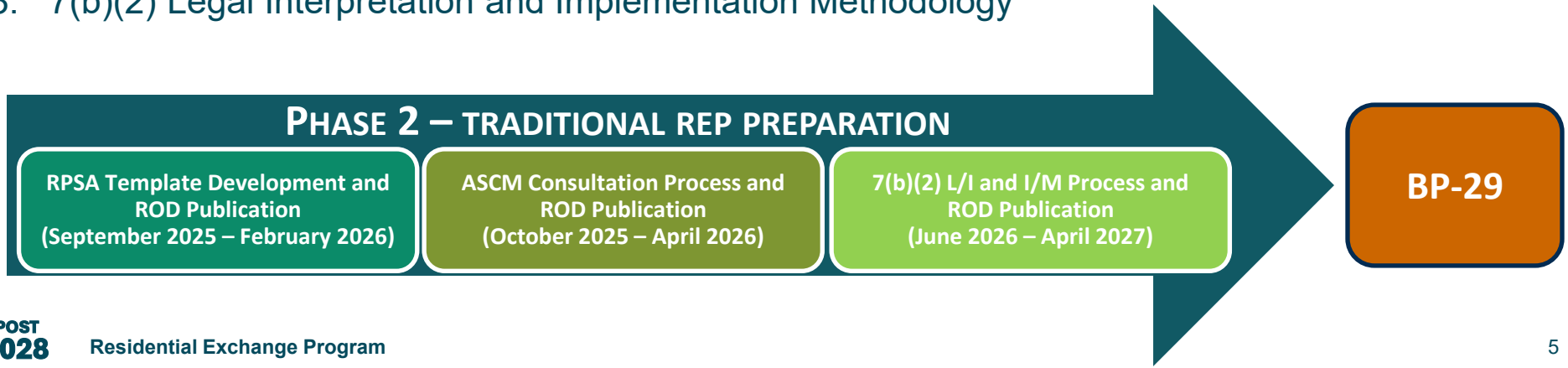
Phase 2 Public Engagement Timeline



Phase 2 Public Engagement Process

Phase 2 focuses the post-2028 REP Public Engagement Process on development of three foundational components to prepare for a traditional implementation of the REP post-expiration of the 2012 REP Settlement agreements. The 2012 Settlement expires September 30, 2028.

1. Residential Purchase and Sale Agreements (RPSA)
2. Average System Cost Methodology (ASCM)
3. 7(b)(2) Legal Interpretation and Implementation Methodology



Phase 2 Public Engagement Objectives

Bonneville's objectives for Phase 2 of the Post-2028 REP efforts are to:

- Complete Phase 2 before BPA's BP-29 Rate Case Proceedings. **Phase 2 target completion date is April 2027.**
- Facilitate a robust engagement process for BPA and regional parties to constructively work through applicable issues.

Phase 2 Public Engagement Approach

Broad approach to successfully achieve Phase 2 objectives:

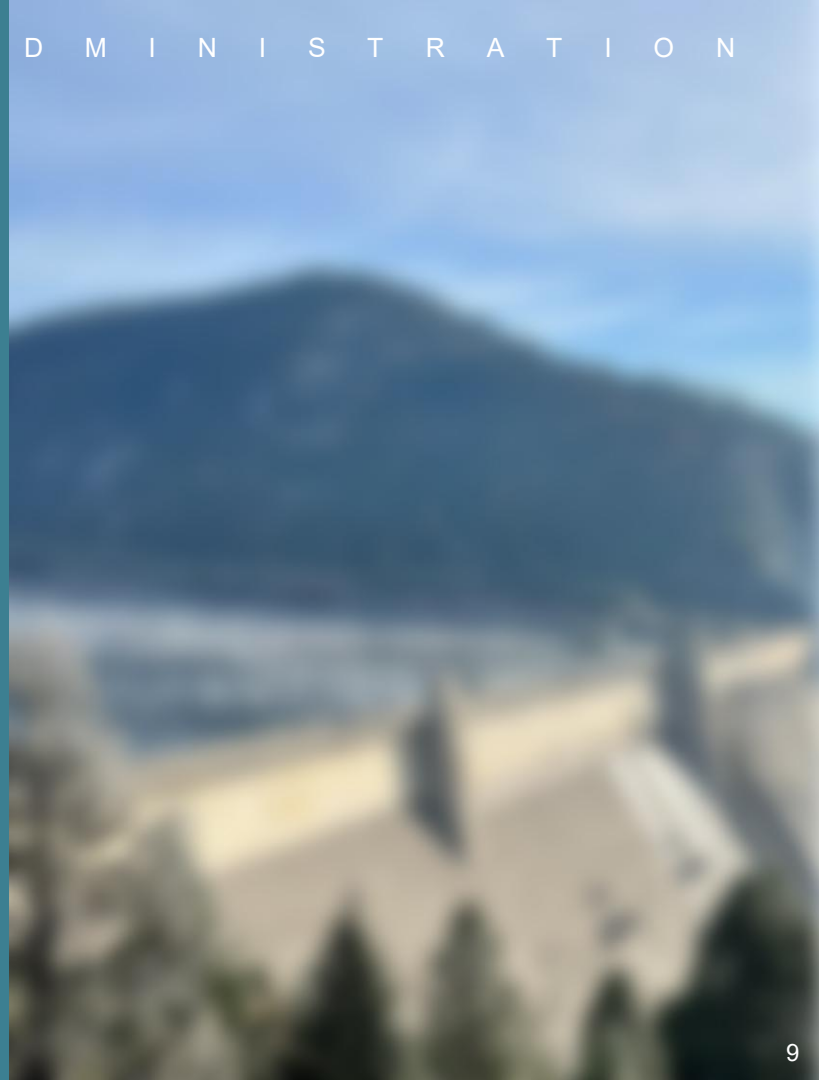
- Hold regular public in-person workshops that include a virtual participation option. *BPA encourages parties that intend to engage in significant discussions to attend in-person.*
- Foster a collaborative workshop environment through informative presentations.
- Communicate priorities and expectations in each of the three Phase 2 processes.
- Provide multiple opportunities for regional parties to submit comments, feedback and questions.
- Respect one another and assume good intentions. Bring a constructive mentality. Be solution-oriented. Identify “parking lot” items for complicated / technical issues.

Communication and Resources

- Submit written comments and questions to rep2028@bpa.gov.
- Details to attend all Post-2028 REP Phase 2 workshop can be found on BPA's event calendar.
- For REP background, post-2028 public workshop materials, public notices, and additional REP resources, go to the Post-2028 REP webpage.
- To receive pertinent notifications related to this process sign up for Tech Forum.

ASCM Process

Presenter – Paulina Cornejo
REP Policy Lead



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ASCM Engagement Timeline

ASCM Engagement Timeline - Matrix

Event	ASCM Workshops				ASCM Drafts and ROD
	WS1	WS2	WS3	WS4	
ASCM WS 1	10/23				
ASCM WS 2		11/5			
ASCM WS 3			11/20		
ASCM Preliminary Draft Released					11/25
ASCM WS 4				12/3	
Informal Feedback due on Preliminary Draft					12/15
ASCM Full Draft Released					January 12th, 2026
Comments due on Full Draft					February 13th, 2026
ASCM Final draft and ROD					April 13th, 2026

Structure of ASCM Workshops

Workshop Structure

- BPA will host a total of four one-day workshops between October and November. Workshops are scheduled to begin at 9AM and will vary in length dependent on content. See BPA's Event Calendar for specific timeframes.
- ASCM workshops will commence with Workshop 1 on October 23rd, 2025.
- BPA will post workshop materials to the Post-2028 REP external site three business days in advance whenever possible.
- The fourth ASCM workshop BPA is scheduled to occur following the publication of the preliminary ASCM draft on Tuesday, December 3rd and will address that document.

Additional Content in Workshops Two Through Four:

- Participant questions and BPA responses on previous workshop content.
- Participant-led topics on previous workshop content and discussion.
- Additional time allotted for topics from the previous workshops as necessary.

ASCM Workshop Topics

Workshop 1: Oct. 23rd

- ASCM Structure
- ASC Review Process and Rules of Procedures
- Sections Carried Forward
- Updates to FERC Accounts and ASCM Sections
- Functional Overview of Appendix 1 and Forecast Model
- WS 2 Topics

Workshop 2: Nov. 5th

Topics:

- Transmission Costs
- Injuries and Damages (Account 925)
- Energy Storage Devices

More ASCM Proposals:

- Calculation of NLSL Costs
- Source of Escalation Data
- Meeting Load Growth

Workshop 3: Nov. 20th

- Wrap-up pending topics from WS 1 and 2
- Revisions to the Appendix 1 Template and Forecast Model
- Customer-led Topics

Workshop 4: Dec. 3rd

- Discussion is focused on Preliminary ASCM Draft

ASCM Engagement Methods

	Informal 1: Participants may submit informal feedback on workshop topics and discussion after each workshop.	Informal 2: Participants may submit informal feedback on the full preliminary draft ASCM after its release on November 25th.	Formal Comment: BPA will open a public formal comment period on January 12th, 2025, to respond to the Draft ASCM.
Comment Deadline	Feedback submittal is due within 1 week following each workshop.	Comments will be due by **COB Tuesday, December 15th.**	Formal comments will be due by **COB Friday, February 13th.**
Comment Repository	via email to **REP2028@bpa.gov**	via email to **REP2028@bpa.gov**	Upload to a "Comments" page created for the Post-2028 REP process on bpa.gov. *Details to upload comments will be provided at Workshop 4.*
BPA Responses	BPA will consider all comments received and attempt to respond as applicable and as time permits at a subsequent workshop.	A redline copy will accompany the preliminary draft to crosswalk to initial provision.	BPA will provide its responses to formal comments in a published Record of Decision, accompanied by the final ASCM.

Preliminary and Draft ASCM

Full Preliminary Draft ASCM :

- An initial, preliminary, draft of the full ASCM will be released on November 25th for informal feedback.
- BPA will hold a workshop on December 3rd to discuss the full preliminary draft.
- An informal feedback period will open for three weeks. Feedback on the full preliminary draft will be due **December 15th**.

