

2029 PUBLIC RATE DESIGN METHODOLOGY

Initial Proposal

PRDM-26-E-BPA-01

November 2024



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1 BACKGROUND AND PURPOSE

Section 7(b)(1) of the Northwest Power Act requires BPA to establish a “rate or rates” for the sale of firm electric power to meet the “general requirements” load of public body, cooperative, and federal agency customers (public customers, or “Publics”). 16 U.S.C. § 839e(b)(1). The public customers’ “general requirements” load is the electric power they purchase from the Administrator under Section 5(b) of the Northwest Power Act, excluding new large single loads. *Id.* at § 839e(b)(4).

This Public Rate Design Methodology (PRDM) is the rate methodology BPA will use beginning FY 2029-30 to develop the Section 7(b) rate for the general requirements of Publics with Contract High Water Mark (CHWM) Contracts. For purposes of the PRDM, the Section 7(b) rate is referred to as the Priority Firm Power (PF) rate. Consistent with Section 7(b) and the rate design discretion afforded to the Administrator by Section 7(e) of the Northwest Power Act, the PF rate design, as described herein, will be composed of two tiers. The first tier (Tier 1 Rates) sets rates designed to recover the costs associated with serving a public customer’s general requirements load that is designated as CHWM Load under the terms of the public customer’s CHWM Contract. The second tier (Tier 2 Rates) sets rates designed to recover the costs associated with serving a public customer’s general requirements load that is designated as Above-Contract High Water Mark (Above-CHWM) Load under the terms of the public customer’s CHWM Contract. The PRDM specifies how PF rates will be developed by BPA under these two tiers, with the objective of ensuring—to the maximum extent practical—that Tier 1 Rates do not include costs of serving a public customer’s Above-CHWM Load.

1 Other (not Core Rate Design) rate adjustments, charges, and special provisions, as well as
2 the rate design applicable to products and services not included in the PRDM, will be
3 established in each 7(i) Process.
4

5 **1.1 Two-Year Rate Periods**

6 BPA determinations of specific rate levels will be made in a manner consistent with the
7 PRDM in the respective 7(i) Process during the term of this PRDM. Under the PRDM, BPA
8 will set power rates for Rate Periods no longer than two years.
9

10 **1.2 Duration of the PRDM**

11 This PRDM will be effective October 1, 2028, and will apply until all contracts that sell
12 power at rates set pursuant to the PRDM have expired.
13

14 **1.3 Scope of PRDM References and Descriptions**

15 The PRDM addresses cost allocation and rate design of the PF rates applicable to the
16 general requirements of public customers taking service under a CHWM Contract. It does
17 not address the cost allocation or rate design of any other rate. Throughout the PRDM,
18 there are references to BPA's power costs in aggregate, or to elements of BPA's power costs
19 that are not recovered solely through the PF rates applicable to the PRDM. Section 2.2
20 states that all costs BPA functionalizes to power will be included in the Revenue
21 Requirement Table. Each line item on the Revenue Requirement Table will be allocated to
22 matching line items on the Allocated Tiered Cost Table (Table 2-1) established for each
23 rate pool. The Cost Pools on the Allocated Tiered Cost Table for the PF rate pool will
24 establish the treatment of costs to be recovered through either the various Tier 1 Rates or
25 the various Tier 2 Rates. These Cost Pools on the Allocated Tiered Cost Table do not

1 address BPA power costs on the Revenue Requirement Table that are to be recovered
2 through (allocated to) other rates, such as the New Resources Firm Power (NR) rate or the
3 Industrial Firm Power (IP) rate.

4
5 To the extent the PRDM refers to costs beyond those to be recovered through tiered PF
6 rates, this is not intended to imply that tiered PF rates will be designed to recover those
7 costs. Rather, these statements should be understood in the context of the sequential
8 process. That is, BPA will first determine its overall total system costs, then functionalize
9 those costs to Power Services and Transmission Services, and then allocate the total Power
10 system costs among its applicable rates (*e.g.*, PF, PF Exchange, IP, NR, FPS, others), in
11 accordance with the rate directives of Section 7 of the Northwest Power Act. The
12 provisions of the PRDM apply after this allocation, and only apply to the portion of costs
13 and revenues allocated to PF rate(s) receiving service under a CHWM Contract.

14 (See Figure 2-1.) The PRDM does not address issues relating to other BPA rates, except the
15 PF Exchange Rate for Publics with CHWM Contracts as described in Section 8.4.1.

2 COST ALLOCATIONS

The PRDM specifies how costs will be allocated to the Tier 1 Cost Pools and the Tier 2 Cost Pools that are used to calculate the Tier 1 and Tier 2 Rates. BPA will set all its rates, including the Tier 1 and Tier 2 Rates, in each 7(i) Process.

2.1 Cost Allocation Principles

The following principles were applied in developing the PRDM Cost Allocation Method and will be used for allocating costs that are not specifically addressed in the PRDM.

- 1) Tiering is a ratemaking construct implemented through an allocation of costs rather than an allocation of power.
- 2) Costs not otherwise expressly allocated in the PRDM will be allocated to Cost Pools based on the principles of cost causation, meaning the costs will be allocated to the Cost Pool(s) that benefit from or cause such costs.
- 3) Tier 1 Costs will be kept separate and distinct from Tier 2 Costs. Tier 1 Costs will be recovered through the Tier 1 Rates. Tier 2 Costs will be recovered through Tier 2 Rates, except when necessary to ensure BPA's cost recovery during a Rate Period or to conform to court ruling as provided for in Chapter 9.
- 4) Tier 2 Cost Pools will be kept separate from one another. Each Tier 2 Rate will recover only the costs of the applicable Tier 2 Cost Pool. BPA will seek to recover all costs of the applicable Tier 2 Cost Pool from customers purchasing power from that Tier 2 Cost Pool before proposing any reallocation of costs to the Composite Cost Pool.
- 5) Cost separation between the Cost Pools will not affect the operation or dispatch of the Federal Columbia River Power System (FCRPS).