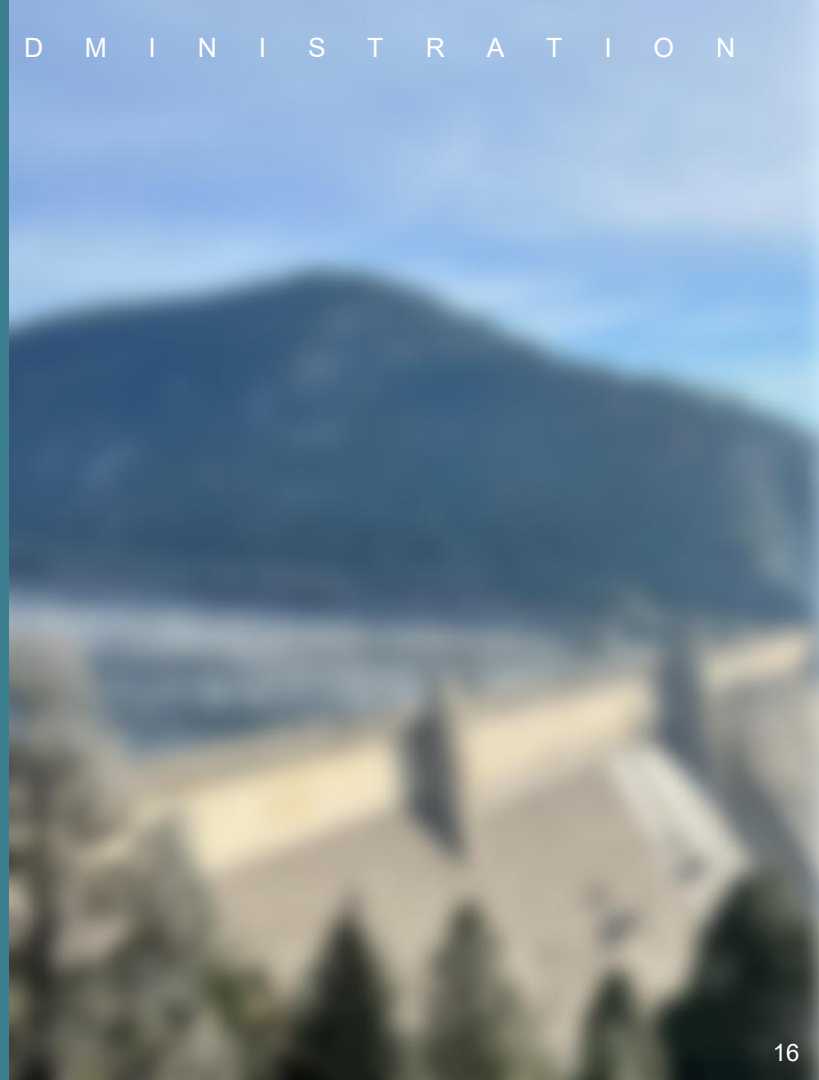
Full Draft ASCM:

- The Full Draft ASCM will be released on January 12th, 2026, for formal comment.
- Participant's formal comments will be due by COB **February 13th, 2026**.
- These comments will be considered in the ASCM ROD.
- ***Target date for release of the ASCM ROD and Final ASCM is April 13th, 2026.***

ASCM Background

Presenter – Richard Greene

Senior Attorney-Advisor



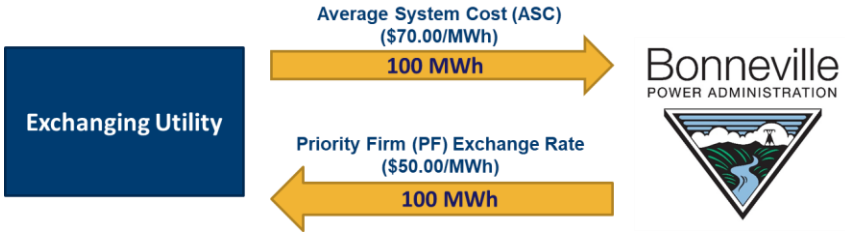
POST 2028 REP

Preceding the 1980 NWPA

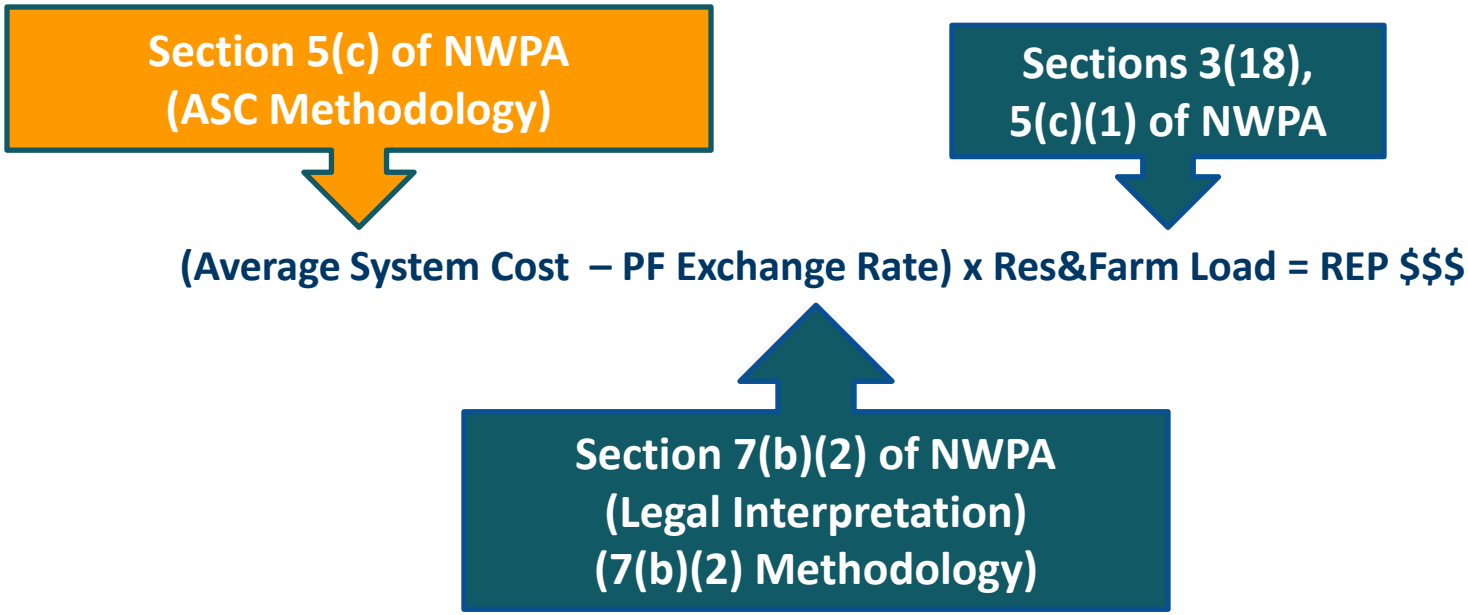
- Load forecasts in the 1970s predicted energy requirements would triple over the next two decades.
- BPA had sold to IOUs until 1973; thereafter, BPA stopped selling to IOUs because of preference.
  - Preference provisions of federal law require BPA to sell power to public customers first. BPA forecasted supply of federal power would run out by 1983 to meet public loads.
- Federal, private and public utilities collaborated to build new generation and transmission to meet future needs. The Hydro-Thermal Power Program proposed building 20 nuclear power plans, and 2 coal.
  - HTPP faced a slew of issues, including costs overruns, construction delays, community and environmental opposition, and reduced power forecasts.
  - Such costs in retail rates sharply increased costs to serve regional customers of IOUs and COUs.
- IOUs consumers were hit 3xs harder than those of public utilities.
- As rates between private and public utilities diverge, political pressure built to provide consumers of IOUs with a share of low-cost federal power.
- State of Oregon passed legislation to create state-wide preference customer (covering residential and farm customers). Other states threatened to pass similar legislation.
- Legal battles loomed over allocation of federal power among preference customers and states.

What is an ASC?

- **Section 5(c)(1) of the NWPA**
  - Whenever a Pacific Northwest electric utility offers to sell electric power to the Administrator at the **average system cost (ASC)** of that utility's resources in each year, the Administrator shall acquire by purchase such power and shall offer, in exchange, to sell an equivalent amount of electric power to such utility for resale to that utility's residential users within the region.
- **An ASC is:**
  - The sum of a utility's resources costs,
  - expressed as a $/MWh rate, and
  - used to calculate an exchanging utility's financial REP benefits.



Section 5(c) of the NWPA



Section 5(c) and the ASC Methodology

- **Section 5(c)(7) of the NWPA directs BPA to determine a methodology to calculate exchanging utilities' ASCs. The ASCM is that methodology.**
  - In consultation with the Council, BPA's customers, and State regulatory bodies.
  - Subject to FERC review and approval.
- **BPA has had three ASC methodologies**.
  - 1981 and 1984 ASC Methodologies required 50+ staff to implement.
  - 2008 ASC Methodology streamlined the ASC process.
- **NWPA only stipulates the methodology must exclude the following costs:**
  - the cost of additional resources in an amount sufficient to serve any new large single load (NLSL) of the utility,
  - the cost of additional resources in an amount sufficient to meet any additional load outside the region occurring after December 5, 1980, and
  - any costs of any generating facility which is terminated prior to initial commercial operation.

Previous ASCMs

- The 1981 ASC Methodology
  - Following passage of the NWPA, BPA and regional parties collaborated to establish the first ASCM.
  - ASCs based costs on utilities' state commission filings (jurisdictional costing approach) creating a complex review process.
  - Consensus-based methodology. DSIs would pay for first 5 years, so their support was important. DSIs dropped most objections (initially).
  - Allowed "transmission-only" exchange – Public customers could participate with transmission alone.
- The 1984 ASC Methodology
  - Substantial changes in allowable costs – most significantly, limiting transmission expenses, excluding Federal and state income taxes and placing ROI restrictions.
  - Established a 210-day ASC review and determination process yet retained ASCs base costs from rate filings.
  - Exclusion of ROI and Fed. Income tax challenged at Ninth Circuit. Affirmed in *PacifiCorp v. FERC*, (9th Cir. 1986). (Court did not support a "permanent" exclusion of these costs).
  - Court relied on *Alcoa* and *Chevron* to defer to BPA's interpretation.
- Both ASCMs were labor intensive, requiring up to 50 BPA and contract analysts, legal staff and supervisors to conduct reviews.

Context Preceding 2008 ASCM

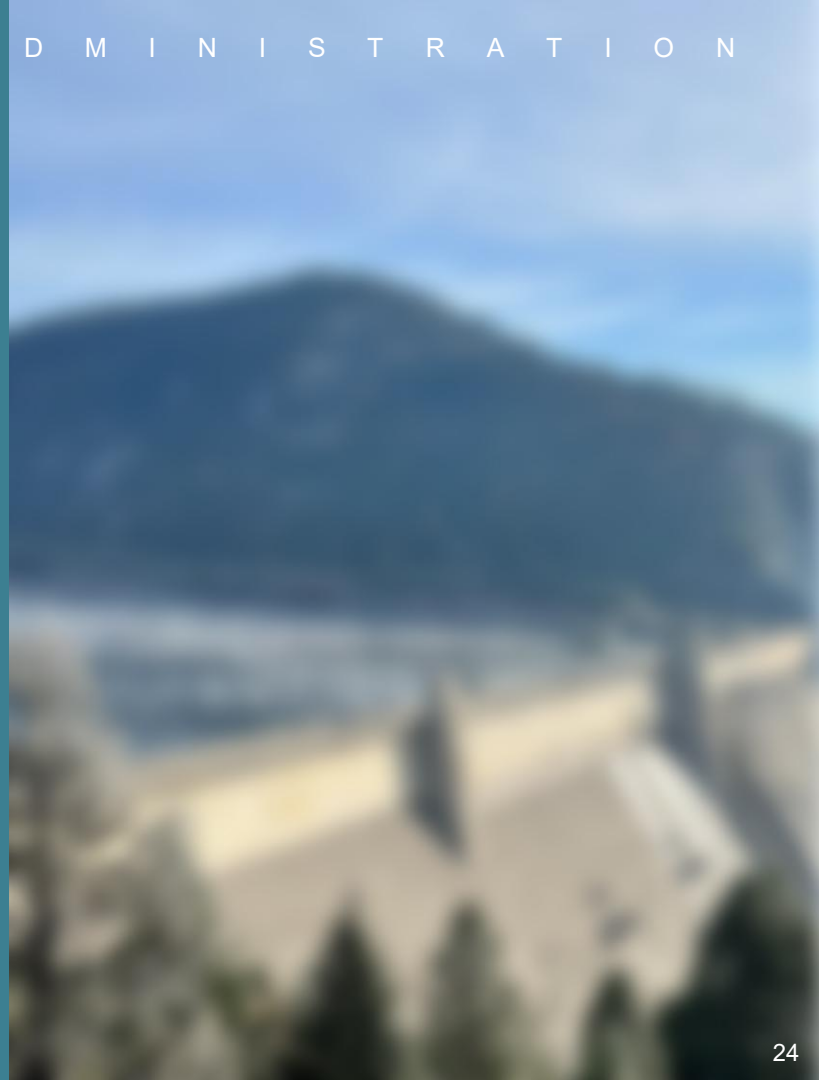
- 2000 REP Settlement Agreements
  - In 2000, BPA and the parties settled the REP through 2011 (FY 2002-2011)
    - During this period, no ASCs were filed or reviewed by BPA
- Parties go to Court – *PGE vs BPA*
  - Held that BPA was not in compliance with sections 5(c) and 7(b)
  - In May 2007, the Ninth Circuit invalidated the 2000 REP Settlement agreements
  - Court remanded WP-02 rates because of REP Settlement costs
- BPA's Response - Revise Rates and Calculate Refunds
  - BPA issued new Record of Decision (ROD) to respond to Court
  - Revised WP-07 rates – calculated ASCs and implemented 7(b)(2) rate test
  - Calculated refunds – determined that BPA overpaid IOUs ~$1.2B in REP payments
- Re-created BPA function to implement the REP
  - Residential Exchange Program work group was reformed
  - 2008 ASCM replaced the 1984 ASCM

2008 ASC Methodology

- Substantial revisions to form/structure of ASCM.
- ASCM ROD included over 60 substantive sub-issues.
- Streamlined the review process
  - ASCs based on FERC Form 1s (IOUs) and comparable audited financial statements (COUs).
  - Singular ASC review and determination process running parallel to BPA's rate case proceedings.
  - Limited within-rate period changes to ASC (materiality threshold).
- Primary changes:
  - New treatment of transmission costs, return on equity and taxes:
    - Include all costs related to transmission investments and expenses
    - Allow utilities to exchange ROE
    - Permit the exchange of certain taxes
  - COUs with CHWM contracts agreed to not exchange costs to serve Above-RHWM load
- FERC reviewed; deferred to BPA
  - No challenges in Ninth Circuit.

Calculating ASCs under 2008 ASCM

Presenter – Michael Edwards
REP Technical Lead



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Calculating REP-Utilities' ASCs ($/MWh)

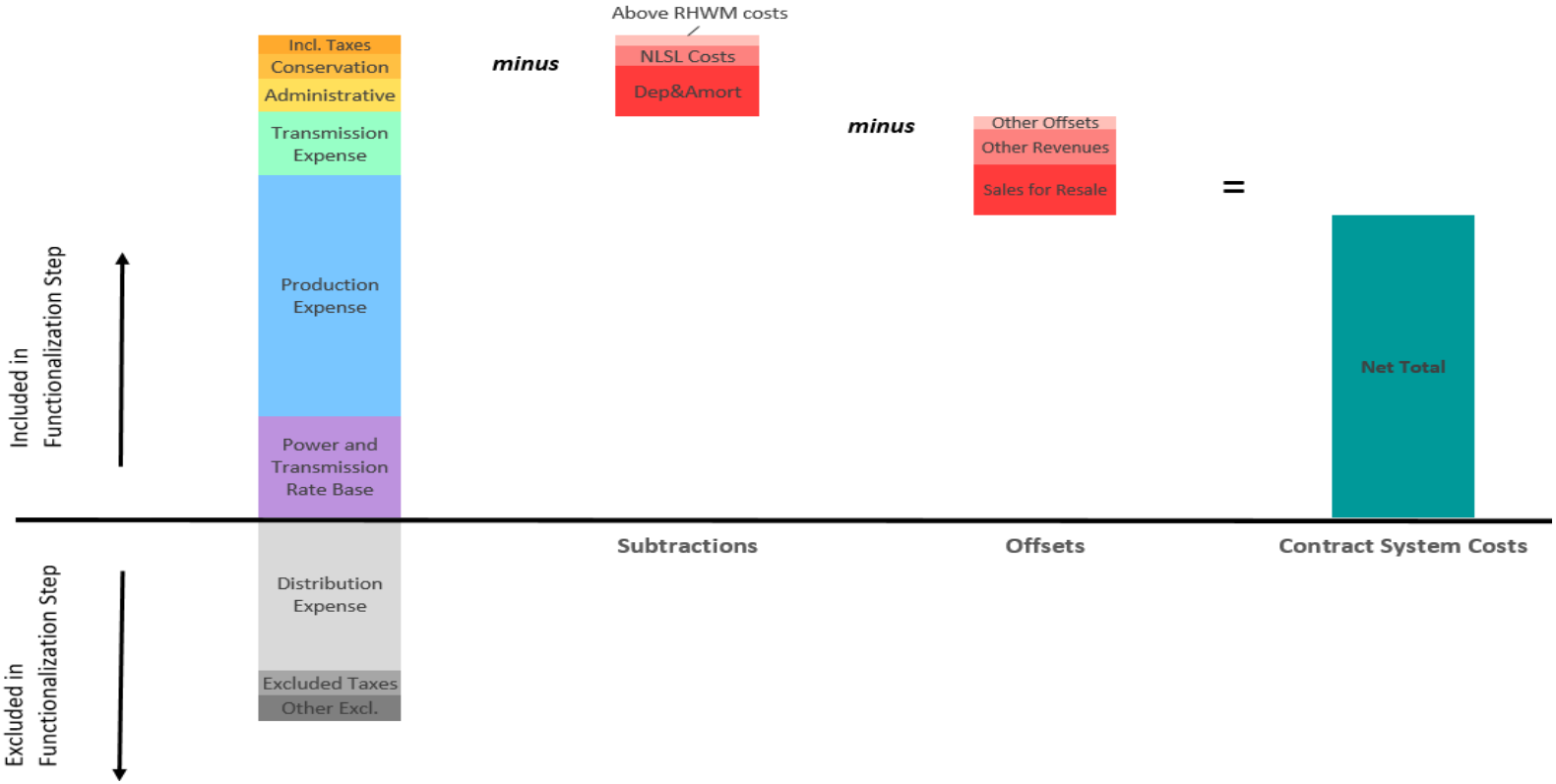
- **The 2008 ASCM ASC is comprised of Contract System Costs and Contract System Load, expressed in $/MWh**

- **Contract System Costs (CSC):**
  - ROR Portion of P&T Rate Base
  - Production and Transmission Expense
  - Administrative and General Expenses
  - Conservation Expenses
  - Labor and State Property Taxes
  - Offsets:
    - Sales for Resales
    - Other Revenues and Other Offsets
    - Costs to serve NLSLs

- **Contract System Load (CSL):**
  - Total "regional" retail load
  - Distribution Losses
  - LESS:
    - NLSLs

$$ASC = \frac{\text{Contract System Cost (CSC)}}{\text{Contract System Load (CSL)}}$$