- 1 6) The ratemaking separation of costs between Tier 1 and Tier 2 Cost Pools, and
2 among the Tier 2 Cost Pools, will not necessarily be the same as BPA's accounting
3 treatment of the costs. When differences arise between ratemaking and accounting,
4 the ratemaking allocations determined in accordance with this chapter will govern
5 BPA's ratemaking.
- 6 7) BPA's allocation of costs among the Composite, Non-Slice, and Slice Cost Pools will
7 recognize the types of costs distinct to the type of service associated with each Cost
8 Pool.
- 9 8) The public customers have entered into a long-term CHWM Contract with BPA,
10 which commits the public customer to purchase (and BPA to supply) electric power
11 for the duration of the contract (as described therein) at rates that recover BPA's
12 total system costs consistent with Section 7 of the Northwest Power Act. As partial
13 consideration for this long-term commitment, and the long-term commitments in
14 the CHWM Contract incorporating the PRDM, the revenues and costs associated
15 with the sales of secondary energy will be treated in the following manner:
- 16 a) all revenues forecast by BPA from its sale of secondary energy produced by
17 the Federal Base System and other resources acquired by the Administrator
18 will continue to be credited to power rates pursuant to Northwest Power Act
19 Section 7(g) against costs that are properly allocated to rates for recovery
20 from sales of power for use within the region; and
- 21 b) costs and benefits of the sale of or inability to sell excess electric power
22 allocated under Section 7(g) of the Northwest Power Act will be allocated to
23 the Cost Pools to which the costs of the resources that generate such excess
24 electric power are allocated, consistent with Section 7 of the Northwest
25 Power Act.

- 1 9) The tiered rate treatment described in this PRDM will preserve consistency with
2 generally accepted ratemaking principles.
- 3 10) The allocation of costs and revenues as described in the PRDM does not
4 prescribe any particular conveyance of environmental and/or other attributes
5 associated with power purchased from BPA.

6

7 **2.2 Cost Allocation Method and Allocated Tiered Cost**

8 In each 7(i) Process under the PRDM, BPA will allocate Tier 1 Costs among three Tier 1
9 Cost Pools for determining Tier 1 Rates, and Tier 2 Costs to one or more Tier 2 Cost Pools
10 corresponding to each Tier 2 Rate Alternative. The Tier 1 Cost Pools are the Composite
11 Cost Pool, Slice Cost Pool, and Non-Slice Cost Pool. The allocation of costs to Cost Pools is a
12 ratemaking exercise that is performed in a 7(i) Process according to the directives in
13 Section 7 of the Northwest Power Act.

14

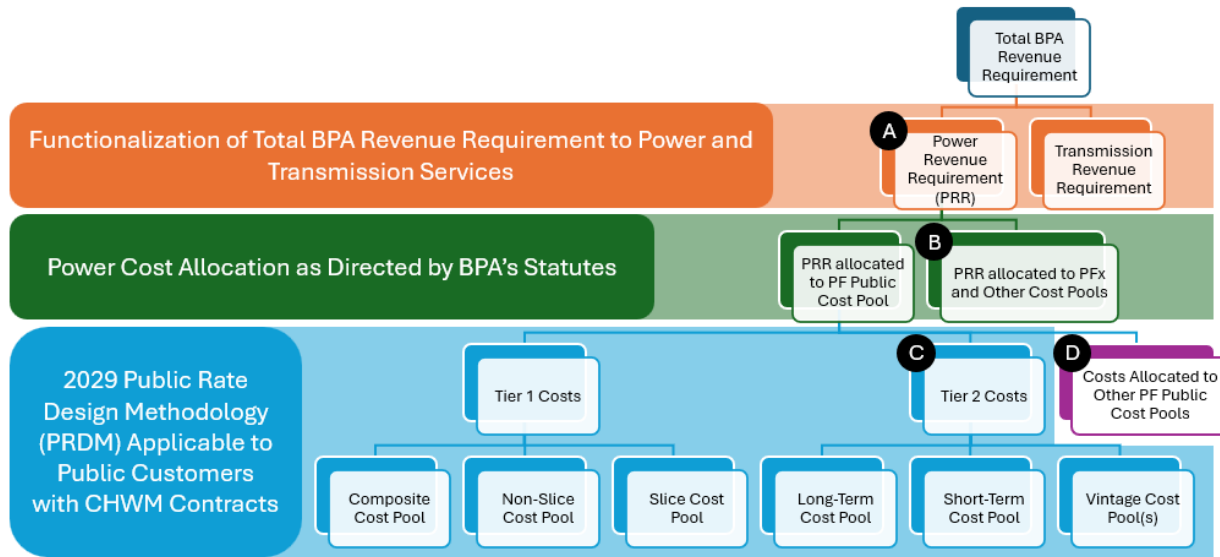
15 The Tier 1 Cost Pools will be determined by starting with the Revenue Requirement
16 functionalized to Power and subtracting the portion of that Revenue Requirement
17 recovered from BPA’s other power rates, as directed by BPA’s statutes. The remaining
18 Revenue Requirement will be recovered from the PF Public Cost Pool.

19

20 The portion of the PF Public Cost Pool that is allocated to the Tier 2 Cost Pools, as well as
21 any portion of the PF Public Cost Pool allocated to non-CHWM PF Public Customers, will
22 then be subtracted from the PF Public Cost Pool. The remaining portion of the PF Public
23 Cost Pool will be allocated to Tier 1 Cost Pools. The Tier 1 Costs are then sub-allocated to
24 the three Tier 1 Cost Pools—the Composite Cost Pool, the Slice Cost Pool, and the Non-Slice
25 Cost Pool. (See Figure 2-1.)