Composition of Contract System Costs including Offsets



Contract System Cost Example

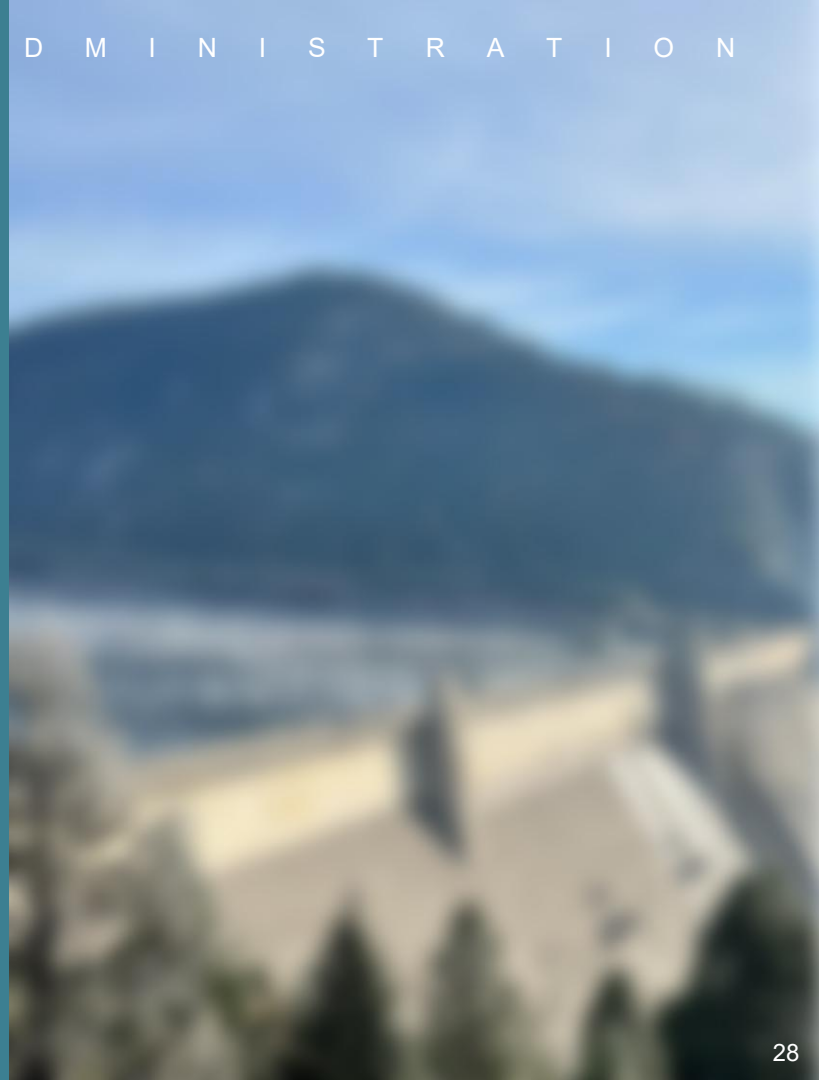
	Total	Production	Transmission	Distribution/Other
Total Operating Expenses	$1,698,790,205	$1,038,411,122	$144,999,293	$515,379,790
Federal Income Tax Adjusted Return on Rate Base	$632,680,589	$342,140,154	$56,517,418	$234,023,025
State and Other Taxes	$196,302,665	$48,740,762	$8,461,008	$139,100,896
Total Other Included Items	$310,733,459	$213,853,258	$19,548,694	$77,331,506
Total Cost	$2,217,040,000	$1,215,438,780	$190,429,024	$811,172,204
(Total Operating Expenses + Return on Rate Base + State and Other Taxes - Total Other Included Items)		$1,405,867,804		
(Less) New Large Single Load Costs (d)		$78,491,761		
(Less) Above-RHWM Load Costs (d)		$0		
Contract System Cost		$1,327,376,043		

Contract System Cost represents all expenses, the approved return on rate base, all applicable taxes with a removal of power sales and various regulatory items. CSC is also reduced by the cost of serving an NLSL. The calculation only considers the Production and Transmission related values.

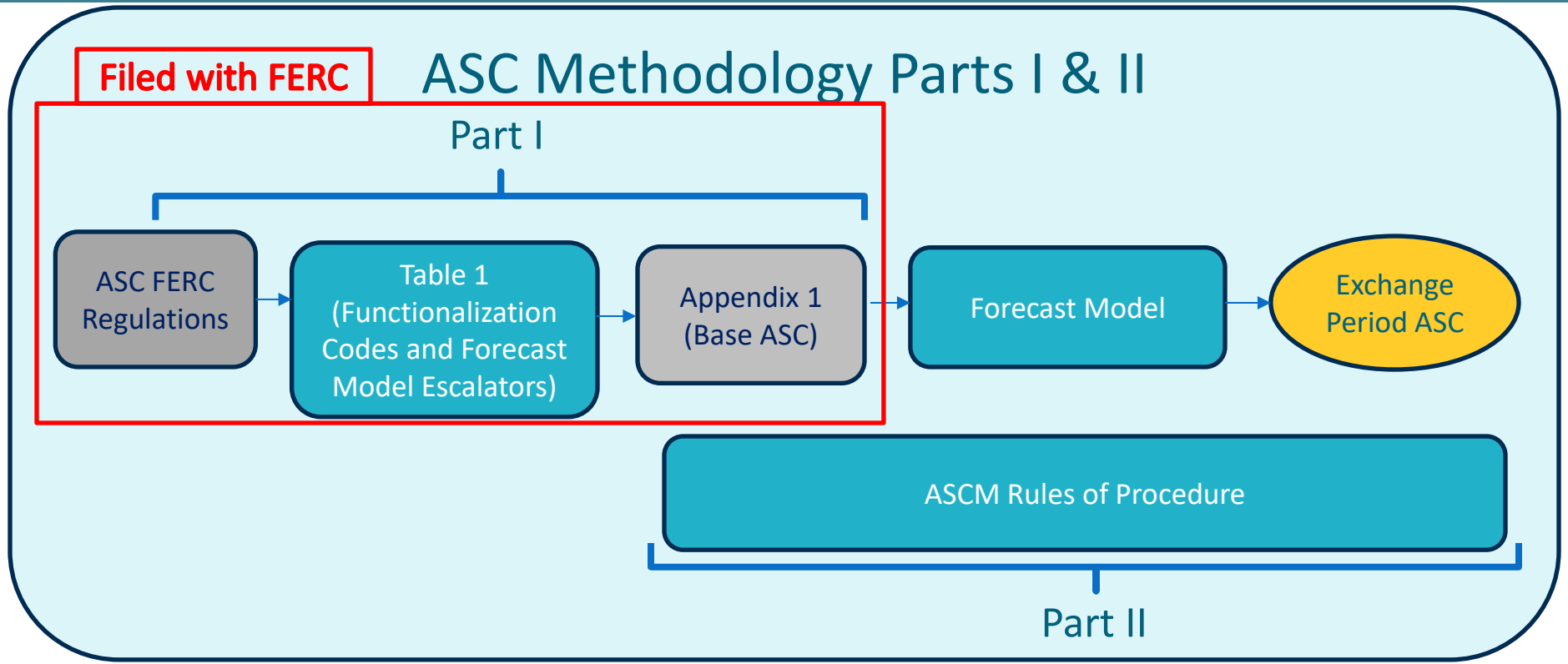
PART I: ASCM and Appendix 1

Presenters – Rich Greene and Michael Edwards

Senior Attorney-Advisor; REP Technical Lead



ASCM Roadmap



ASCM Table 1

Table 1 provides a single reference for the following:

- FERC account numbers,
- Functionalization Codes
- Escalation Codes

Table 1: Functionalization and Escalation Codes

BONNEVILLE POWER ADMINISTRATION
2008 Average System Cost Methodology
Functionalization and Escalation Codes

Account Description	Acct No.	Functionalization Codes		Escalation Codes
		Method	Default	
Schedule 1: Plant Investment/Rate Base				
Intangible Plant:				
Intangible Plant - Organization	301	DIST		CONSTANT
Intangible Plant - Franchises and Consents	302	DIRECT	PTD	CONSTANT
Intangible Plant - Miscellaneous	303	DIRECT	DIST	CONSTANT
Production Plant:				
Steam Production	310-317	PROD		CONSTANT
Nuclear Production	320-326	PROD		CONSTANT
Hydraulic Production	330-337	PROD		CONSTANT
Other Production	340-347	PROD		CONSTANT
Transmission Plant:				
Transmission Plant	350-359.1	TRANS		CONSTANT
Distribution Plant:				
Distribution Plant	360-374	DIST		CD

Excerpt from Table 1 – Schedule 1

ASCM Table 1: FERC Account Numbers

- FERC has adopted the “Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act.” 18 CFR Part 101.

- The USoA organizes costs into various accounts, with direction on which costs are includable in each account.

- FERC Form 1 is an annual financial report with costs organized by FERC Account.

ASCM Table 1: Functionalization Codes

ASCM Section 301.7(b) lists the 10 Functionalization Codes used in the ASCM.

Three general methods to functionalize costs:

1) Entire Account functionalized to a single function.
   - PROD (Production); TRANS (Transmission); DIST (Distribution/Other)
   - E.g., Steam Power Fuel (501) uses PROD to functionalize all costs to Production.
2) Apply a functionalization ratio to an Account.
   - PTD (Production, Transmission, Distribution/Other Ratio); TD (Transmission, Distribution/Other Ratio); GP (General Plant Ratio); GPM (General Plant Maintenance Ratio); PTDG (Production, Transmission, Distribution/Other, General Plant Ratio); LABOR (Labor Ratio)
   - E.g., General Plant Land and Land Rights (389) uses PDT to functionalize portions to Production, Distribution, and Transmission (based on relative Plant).
   - E.g., Administration and General Salaries (920) uses LABOR to functionalize portions to Production, Distribution, and Transmission (based on relative Wages and Salaries).
3) Utility justifies functionalizing specific items in an Account to specific functions using direct analysis. There is a default Functionalization Code if the Utility does not justify a direct analysis.
   - DIRECT (Direct Analysis)
   - E.g., Intangible Plant – Miscellaneous (303) allows DIRECT analysis. If the Utility does not justify a direct analysis, the default functionalization is DIST (functionalized to Distribution/Other and excluded from ASC).

Appendix 1

- Costs from FERC Form 1 Accounts are entered and Functionalization Codes are applied in Appendix 1.
- This results in a Base ASC.

Account Description	FERC Form 1 Page Number	Functionalization Account Numbers	Functionalization Method Default	Functionalization Method Optional	Total	Production	Transmission	Distribution/ Other	Production	Transmission	Distribution/ Other
Schedule 1 Example											
General Plant:											
Land and Land Rights	204-207	389	PTD		55,658,942	24,202,929	5,616,107	25,839,906			
Structures and Improvements	204-207	390	PTD		26,598,435	11,566,157	2,683,839	12,348,439			
Schedule 3 Example											
Depreciation and Amortization:											
Amortization of Intangible Plant - Account 301	336	404	DIST			-	-	4,298,571			
Amortization of Intangible Plant - Account 302	336	404	DIRECT	PTD	8,659,234	8,659,234	-	-	3,518,836		
Amortization of Intangible Plant - Account 303	336	404	DIRECT	DIST	71,790,848	35,895,424	863,985	35,031,439	35,895,424	863,985	35,031,439

Forecast Model: Exchange Period Escalation

From the "Inputs" tab of the Forecast Model.

- Base year ASC data is escalated through the end of the exchange period, using each input's relevant Escalation Code from Table 1.
- Escalation factors are sourced from a 3rd party (see subsequent slide) excepting BPA's natural gas forecast.
- The escalated Base ASC is the Exchange Period ASC used to calculate REP benefits.
- Staff is not proposing any changes to assigned Escalation Codes.

2-Year Rate Case

Calendar Year Escalators		Base+1	Base+2	Base+3	Base+4	Base+5
No Escalation	CONSTANT	0.00%	0.00%	0.00%	0.00%	0.00%
Distribution Plant	CD	9.13%	3.68%	0.24%	0.15%	0.17%
Inflation (GDP Price Deflator)	INF	2.67%	2.23%	0.22%	0.22%	0.23%
Wages	WAGES	2.29%	2.84%	0.31%	0.29%	0.27%
Steam Fuel - (Coal)	COAL	-6.51%	7.70%	1.23%	-0.37%	0.32%
Steam Operations	SOPS	2.42%	1.99%	0.22%	0.22%	0.25%
Steam Maintenance	SMN	2.54%	-1.01%	-0.01%	0.07%	0.10%
Nuclear Fuel	NFUEL	0.00%	0.00%	0.00%	0.00%	0.00%
Nuclear Operations	NOPS	2.08%	1.18%	0.13%	0.20%	0.23%
Nuclear Maintenance	NMN	2.13%	-0.68%	0.05%	0.12%	0.14%
Hydro Operations	HOPS	1.77%	1.06%	0.15%	0.22%	0.24%
Hydro Maintenance	HMN	2.08%	-1.11%	-0.02%	0.06%	0.09%
Other Fuel - (Natural Gas)	NATGAS	-63.24%	35.66%	6.38%	-1.85%	-0.53%
Other Operations	OOPS	2.57%	0.50%	0.09%	0.13%	0.15%
Other Maintenance	OMN	2.38%	-0.10%	0.02%	0.06%	0.08%
Transmission Operations	TOPS	1.72%	-0.46%	-0.05%	0.10%	0.15%
Transmission Maintenances	TMN	1.06%	-1.63%	-0.02%	0.07%	0.11%
Distribution Operations	DOPS	2.16%	0.20%	0.07%	0.18%	0.21%
Distributions Maintenances	DMN	0.34%	-2.00%	-0.04%	0.06%	0.10%
Customers Accounts	CACNT	3.39%	1.36%	0.03%	0.18%	0.24%
Customers Service	CSERV	2.60%	0.38%	-0.13%	-0.04%	0.19%
Customers Sales	CSALES	2.71%	1.62%	0.10%	0.16%	0.22%
Administrative and General	A&G	3.16%	2.14%	0.17%	0.21%	0.23%
Steam O&M	SOM	0.00%	0.00%	0.00%	0.00%	0.00%
Hydro O&M	HOM	0.00%	0.00%	0.00%	0.00%	0.00%
Other O&M	OOM	0.00%	0.00%	0.00%	0.00%	0.00%
Steam Plant	STMPLT	0.00%	0.00%	0.00%	0.00%	0.00%
Nuclear Plant	NUCPLT	0.00%	0.00%	0.00%	0.00%	0.00%
Hydro Plant	HYDPLT	0.00%	0.00%	0.00%	0.00%	0.00%
Other Plant	OTHPLT	2.49%	0.23%	0.08%	0.13%	0.16%
Transmission Plant	TRANPLT	1.94%	-0.09%	0.06%	0.13%	0.16%

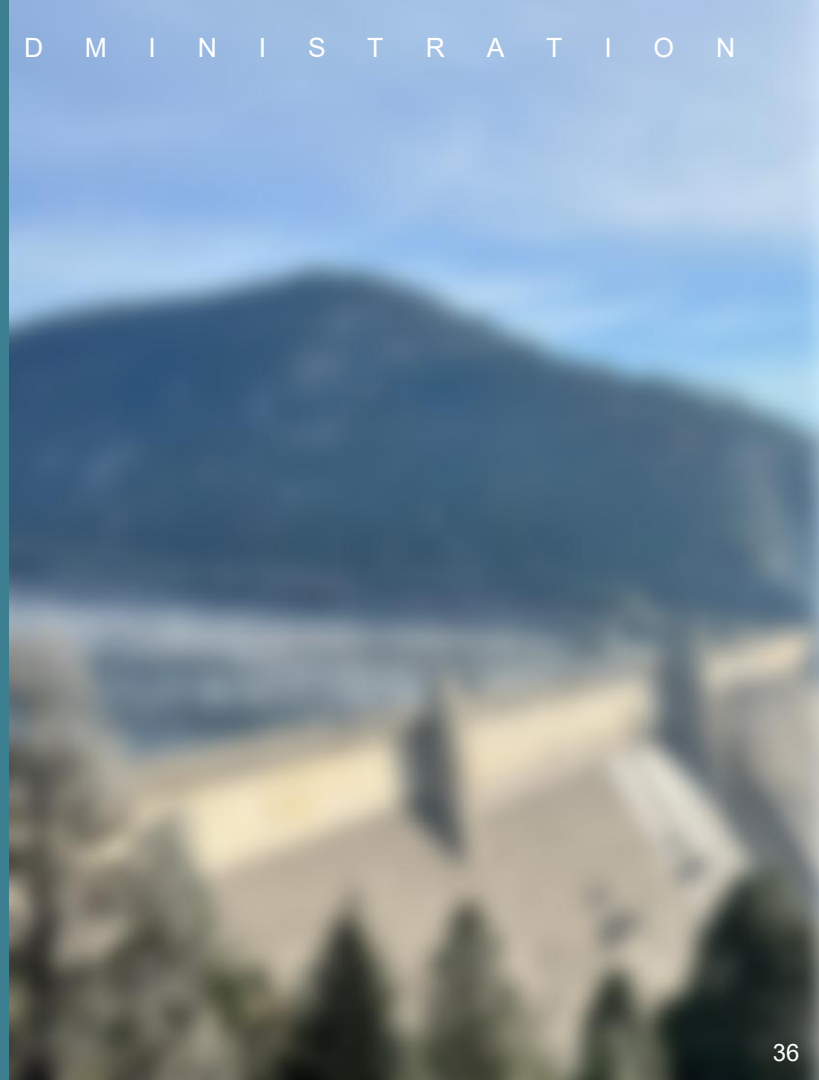
*exemplative values

Forecast Model: Escalation Factors

A&G	Administrative and General
CACNT	Customer Account
CD	Construction, Distribution Plant
CONSTANT	Constant
CSALES	Customer Sales
CSERV	Customer Service
COAL	Coal
DMN	Distribution Maintenance
DOPS	Distribution Operations
HMN	Hydro Maintenance
HOPS	Hydro Operations
INF	Inflation
NATGAS	Natural Gas
NFUEL	Nuclear Fuel
NMN	Nuclear Maintenance
NOPS	Nuclear Operations
OMN	Other Production Maintenance
OOPS	Other Production Operations
SMN	Steam Maintenance
SOPS	Steam Operations
TMN	Transmission Maintenance

ASCM Structure

Presenter – Paulina Cornejo
REP Technical Lead



2008 ASC Methodology FERC Reg.

Key Notes in following sections:

- **301.3 Filing Procedures** – Filing requirements to undergo the ASC Review Process. Guidelines housed in a separate document (Rules of Procedures).
- **301.4 Exchange Period ASC Determinations** – Stipulations for escalating Base Period ASCs to derive projected ASCs for the applicable Exchange Period.
- **301.5 Changes in ASCM** - BPA Administrator's discretion to initiate a new consultation process, and issues ASCM interpretations.
- **301.6 Appendix 1 Instructions** – Explains the purpose of the workbook and how to populate it for ASC determinations.
- **301.7 ASCM Functionalization** – The functionalization codes and application methods.

PART 301--AVERAGE SYSTEM COST METHODOLOGY FOR SALES FROM UTILITIES TO BONNEVILLE POWER ADMINISTRATION UNDER NORTHWEST POWER ACT

Sec.

301.1 Applicability.

301.2 Definitions.

301.3 Filing procedures.

301.4 Exchange Period Average System Cost determination.

301.5 Changes in Average System Cost methodology.

301.6 Appendix 1 instructions.

301.7 Average System Cost methodology functionalization.

Table 1 to Part 301--Functionalization and Escalation Codes

Appendix 1 to Part 301--ASC Utility Filing Template

Authority: 16 U.S.C. 839-839h.

2008 ASC Methodology FERC Reg.

- New table of contents
- ASCM divided into two parts

Part I

301.1 Applicability
301.2 Definitions
301.3 Filing Procedures
301.4 Base Period Average System Cost
301.5 Exchange Period Average System Cost Determination
301.6 Changes in Average System Cost Methodology
301.7 Provisions for Public Customers
301.8 Table 1
301.9 Endnotes to Table 1
301.10 Appendix 1