1
2

**Figure 2-1.
Soup-to-Nuts Power Cost Allocation**



3

4

Consistent with Figure 2-1 above, BPA's Tier 1 Costs are calculated as:

6

7

$$Tier\ 1\ Costs = A - B - C - D$$

8

Where:

9

A = The portion of BPA's total Revenue Requirement functionalized to Power Services.

10

B = The portion of Power Services' Revenue Requirement allocated to BPA's other Cost Pools as directed by BPA's Statutes.

11

12

C = The portion of the PF Public Cost Pool identified as Tier 2 Costs.

13

14

D = The portion of the PF Public Cost Pool allocated to other non-CHWM PF Public Customers.

15

16

1 **2.2.1 Cost Allocation Proof**

2 The mathematical, illustrative, summarizing, and accounting methods used to solve for
3 Tier 1 and Tier 2 Rates in each 7(i) Process may vary. Therefore, to ensure that the
4 PF Public rates are set in accordance with Section 7 of the Northwest Power Act and the
5 Principles in Section 2.1 of this chapter, BPA will conduct a cost allocation proof in every
6 7(i) Process. The proof will verify that the total costs recovered from all PF Public rates is
7 equal to only the portion of BPA’s total power costs that, in accordance with Section 7 of
8 the Northwest Power Act, are to be recovered from PF Public rates.

9
10 **2.2.1.1 The Composite Cost Pool**

11 Section A of the Allocated Tiered Cost Table 2-1 sets out the categories of costs that are
12 allocated to the Composite Cost Pool, including all Tier 1 Costs and Tier 1 Credits
13 functionalized by BPA to Power, except for any Tier 1 Costs or Tier 1 Credits that BPA has
14 determined meet the specified criteria for inclusion in either the Slice Cost Pool or the Non-
15 Slice Cost Pool, as set forth in Sections 2.2.1.2 and 2.2.1.3. The administrative costs
16 (primarily staffing costs) of surplus marketing and administering all CHWM Contracts and
17 rates, including potential future contracts that are applicable to the PRDM, will be allocated
18 to the Composite Cost Pool.

19
20 **2.2.1.2 The Slice Cost Pool**

21 Section B of the Allocated Tiered Cost Table is designed to include the costs that are
22 allocated to the Slice Cost Pool, including all Tier 1 Costs and Tier 1 Credits that are
23 specifically and uniquely attributable to the Slice Product. If, during the term of CHWM
24 Contracts (including potential future contracts that incorporate the PRDM), BPA
25 undertakes actions that are specifically and uniquely attributable to the Slice Product (for
26 example, customer-requested software enhancements specific to the Slice Product), then

1 BPA will allocate the costs of undertaking these actions to the Slice Cost Pool unless BPA
2 and the Slice customers have made separate payment arrangements. Such costs would be
3 treated as New Expenses under the PRDM for allocation purposes. Similarly, if in the
4 future there are New Credits attributable to the Slice Product only, these New Credits
5 would be allocated to the Slice Cost Pool.

6 7 **2.2.1.3 The Non-Slice Cost Pool**

8 Section C of the Allocated Tiered Cost Table sets out the categories of costs that are
9 allocated to the Non-Slice Cost Pool, including all Tier 1 Costs and Tier 1 Credits that are
10 specifically and uniquely attributable to the Load Following or Block Products. The Non-
11 Slice Cost Pool includes the costs and credits of converting resource output into load
12 service (*e.g.*, Balancing Power Purchases); the costs of Tier 1 risk mitigation not recovered
13 through rates for the Slice Product; and the costs or credits arising from Tier 1 Non-Slice
14 capacity acquisitions (*see* Section 3.5). Except as otherwise provided in Section 2.4, the
15 Non-Slice Cost Pool also includes the Tier 1 Secondary Energy Credit, which includes any
16 costs or credits specifically attributable to BPA's marketing of Tier 1 Secondary Energy and
17 excludes administrative costs allocated to the Composite Cost Pool.

18 19 **2.2.1.4 Tier 2 Cost Pools**

20 Section D of the Allocated Tiered Cost Table sets out the costs that are allocated to the
21 Tier 2 Cost Pools. Such costs include all Tier 2 Costs that are attributable to resources and
22 services that BPA forecasts for ratemaking purposes to use for serving load at a Tier 2 Rate.
23 Included in Table 2-1, Section D, are Support Services costs used to set the Tier 2 Rates.
24 BPA will include a uniform adder, the Overhead Cost Adder, in the Tier 2 Cost Pools. BPA
25 will credit the forecast revenue from the Overhead Cost Adder to the Composite Cost Pool.

1 See Section 5.2 for a fuller discussion of costs allocated to Tier 2 Cost Pools and
2 Section 5.2.3 for discussion of the Overhead Cost Adder. Any uses of Tier 1 System
3 Resources to serve load at a Tier 2 Rate, as forecast for ratemaking purposes, will be priced
4 in accordance with Chapter 5.

6 **2.2.2 Allocated Tiered Cost Table**

7 The Allocated Tiered Cost Table 2-1 sets out the cost categories that will be used for
8 allocating costs in each 7(i) Process. Any changes to the Allocated Tiered Cost Table to
9 accommodate New Expenses or New Credits will be made pursuant to Section 2.3. Any
10 changes to the Allocated Tiered Cost Table to accommodate a need to allocate a Tier 2 Cost
11 to a Tier 1 Cost Pool will be pursuant to Section 2.6. All other changes to the Allocated
12 Tiered Cost Table will be pursuant to Chapter 9. The addition of new Tier 2 Cost Pools will
13 not be considered a change to the Allocated Tiered Cost Table for purposes of Chapter 9.