Part II

Rules of Procedure
Confidentiality Rules

Structural Changes to 2008 ASCM

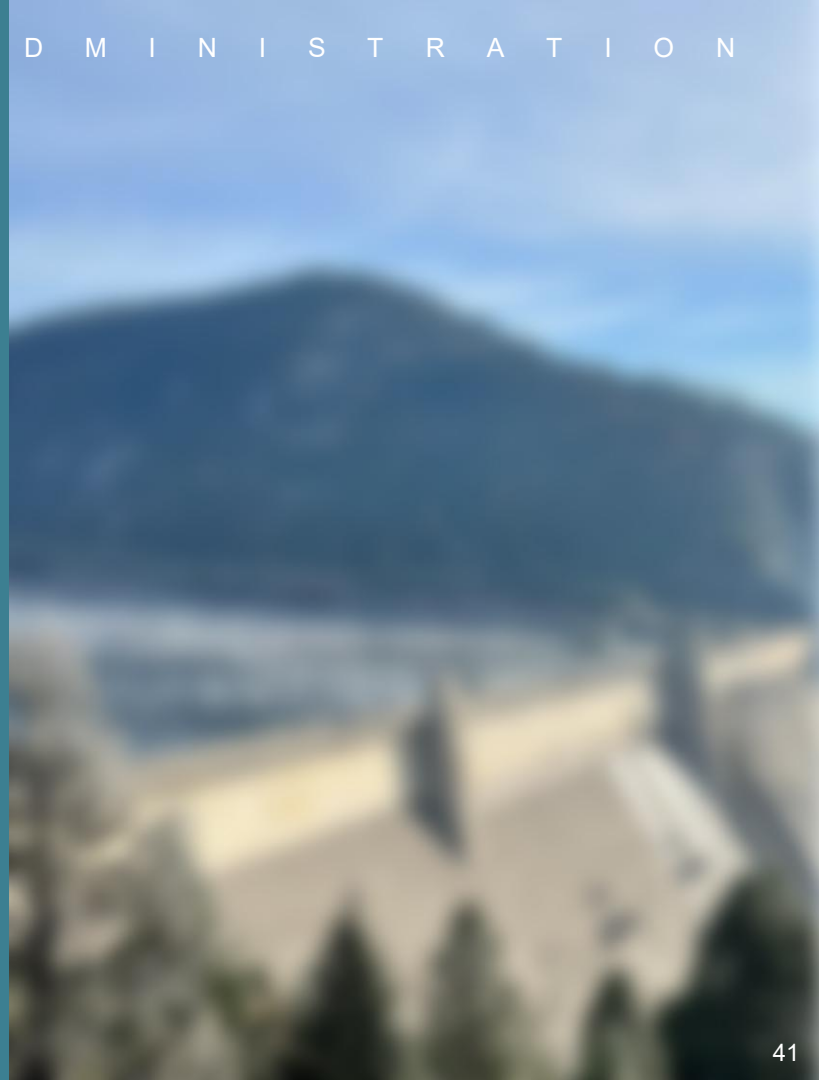
- Segregated ASCM into two parts:
  - PART 1: ASC FERC Regs, Table 1, Endnotes and Appendix 1 Template
  - PART 2: BPA's ASC Rules of Procedures and ASC Confidentiality Rules
- Clarifying the calculation of Base Period ASCs and Appendix 1 instructions.
- Endnotes, as references, were moved to Table 1, instead of Appendix 1.
- Moved the substantive text from 2008 Endnotes to the body of the ASCM in section 301.4 – Base Period ASC.

Endnotes Moved to ASCM Body

Endnote from 2008 ASCM	Substantive text moved to….
b/Rate of Return	All moved to ASCM Section 301.4: Base Period ASC
c/Tax-exempt Utilities	
d/NLSL treatment	
e/Distribution Losses calculation	
f/Cash working capital	
g/Conservation costs	
h/Public Purpose Charges	
i/FERC Order 888 on Transmission expenses	

ASCM Proposed to Carry Forward and Update

Presenter – Michael Edwards
REP Technical Lead



Proposed to Carry Forward from 2008 ASCM

- FERC Form 1 (FF1) as the source data to populate the Appendix 1 and make ASC determinations.
- Base Period ASCs to Exchange Period ASCs.
  - Continue to set Base Period ASCs on historical FF1 data and escalate forward to feed calculation of projected ASCs for the applicable Exchange Period.
- Major resource additions and removals.
  - Materiality thresholds remain the same.
- Rules of Procedures:
  - ASC Review Processes filing requirements, procedural events and schedule.
  - Confidentiality Rules
- Table 1: Functionalization and Escalation Codes remain unless otherwise proposed.

Proposed Updates to ASCM Sections

- Federal Income Taxes in Rate of Return Calculation
- Distribution Losses calculation
- Mid-point Exchange Period averaging
- Removing Above-RHWM and COUs references
- FERC Account removals and additions

Federal Income Taxes in Rate of Return

- Endnote b/ describes the Rate of Return calculation in which the Federal Income Tax rate is a component.
- This Endnote was moved to the ASCM body.
- Added clarifying language around the applicable Federal Tax Rate.

The return on equity (ROE) used in the WCC calculation will then be grossed up for Federal corporate income taxes at the then in-effect marginal Federal corporate income tax rate using the following formula to determine the percentage increase in the ROE used for ASC determination:

FIT Adder = {(WCC – (Cost of Debt * (Debt / (Total Capital))} * {(Federal Tax Rate / (1- Federal Tax Rate)}

The sum of the FIT Adder plus the ROE equals the Federal corporate income tax adjusted ROE (TAROE). The TAROE will replace the ROE in the WCC calculation to determine a federal corporate income tax adjusted weighted cost of capital (TAWCC). The TAWCC will be multiplied by the total rate base from Schedule 1 to determine the return component on Schedule 2.

Distribution Loss Calculation

- Endnote d/ describes three methods to calculate a REP-utility's distribution loss factor.
- Staff proposing to pare down the methods to only Method 3.

e/ The losses shall be the distribution energy losses occurring between the transmission portion of the Utility's system and the meters measuring firm energy load. The distribution loss factor will be measured as follows ~~can be measured using one of the following 3 methods~~:

~~*Method 1, Distribution Loss Study:* Losses shall be established according to a study (engineering, statistical and other) that is submitted to BPA by the Utility which will be subject to review by BPA. This study shall be in sufficient detail so as to accurately identify average distribution losses associated with the Utility's total load, excluded loads, and the residential load. Distribution losses shall include losses associated with distribution substations, primary distribution facilities, distribution transformers, secondary distribution facilities and service drops~~

~~*Method 2, Revenue Grade Meters:* If a Utility does not have a loss study, but it has sufficient revenue grade meters in its distribution system, BPA will permit the Utility to directly measure its distribution losses subject to BPA review and approval. A Utility that does not possess the capability to directly measure its distribution losses will be required to submit a distribution loss study every seven years.~~

~~*Method 3, Default:* If a Utility does not have a current loss study or grade meters, BPA will accept the following method for determining a Utility's distribution loss factor.~~

i. Calculate a 5-year average total system loss factor, using data from the Base Period plus the preceding 4 years. IOUs will use data from the FERC Form 1. COUs will use a comparable data source.

ii. From this 5-year total system loss factor, subtract ~~the loss factor for~~ BPA's 12-month weighted average transmission system loss factor.

iii. The resulting loss factor will be deemed to be the exchanging Utility's distribution loss factor for calculating Contract System Load and exchange loads under the REP.

Midpoint Exchange Period Averaging

Clarify averaging to the Midpoint of the Exchange Period in the Forecast Model using one of two methods.

- Method 1: Average forecasted start and end date ASCs.
- Method 2: Use the ASC forecasted to the midpoint of the exchange period.

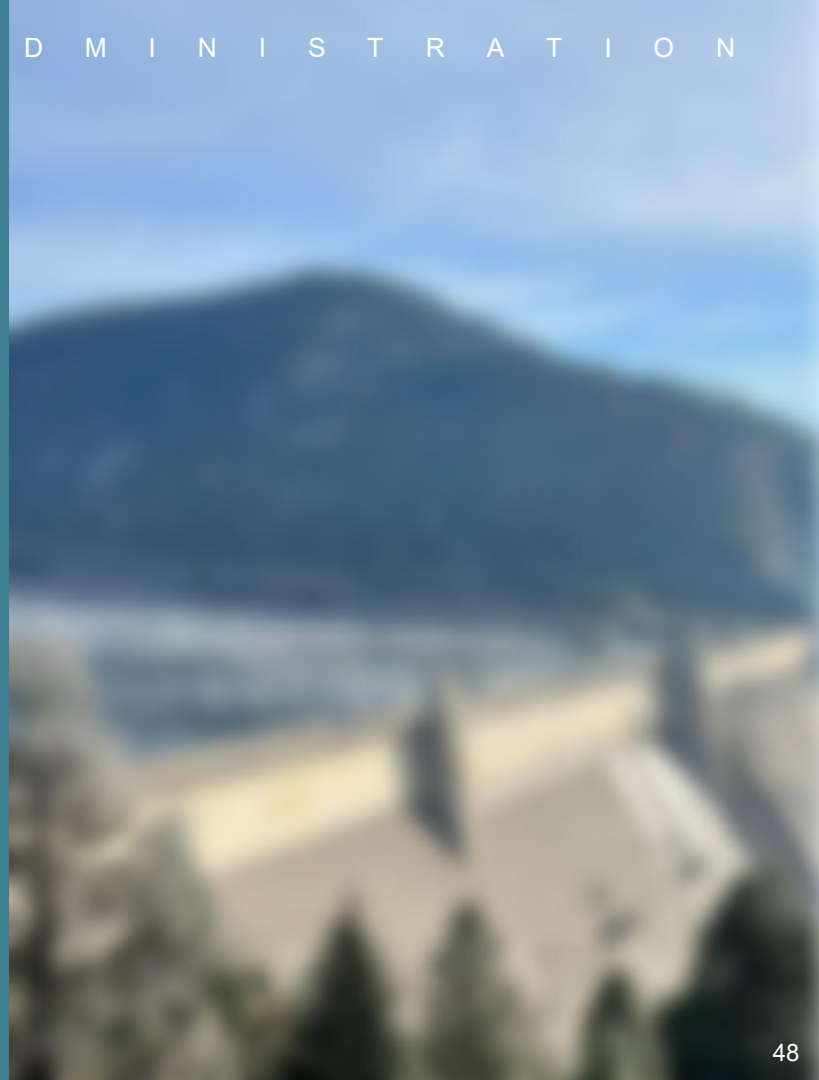
Removing Above-RHWM and COU References

- A provision under the Provider of Choice contracts waives the Publics' participation in the REP.
- As such, references and provisions to the following terms have been removed throughout the ASCM:
  - Consumer-owned Utility, Net Requirements, Priority Firm Power, Rate Period High Water Mark Process (RHWM Process), RHWM Exchange Load, RHWM System Resources, Tier 1 Priced-Power, Tier 1 System Resources, and Tiered Rates Methodology

FERC Account Updates

Presenter – Scott Winner

REP Manager



FERC Account Adds and Removals

- BPA is proposing to remove the following accounts as they are no longer listed on the FERC Form 1:
  - Account 108, Mining Plant Depreciation
  - Account 108, Leasehold Improvements
  - Account 906, Customer Service
  - Account 933, Transportation (Non-Major)

Schedule 1. Renewables

- Utilities have been reporting these Production cost to Accounts 340 – 347, Other Production.
- BPA proposes adding the below Accounts to the Table 1, functionalized to Production:
  - Solar Production, 338.1 – 338.13
  - Wind Production, 338.20 – 338.34
  - Other Renewable Production, 339.1 – 339.13

Schedule 1. Account 108

- The following Table 1 entries from the Account 108 table are no longer listed on the FERC Form 1:
  - Mining Plant Depreciation
  - Leasehold Improvements
- BPA is recommending removing them from Table 1.