14
15 BPA will conform the description or grouping of costs in the Allocated Tiered Cost
16 Table 2-1 to the grouping of costs in the Power Services Statement of Revenues and
17 Expenses, but changes to line-item descriptions or groupings in the Power Services
18 Statement of Revenues and Expenses will not change the Cost Pools to which the
19 underlying costs are assigned. If modifications to BPA's Power Services Statement of
20 Revenues and Expenses change the categorization of costs, then the manner of maintaining
21 the separation of costs for purposes of the PRDM will be addressed in the next 7(i) Process
22 following the modification. Such modifications will not change the underlying allocation of
23 costs to the respective Cost Pools, which form the basis for setting Tier 1 and Tier 2 Rates.

24

1 **2.3 Inclusion of New Expenses or New Credits**

2 BPA will allocate New Expenses or New Credits to the Cost Pools based on the cost
3 allocation principles in Section 2.1. BPA will propose an allocation of the New Expenses
4 and New Credits to the appropriate Cost Pools in a 7(i) Process.
5

6 **2.4 Tier 1 Secondary Energy Credit**

7 The Slice Product includes an advance sale of surplus energy, which is delivered when and
8 if available. Consequently, the Composite Cost Pool and Slice Cost Pool do not contain any
9 cost or credit, except administrative costs, associated with Tier 1 Secondary Energy. When
10 Load Following and Block Products do not receive Tier 1 Secondary Energy as an advance
11 sale of surplus energy, the Non-Slice Cost Pool will be allocated a Tier 1 Secondary Energy
12 Credit. Such Tier 1 Secondary Energy Credit can take the form of a fixed credit based on
13 forecast, a variable credit based on actuals, or a combination of the two. Notwithstanding
14 any other provision in this PRDM, and irrespective of whether BPA allocates Section
15 7(b)(2) trigger amounts to BPA surplus sales, BPA will seek to ensure comparable
16 treatment with respect to Tier 1 Secondary Energy as between the Slice and Non-Slice
17 Cost Pools.
18

19 Tier 1 Secondary Energy Credit associated with the Unused CHWM will be included in the
20 Composite Cost Pool rather than the Non-Slice Cost Pool. BPA may also propose in a 7(i)
21 Process that portions of the Tier 1 Secondary Energy Credit be reallocated to the
22 Composite Cost Pool as supported by Section 2.1, such as when a market, operations, or
23 other decision causes a portion of the advanced sale of secondary energy associated with
24 the Slice Product to otherwise be credited to the Non-Slice Cost Pool or when a condition
25 exists that causes revenue to be allocated to the Non-Slice Cost Pool when a reallocation to
26 the Composite Cost Pool would be more appropriate.

1 **2.5 Interest Earned on the Bonneville Fund**

2 BPA will allocate to the Non-Slice Cost Pool a credit equal to the total anticipated credit
3 earned on Bonneville Fund balances attributed to the Power function.
4

5 **2.6 BPA Actions Prior to Allocating Tier 2 Cost to a Tier 1 Cost Pool**

6 If, for purposes of ensuring cost recovery, BPA determines that it must reallocate to any
7 Tier 1 Cost Pool costs that would otherwise be allocated to any Tier 2 Cost Pool under the
8 PRDM, to the extent practicable, BPA will reallocate such costs only after taking the
9 following actions:

- 10 1) BPA will make reasonable efforts to recover the costs from the party(s) that would
11 otherwise be responsible for such costs. Such efforts may include making demand
12 on any available credit support and pursuing legal action when BPA determines it is
13 appropriate.
- 14 2) BPA will make good faith efforts to reduce the costs that are proposed to be
15 reallocated, so as to offset the cost that would otherwise occasion the need for a
16 reallocation to ensure cost recovery.
- 17 3) Prior to a BPA proposal in a 7(i) Process to reallocate costs from a Tier 2 Cost Pool
18 to any Tier 1 Cost Pool, BPA will convene a public meeting with customers and
19 interested parties to discuss the proposal and to elicit alternatives to reallocating
20 the costs. If an alternative cost recovery mechanism appears to be viable, BPA
21 would propose such an alternative cost recovery mechanism in the next
22 7(i) Process.
- 23 4) If BPA determines in a 7(i) Process that it must reallocate costs to a Tier 1 Cost Pool
24 that would otherwise be allocated to any Tier 2 Cost Pool, the presumption will be
25 that such costs are to be allocated to the Composite Cost Pool unless it is determined

1 in the 7(i) Process that the costs should be allocated to another Tier 1 Cost Pool
2 based on the allocation principles in Section 2.1.

3
4 These actions, or disputes over whether the Administrator has satisfied them, do not
5 override and will not be allowed to frustrate the Administrator's responsibility to recover
6 costs and timely repay the U.S. Treasury.

7 8 **2.7 Slice True-Up**

9 Slice customers will have an annual Slice True-Up Charge for costs and credits allocated to
10 the Composite Cost Pool (*see* Table 2, Section A) and to the Slice Cost Pool (*see* Table 2,
11 Section B). The annual Slice True-Up Charge will be calculated for each Fiscal Year as soon
12 as BPA's audited actual financial data are available (usually in November). Actual expenses
13 during a Fiscal Year to implement a request of and for the benefit of an individual Slice
14 customer will be billed and paid in accordance with the contract governing the
15 implementation of such request.