Schedule 3. Customer Service

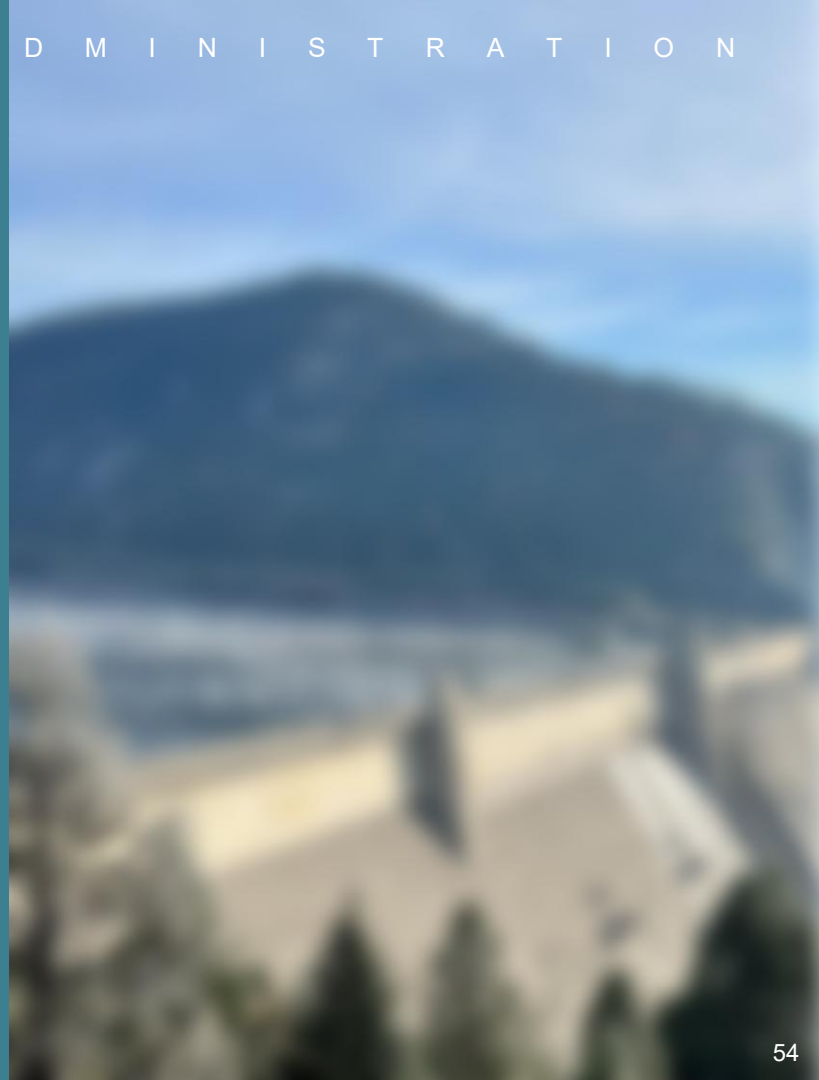
- Currently Table 1 requests Customer Service and Information, Accounts 906-907. Account 906 is no longer on the FERC Form 1.
- BPA proposes removing Account 906 from Table 1.

Schedule 3. Transportation

- Currently Table 1 requests information for Account 933, Transportation (non-Major). This account is no longer on the FERC Form 1.
- BPA proposes removing Account 933 from Table 1.

Functional Overview of Appendix 1

Presenter – Michael Edwards
REP Technical Lead



Functional Overview of Appendix 1

- The purpose of the Appendix 1 is to supply all the data, specific to the exchanging utility, necessary to calculate the Base Period ASC and Exchange Period ASC; by way of the ASC Forecast Model.
- Appendix 1, as proposed, will continue to be sourced largely from FERC Form 1.

Functional Overview of Appendix 1

Sch 1 & 1A: Rate Base & Cash Working Capital

Net Plant (less depreciation & amortization)

Assets & Other Debits (including Cash working Capital) Less Liabilities & Credits

Cash Working Capital:

One-Eighth of revised Total O&M Expenses

Sch 2: Rate of Return

Return on Equity

Cost of Debt

Federal Income Tax

Product of Rate Base and ROR is included in Total System Costs(CSC)

Sch 3, 3A, & 3B: Expenses, Taxes, & Other Items

Expenses

Taxes: Federal, State, & Other

Other: Regulatory Debits & Credits, Disposition of Plant, Disposition of Allowances, Sales for Resale, Other Revenues.

Sch 4: Average System Cost

The other Schedules feed to Schedule 4

Contract System Cost over Contract System Load = ASC

NLSLs

Functional Overview of Appendix 1

3-Year PP & OSS

Base year and two previous calendar years of power purchases and sales. Weighted 3-2-1 starting with the base year. Serves as an input into the OSS & PurPwr Forecast (purchase & sales forecast) in the Forecast Model.

Load Forecast

Spans the base year through four years past the exchange period for both Contract System Load and Exchange Load.

Distribution Calculation

Three current methods are:

1. Distribution Loss Study
2. Revenue Grade Meters
3. Default Calc

Salaries

Labor Ratio inputs, consisting of salaries and wages related to Electric Operation and Maintenance.

Functional Overview of Appendix 1

Ratios

Labor

GP - General Plant

PTD – Production, Transmission, Distribution

PTDG – Production, Transmission, Distribution, & General Plant

TD – Transmission & Distribution

GPM – Maintenance of General Plant Ratio

New Resources

Resources coming online after the base year, filing of AP1.

Threshold of 2.5% Overall (0.5% individual & 2.5% group change in ASC)

New Large Single Loads

The cost of additional resources sufficient to serve any New Large Single Load (NLSL) that was not contracted for, or committed to, prior to September 1, 1979…

Updates to Appendix 1 Schedules

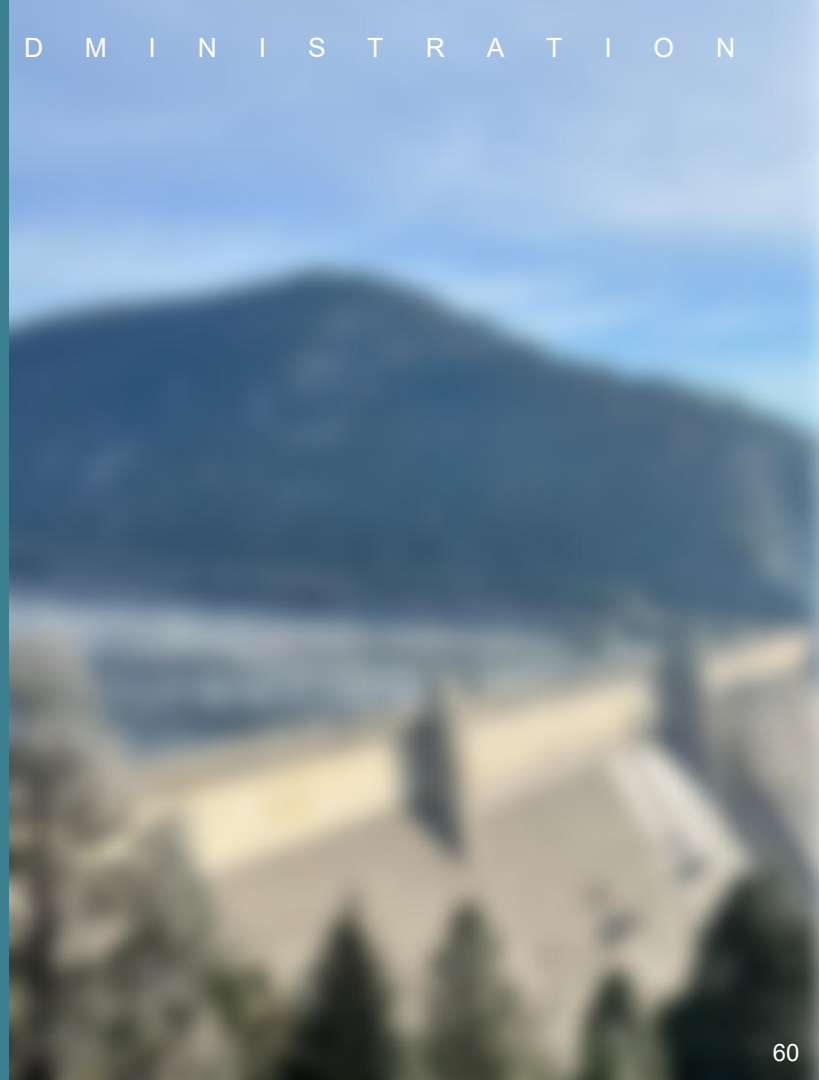
Staff has made updates to the following Schedules and tabs in the Appendix 1, which will be covered in Workshop 3 on Nov. 20th.

- Schedules: 1, 2, 3, 3B, 4
- Load Forecast Tab
- 3-Year PPS & OSS
- New Resources and Materiality Tabs
- Removal of A-RHWM and Tiered Rate Tabs
- NLSL Rate Tab

Rules of Procedure

Presenter – Michael Edwards

REP Technical Lead



POST 2028 REP

What are the Rules of Procedure?

- Define the ASC Review Process to determine utilities' ASCs for REP benefit calculation.
  - Establishes timeframes and schedule of events.
- Outline the utilities' filing requirements under the ASC Review Processes, as well as the off-year filings which are coined Informational Filings.