16
17 The Slice True-Up Charge for each customer will be the sum of the Composite Cost Pool
18 True-Up Charge and the Slice Cost Pool True-Up Charge calculated for each Slice customer.
19 BPA will provide Slice customers a preliminary estimate of the Slice True-Up Charge before
20 completion of BPA's financial audit for each Fiscal Year. BPA will notify Slice customers of
21 their Slice True-Up Charge that is calculated after audited actual financial data are
22 available. The Slice True-Up Charge is included in customer bills in the month (or months)
23 following notification.

24
25 The Composite Cost Pool True-Up Charge and the Slice Cost Pool True-Up will be added
26 together if both are negative or both are positive, and will be netted against each other if

1 one adjustment is positive (adjustment is a charge) and the other adjustment is negative
2 (adjustment is a credit). The result of this summing or netting, as applicable, will be the
3 final Slice True-Up Charge.

4 **2.8 Slice True-Up Composite Cost Pool Charge**

6 The Slice True-Up Composite Cost Pool Charge is applicable to the Slice Product. The Slice
7 True-Up Composite Cost Pool Charge can be either positive or negative and is calculated as
8 the Slice True-Up Composite Cost Pool Billing Determinant multiplied by the Slice True-Up
9 Composite Cost Pool Rate.

11 **2.8.1 Slice True-Up Composite Cost Pool Billing Determinant**

12 For each Slice customer, the annual Slice True-Up Composite Cost Pool Billing Determinant
13 will be calculated as:

$$15 \quad STUcomp_{BD} = Slice\% * \left(\sum CHWM - UCHWM \right)$$

16 Where:

17 $STUcomp_{BD}$ = A Slice customer's annual Slice True-Up Composite Cost Pool
18 Billing Determinant in kWh applicable to the Slice True-Up Composite
19 Cost Pool Rate in mills/kWh in a Fiscal Year

20 $Slice\%$ = A customer's Slice percentage in that Fiscal Year

21 $\sum CHWM$ = sum of all customer CHWMs in that Fiscal Year

22 $UCHWM$ = the actual Unused CHWM for a Fiscal Year as adjusted for actual
23 loads effectively served at Tier 1 rates

2.8.2 Slice True-Up Composite Cost Pool Rate

The Slice True-Up Composite Cost Pool Rate is calculated by subtracting (i) the forecast annual expenses and revenue credits allocated to the Composite Cost Pool for the applicable Fiscal Years of the Rate Period from (ii) the actual expenses and revenue credits in the applicable Fiscal Year of the Rate Period that are allocable to the Composite Cost Pool. This difference is then divided by the total amount of actual Tier 1 MWhs sold in the same Fiscal Year at Tier 1 rates, as adjusted by the Tier 1 Marginal Energy True-Up, to calculate the mills/kWh Slice True-Up Composite Cost Pool Rate.

$$STU_{comp_R} = \frac{(CCP_{Actual} - CCP_{Forecast})}{(\sum CHWM - UCHWM)}$$

Where:

STU_{comp_R} = the Slice True-Up Composite Cost Pool Rate in mills/kWh applicable to a Slice customer's kWh Composite Cost Pool Slice True-Up Billing Determinant in a Fiscal Year

CCP_{Actual} = the actual expenses and revenue credits in the applicable Fiscal Year of the Rate Period that are allocable to the Composite Cost Pool

$CCP_{Forecast}$ = the forecast annual expenses and revenue credits in the applicable Fiscal Year of the Rate Period allocated to the Composite Cost Pool

$\sum CHWM$ = sum of all customer CHWMs in that Fiscal Year

$UCHWM$ = the actual Unused CHWM for a Fiscal Year as adjusted for actual loads effectively served at Tier 1 rates

2.8.2.1 Treatment of Firm Surplus and Secondary Adjustment Line Item

As part of the Slice True-Up Composite Cost Pool Charge, the Firm Surplus and Secondary Adjustment (from Unused CHWM) line item in Table 2-1 will be revised to reflect the actual

1 effective Unused CHWM for each Fiscal Year and the resulting revenue difference between
2 a sale at the posted Slice True-Up Composite Cost Pool Rate and at the 7(i) Process-
3 determined value of Unused CHWM. The dollar amount calculated, which may be positive
4 or negative, will be used to adjust the forecast Firm Surplus and Secondary Adjustment
5 (from Unused CHWM) line item to calculate the actual Firm Surplus and Secondary
6 Adjustment (from Unused CHWM) line item used to calculate the Composite Cost Pool Slice
7 True-Up Rate.

8 9 **2.8.2.2 Treatment of Other Revenue Credit Line Items**

10 As part of the Composite Cost Pool True-Up, some rate revenue credit line items in
11 Table 2-1, such as IP and NR revenue line items, may be subject to true-up as determined in
12 each 7(i) Process. When a revenue credit line item is subject to true-up that varies because
13 the actual amount of power sold is different than the forecast amount of power sold, the
14 forecast revenue credit will be adjusted to account for the revenue difference assuming an
15 increased or decreased market power sale—such as a kWh decrease in a NR power sale
16 and an equal kWh increase in a market power sale, or vice versa. The revenue difference
17 calculated, using the formula established in each 7(i) Process, which may be positive or
18 negative, will be used to adjust the forecast revenue credit line items to calculate the actual
19 revenue credit line items used in to calculate the Composite Cost Pool Slice True-Up Rate.

20 21 **2.8.2.3 Minimum Required Net Revenue Line Items**

22 The actual expenses and revenue credits allocable to the Composite Cost Pool include a
23 component for any amount by which BPA's actual cash requirements exceed the total
24 actual non-cash expenses in the Composite Cost Pool in a given Fiscal Year. This is called
25 the Minimum Required Net Revenue (MRNR). When BPA's actual cash requirements do

1 not exceed the total actual non-cash expenses in the Composite Cost Pool, MRNR will equal
2 zero. Any revisions to this MRNR treatment will be proposed by BPA in a 7(i) Process.

3 4 **2.8.3 Slice True-Up Slice Cost Pool Charge**

5 The annual Slice True-Up Slice Cost Pool Charge for the Slice Cost Pool will be calculated by
6 1) subtracting (i) the forecast annual expenses and revenue credits allocated to the Slice
7 Cost Pool for the applicable Fiscal Years of the Rate Period from (ii) the actual expenses and
8 revenue credits that are allocable to the Slice Cost Pool in the applicable Fiscal Year of the
9 Rate Period and 2) multiplying the difference from step 1 above by each customer's Slice
10 Percentage pursuant to Exhibit K (or its replacement) of the Slice Contract divided by the
11 sum of all Slice Percentages for that Fiscal Year pursuant to Exhibit K (or its replacement)
12 of the Slice Contract. The dollar amount calculated, which may be positive or negative,
13 constitutes the Slice True-Up Slice Cost Pool Charge for the Slice Cost Pool.

14 15 **2.8.4 Treatment of New Costs and New Credits, and Costs and Revenues Not Subject** 16 **to Slice True-Up**

17 In the annual Slice True-Up Charge, BPA may make an interim allocation of New Expenses
18 or New Credits for which categories do not exist on Table 2-1. If BPA makes such an
19 interim allocation among the Cost Pools, it will do so based on the PRDM cost allocation
20 principles (*see* Section 2.1). BPA will make a final decision on the allocation of New
21 Expenses or New Credits among the Cost Pools in the next scheduled power rate 7(i)
22 Process. If the cost allocation finally adopted in the 7(i) Process is different from the
23 interim allocation implemented by BPA through the Slice True-Up Charge, the Slice
24 customers will be compensated or charged based on their over-payment or under-
25 payment, in either case with interest (at the rate specified in the Slice customer's CHWM
26 Contract) from the first calendar day of the Fiscal Year in which the Slice True-Up Charge

1 containing the interim allocation was calculated to the due date of the bills containing
2 payment(s) or credit(s) related to the final allocation.

3
4 For forecast expenses or revenue credits allocated to either the Composite Cost Pool or the
5 Slice Cost Pool that are not subject to the Slice True-Up Charge, for purposes of all Slice
6 True-Up Charge calculations the actual expenses and revenue credits allocable to such Cost
7 Pools for each Fiscal Year will be deemed to be equal to the forecast of such expenses or
8 revenue credits in the applicable 7(i) Process. The expenses and revenue credits that are
9 not subject to true-up to actual expenses and revenue credits in the Slice True-Up Charge
10 will be determined in each 7(i) Process.

11 12 **2.8.5 Slice True-Up Charge Settlement**

13 The final Slice True-Up Charge for each customer will be applied either as a one-month
14 credit (if the adjustment is negative) or as a three-month charge (if the adjustment is
15 positive) spread equally across the three months following the month the final Slice True-
16 Up Charge is determined by BPA. Slice customers have the option to pay the entire charge
17 in one month.

18
19 Interest will be computed and added to the Slice True-Up Charge for each Slice customer at
20 the rate and for the period specified in the Slice customer's CHWM Contract.

21
22 Any adjustments to the billed Slice True-Up Charge will be determined by BPA upon the
23 later to occur of 1) BPA's issuance of its written final resolutions of Slice True-Up Charge
24 issues at conclusion of the Cost Verification Process or 2) BPA's issuance of a written
25 decision by the Administrator that affirms or rejects (in whole or in part) the
26 recommendation of the third-party expert, all as set forth in Appendix B.

1 **2.8.6 Cost Verification Process for the Slice True-Up Charge**

2 BPA will conduct a Cost Verification Process that will permit Slice customers and other
3 customers to assess whether BPA has correctly calculated the amount of each expense or
4 revenue credit subject to the Slice True-Up Charge, and whether the final Slice True-Up
5 Charge contains only those expenses and revenue credits permitted to be included in—and
6 does not contain any expenses or revenue credits excluded from—the Slice Rate pursuant
7 to the PRDM. The Cost Verification Process will not enable customers to question or
8 dispute BPA’s accounting policies and standards, management decisions, or other policies.
9 The Cost Verification Process for the Slice True-Up Charge will be conducted in accordance
10 with Appendix B to this PRDM.
11

12 **2.9 Cost Review Public Process**

13 BPA will conduct, outside the PRDM, a Cost Review Public Process. This public process will
14 include periodic meetings to allow customers and interested parties to review and obtain
15 information from BPA, such as BPA’s financial performance, comparison of BPA’s actual
16 costs to its forecast costs, and assignment of costs among cost categories and Cost Pools.
17 For any issues raised in this Cost Review Public Process, BPA will determine if resolution is
18 needed in a 7(i) Process.
19

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2
3
4

Table 2-1. ALLOCATED TIERED COSTS
(Blackened row indicates that item is wholly assigned to another Cost Pool.)