Proposed to Carry Forward-Timeline of Process

- ASC Review Process
  - Review of Utilities' ASC Filings
  - Discovery
  - Issue Lists
  - Clarification Workshops
  - Draft ASC Reports
  - Oral Argument
  - Final ASC Reports:
    - Finals ASCs and PFx Rates
    - REP benefits for Exchange Period

1. **Day 1**:	Utility posts its filings to BPA's "Secure REP" website. Access to such information shall be subject to any confidentiality rules and requirements established by BPA.
2. **Day 8**:	Deadline to file Utility-specific petitions to intervene with BPA for the Review Process.
3. **Day 10**:	BPA grants or denies petitions to intervene.
4. **Day 11-60**:	Parties allowed to submit Data Requests.
5. **Day TBD**:	BPA will commence workshops on all Appendix 1 filings based on the specific schedules.
6. **Day 81**:	BPA's and parties' issue lists due.
7. **Day 95**:	Utilities', BPA's, and parties' response(s) to issues lists due.
8. **Day 101**:	A workshop to resolve issues raised by parties through their issues lists.
9. **Day 165**:	Draft Utility ASC Reports issued.
10. **Day 227**:	Requests for oral argument before the Administrator or his/her designee due.
11. **Day 232**:	BPA grants or denies requests for oral argument.
12. **Day 241**:	Oral argument.
13. **Day 270**:	Comments on the Draft Utility ASC Reports due.
14. **Day TBD**:	Final Utility ASC Reports issued in conjunction with the publication of the Final Rate Case Proposal.

ASC Filing Requirements – 2012

SECTION 2. FILING PROCEDURES (ASC REVIEW PROCEDURES)

2.1 Exchange Period Filing Requirements

2.1.1 The Exchange Period will be equal to the term of BPA's Rate Period. ASCs will change during the Exchange Period only for the reasons provided in 18 C.F.R. § 304.1.

2.1.2 Utilities shall upload to BPA's Secure REP website at least one "ASC Filing," which shall include two Excel models, the Appendix 1 workbook and the Forecast Model, and all supporting documentation used to prepare the ASC Filing, by the later of (i) June 1 of each year or (ii) the deadline identified on the ASC Review Process Schedule posted on the Residential Exchange Program website. In years when BPA is not conducting a formal review process (Formal ASC Review Process), these filings shall be for informational purposes only, include only the Appendix 1 Excel workbook, and shall not change a Utility's ASC. For investor-owned utilities, the ASC Filing shall be based on the Utility's most recently filed FERC Form 1 and limited information from prior FERC Form 1 filings, as required. For consumer-owned utilities, the ASC Filing shall be based on the Utility's most recent audited financial information. BPA may request that consumer-owned utilities provide a cost of service analysis with their ASC Filings. For the Formal ASC Review Process only, each ASC Filing shall contain an attestation signed by a senior financial officer of the Utility substantially similar in form to Attachment A.

ASC Filing Requirements – 2026

- Exchange Period Filing Requirements
  - Fully Populated Appendix 1 workbook
  - Supporting documentation, studies, and analysis used to prepare the Appendix 1
  - The Utility's pre-run Forecast Model
  - A variance analysis, which includes columns for the current Appendix 1 inputs, the prior Appendix 1 inputs, and the percentage increase or decrease
  - An attestation, following the template included in Attachment A, signed by a senior financial officer of the Utility stating that the filing has been compiled in accordance with the Commission's Uniform System of Accounts, the ASC Methodology, and Generally Accepted Accounting Principles, and is consistent with applicable orders and policies of the Utility's Regulatory Body
  - Participation forms: Petition to Intervene, Consent to be Bound and Confidentiality forms

Information Filings

- As part of the 2028 RPSA, the Informational Filings will be biennial requirement.
- Updated language to reflect this change.

2.1.3 **Informational Filings:**
In years when BPA is not conducting an ASC Review Process, an Appendix 1 Filing, Utilities are required to submit an Informational Filing that will not change a Utility's ASC. The Appendix 1 data shall be based on the Utility's most recently filed FERC Form 1 and limited information from prior FERC Form 1 filings as required.

Proposed to Carry Forward – Additional Items

- Senior Financial Officer Attestation

Attachment A

Senior Financial Officer Attestation

<<Customer's Name>>
Average System Cost Filing
For the Base Period Beginning _____, 20XX
And Ending _____, 20XX

I, _____, having reviewed the Average System Cost (ASC) Appendix 1 Filing (ASC Filing) attached with this attestation, hereby certify that:

1. The ASC Filing has been prepared in accordance with Bonneville Power Administration's current ASC Methodology.

2. The ASC Filing excludes the costs associated with: (a) the cost of additional resources in an amount sufficient to serve any New Large Single Load (NLSL) after September 1, 1979; (b) the cost of additional resources in an amount sufficient to meet any additional load outside the region occurring after December 5, 1980; and (c) any costs of any generating facility which is terminated prior to initial commercial operation.

3. In support of item 2 above, <<Customer's Name>> performed a thorough review of its base period load by customer and confirms that <<Customer's Name>> is not serving any NLSL as defined in the *Bonneville Power Administration New Large Single Load Policy*, as may be amended or replaced, other than those NLSLs included in this ASC Filing, if any.

4. Based on my knowledge as <<Customer's Name>>'s Senior Financial Officer, the ASC Filing is based on <<Customer's Name>>'s audited financial statements, FERC Form 1 filings for IOUs and Annual Reports and most recent Cost of Service Analysis (COSA) for COUs, and other financial information, and fairly presents in all material respects the operating costs of the utility for _____, 20XX through _____, 20XX.

5. Based on my knowledge as <<Customer's Name>>'s Senior Financial Officer, the ASC Filing omits no material facts and contains no false statement regarding any material facts.

Respectfully submitted,

Senior Financial Officer
<<Customer's Name>>

Date:_____

Proposed to Carry Forward – Additional Items

- ASC Confidentiality Rules
  - Updated date & title change but proposing to keep Attachment 1: Consent To Be Bound unchanged.

ATTACHMENT 1

CONSENT TO BE BOUND FORM

Docket Nos. [List all that apply]

I. Consent to be Bound

This agreement governs the use of "Confidential Information" in the above-noted proceeding(s).

_____(Party) agrees to be bound by the terms of the Rules Governing the Disclosure of Confidential Information in BPA's Average System Cost Review Proceedings.

By: _____ _____
Signature Date

_____ _____
Print Name Title

II. Persons Qualified Pursuant to Sections 2.2.3 and 4.2.3

I have read the Rules Governing the Disclosure of Confidential Information in BPA's Average System Cost Review Proceedings and agree to be bound by the terms of such rules.

By: _____ _____
Signature Date

Excerpt from Consent to Be Bound Form

ASCM Topics for Workshop 2

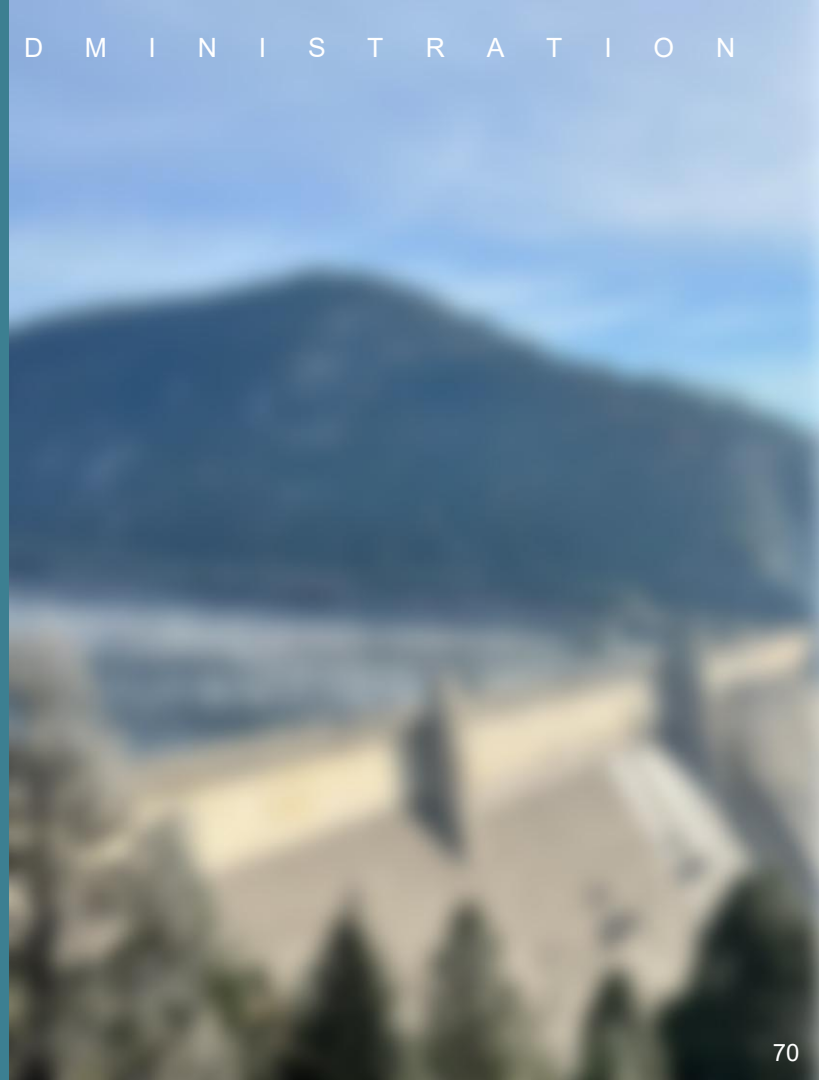
Workshop 1: Oct. 23rd	Workshop 2: Nov. 5th	Workshop 3: Nov. 20th	Workshop 4: Dec. 3rd
• ASCM Structure • ASC Review Process and Rules of Procedures • Sections Carried-Forward • Updates to FERC Accounts and ASCM Sections • Functional Overview of Appendix 1 and Forecast Model • WS 2 Topics	Topics: • Transmission Costs • Injuries and Damages (Account 925) • Energy Storage Devices More ASCM Proposals: • Calculation of NLSL Costs • Source of Escalation Data • Meeting Load Growth	• Wrap-up pending topics from WS 1 and 2 • Revisions to the Appendix 1 Template and Forecast Model • Customer-led Topics	• Discussion is focused on Preliminary ASCM Draft

Q&A

Close-out

Presenter – Scott Winner

Power Planning and Forecasting Supervisor



Communication and Resources

- Submit written comments and questions to rep2028@bpa.gov.
- Details to attend all Post-2028 REP Phase 2 workshop can be found on BPA's event calendar.
- For REP background, post-2028 public workshop materials, public notices, and additional REP resources, go to the Post-2028 REP webpage.
- To receive pertinent notifications related to this process sign up for Tech Forum.

Thank you!

Post 2028 REP Team