A. Composite Cost Pool

	A	B	C	D	E	F
	COSTS AND RATE ADJUSTMENTS	Year 1 Forecast	Actual Data	Year 2 Forecast	Actual Data	Total Rate Period
1	COMPOSITE COST					
2	Operating Expenses					
3	Power System Generation Resources					
4	Operating Generation					
5	COLUMBIA GENERATING STATION (WNP-2)					
6	BUREAU OF RECLAMATION					
7	CORPS OF ENGINEERS					
8	CRFM STUDIES					
9	LONG-TERM CONTRACT GENERATING PROJECTS					
10	Sub-Total					
11	Operating Generation Settlement Payment and Other Payments					
12	COLVILLE GENERATION SETTLEMENT					
13	SPOKANE LEGISLATION PAYMENT					
14	Sub-Total					
15	Non-Operating Generation					
16	TROJAN DECOMMISSIONING					
17	WNP-1&3 DECOMMISSIONING					
18	Sub-Total					
19	Gross Contracted Power Purchases					
20	PNCA HEADWATER BENEFITS					
21	OTHER POWER PURCHASES (Designated Obligations or Purchases)					
22	HEDGING/MITIGATION (NON-SLICE COST)					
23	OTHER POWER PURCHASES (NON-SLICE COST)					
24	Sub-Total					
25	Bookout Adjustment to Power Purchases (omit)					
26	Augmentation Power Purchases (omit - calculated below)					
27	AUGMENTATION POWER PURCHASES					
28	Sub-Total					
29	Exchanges and Settlements					
30	RESIDENTIAL EXCHANGE PROGRAM (REP)					
31	OTHER SETTLEMENTS					
32	Sub-Total					
33	Renewable Generation					
34	RENEWABLES (excludes KIII)					
35	Sub-Total					
36	Generation Conservation					
37	CONSERVATION ACQUISITION					
38	CONSERVATION INFRASTRUCTURE					
39	LOW INCOME WEATHERIZATION & TRIBAL					
40	ENERGY EFFICIENCY DEVELOPMENT					
41	DISTRIBUTED ENERGY RESOURCES					
42	LEGACY					
43	MARKET TRANSFORMATION					
44	Sub-Total					
45	Power System Generation Sub-Total					
46						
47	Power Non-Generation Operations					
48	Power Services System Operations					
49	EFFICIENCIES PROGRAM					
50	INFORMATION TECHNOLOGY					
51	GENERATION PROJECT COORDINATION					
52	ASSET MGMT ENTERPRISE SVCS					
53	SLICE IMPLEMENTATION (SLICE COST)					
54	Sub-Total					
55	Power Services Scheduling					
56	OPERATIONS SCHEDULING					
57	OPERATIONS PLANNING					
58	Sub-Total					

	A	B	C	D	E	F
	COSTS AND RATE ADJUSTMENTS	Year 1 Forecast	Actual Data	Year 2 Forecast	Actual Data	Total Rate Period
59	Power Services Marketing and Business Support					
60	GRID MOD					
61	EIM INTERNAL SUPPORT					
62	POWER INTERNAL SUPPORT					
63	COMMERCIAL ENTERPRISE SVCS					
64	OPERATIONS ENTERPRISE SVCS					
65	POWER R&D					
66	SALES & SUPPORT					
67	STRATEGY, FINANCE & RISK MGMT (REP support costs included here)					
68	EXECUTIVE AND ADMINISTRATIVE SERVICES (REP support costs included here)					
69	CONSERVATION SUPPORT					
70	Sub-Total					
71	Power Non-Generation Operations Sub-Total					
72	Power Services Transmission Acquisition and Ancillary Services					
73	TRANSMISSION and ANCILLARY Services - System Obligations					
74	3RD PARTY GTA WHEELING					
75	POWER 3RD PARTY TRANS & ANCILLARY SVCS (Composite Cost)					
76	POWER 3RD PARTY TRANS & ANCILLARY SVCS (Non-Slice Cost)					
77	TRANS ACQ GENERATION INTEGRATION					
78	EESC CHARGES (Composite)					
79	TELEMETERING/EQUIP REPLACEMT					
80	Power Services Trans Acquisition and Ancillary Serv Sub-Total					
81	Fish and Wildlife/USF&W/Planning Council/Environmental Req					
82	Fish & Wildlife					
83	USF&W Lower Snake Hatcheries					
84	Planning Council					
85	Fish & Wildlife RDC Funds					
86	Lower Snake Hatcheries RDC Funds					
87	Fish and Wildlife/USF&W/Planning Council Sub-Total					
88	BPA Internal Support					
89	Additional Post-Retirement Contribution					
90	Agency Services G&A (excludes direct project support)					
91	BPA Internal Support Sub-Total					
92	Bad Debt Expense (Composite Cost)					
93	Bad Debt Expense (Non-Slice Cost)					
94	Other Income, Expenses, Adjustments					
95	Depreciation (Composite Cost)					
96	Depreciation (Non-Slice Cost)					
97	Amortization					
98	Accretion (CGS)					
99	Total Operating Expenses					
100						
101	Other Expenses and (Income)					
102	Net Interest Expense					
103	LDD					
104	Irrigation Rate Discount Costs					
105	Revenues, PRDM Rate Impact Credit, Mitigation (RIC-M)					
106	Costs, PRDM Rate Impact Credit, Mitigation (RIC-M)					
107	FPS (Surplus)/Shortfall					
108	7(c)(2) Delta Allocation					
109	7(b)(2) / 7(b)(3) Protection Amount					
110	7(b)(2) Industrial Adjustment					
111	Sub-Total					
112	Total Expenses					
113						
114	Revenue Credits					
115	Generation Inputs for Ancillary, Control Area, and Other Services Revenues					
116	Downstream Benefits and Pumping Power revenues					
117	4(h)(10)(c) credit					
118	PRSC Net Credit (Composite)					
119	Colville and Spokane Settlements					

	A	B	C	D	E	F
	COSTS AND RATE ADJUSTMENTS	Year 1 Forecast	Actual Data	Year 2 Forecast	Actual Data	Total Rate Period
120	Energy Efficiency Revenues					
121	PF Load Forecast Deviation Liquidated Damages					
122	Miscellaneous revenues					
123	Renewable Energy Certificates					
124	Net Revenues from other Designated BPA System Obligations (Upper Baker)					
125	RSS Revenues					
126	Firm Surplus and Secondary Adjustment (from Unused RHWM)					
127	Balancing Augmentation Adjustment					
128	Transmission Loss Adjustment					
129	Tier 2 Rate Adjustment					
130	NR Revenues					
131	Total Revenue Credits					
132						
133	Augmentation Costs					
134	Tier 1 Augmentation Resources (includes Augmentation RSS and Augmentation RSC adders)					
135	Augmentation Purchases					
136	Total Augmentation Costs					
137						
138	DSI Revenue Credit					
139	Revenues 12 aMW @ IP rate					
140	Total DSI revenues					
141						
142	Minimum Required Net Revenue Calculation					
143	Principal Payment of Fed Debt for Power					
144	Repayment of Non-Federal Obligations (EN Line of Credit)					
145	Repayment of Non-Federal Obligations (CGS, WNP1, WNP3, N. Wasco, Cowlitz Falls)					
146	Irrigation assistance					
147	Sub-Total					
148	Depreciation					
149	Amortization					
150	Accretion					
151	Capitalization Adjustment					
152	Amortization of Refinancing Premiums/Discounts (MRNR - Reverse Sign)					
153	Amortization of Cost of Issuance (MRNR-reverse sign)					
154	Cash freed up by DSR refinancing					
155	Gains/Losses on Extinguishment					
156	Non-Cash Expenses					
157	Prepay Revenue Credits					
158	Non-Federal Interest (Prepay)					
159	Contribution to decommissioning trust fund					
160	Gains/losses on decommissioning trust fund					
161	Interest earned on decommissioning trust fund					
162	Revenue Financing Requirement					
163	Capital Financing (RCD)					
164	Other Adjustments					
165	Payments for Litigation Stay Agreements					
166	Sub-Total					
167	Principal Payment of Fed Debt plus Irrigation assistance exceeds non-cash expenses					
168	Minimum Required Net Revenues					
169						
170	Total Composite Cost					

1
2

B. Slice Cost Pool

	A	B	C	D	E	F
	COSTS AND RATE ADJUSTMENTS	Year 1 Forecast	Actual Data	Year 2 Forecast	Actual Data	Total Rate Period
1	SLICE COST					
2	Slice Implementation Expenses					
3	Total Slice Cost					

C. Non-Slice Cost Pool

	A	B	C	D	E	F
	COSTS AND RATE ADJUSTMENTS	Year 1 Forecast	Actual Data	Year 2 Forecast	Actual Data	Total Rate Period
1	NON-SLICE COST					
2	Other Power Purchases (Balancing)					
3	Other Power Purchases (Capacity)					
4	Hedging/Mitigation					
5	Transmission & Ancillary Services (Non-Slice Cost)					
6	Third Party Trans & Ancillary Services					
7	Bad Debt Expense (Non-Slice Cost)					
8	Depreciation (Non-Slice Cost)					
9	Interest Earned on BPA Fund for Power					
10	Planned Net Revenues for Risk					
11	Accrual revenues (MRNR adjustment, if applicable)					
12	PRDM Rate Impact Credit, Capacity (RIC-C)					
13	PRDM Rate Impact Credit, Joint Operating Entity (RIC-J)					
14	Less Revenue Credits:					
15	Tier 1 Secondary Revenue Credit (less Secondary associated with Unused RHWM)					
16	Demand Revenue					
17	Peak Load Variance Revenue					
18	Marginal Energy True-Up Net Revenue					
19	Total Non-Slice Cost					

D. Tier 2 Cost Pool

	A	B	C	D	E	F
	COSTS AND RATE ADJUSTMENTS	Year 1 Forecast	Actual Data	Year 2 Forecast	Actual Data	Total Rate Period
1	Tier 2 Cost (calculated for each T2 Rate)					
2	Acquisition Costs					
3	BPA Overhead Costs					
4	Support Services Adder					
5	Tier 2 Change Fee, Tier 2 Change Charge (Tier 2 Long-Term)					
6	Other costs, including risk-related, if appropriate					
7	Total Tier 2 Cost					

3 RESOURCES AND AUGMENTATION

This chapter describes how BPA will identify the resources whose costs will be recovered through Tier 1 rates as established in each 7(i) Process. This chapter also identifies types of augmentation, and the cost allocation and rate treatment applicable to each type of augmentation. Lastly, this chapter specifies how BPA will track various types of resource acquisitions.

3.1 Tier 1 System Resources

In each 7(i) Process, BPA will update the list of resources that are considered Tier 1 System Resources for setting the Tier 1 rates and establishing the amount of firm power provided through the Slice Product. Tier 1 System Resources are the resources listed in Table 3-1, Tier 1 System Resources, as updated for any new resources, including market purchases, that BPA determines are needed to meet its CHWM obligations. The firm power of the Tier 1 System Resources will be determined in each 7(i) Process and is defined as the Tier 1 Firm System Output.

The resources listed in Table 3-1 will not be removed, and the Portion of Resource will not be decreased, for the duration of this PRDM. If there is a cessation of firm power from any such resource, the firm power output from the resource will be set to zero as determined in the 7(i) Process. The firm power from a given Tier 1 System Resource may change over time as determined in each 7(i) Process. The output for each resource and Portion of Resource listed in Table 3-1 so determined will be included in the Tier 1 Firm System Output used to determine whether any new resources, including market purchases, must be added to Table 3-1 for BPA to meet its CHWM obligations. BPA will only add new resources, including market purchases, to the resources listed in Table 3-1 to the extent BPA determines that it is necessary to meet BPA's CHWM obligations after accounting for

1 the Tier 1 Firm System Output of the then existing Tier 1 System Resources and BPA's
2 Designated System Obligations. Unlike Tier 1 System Resources, resources listed in Tables
3 3-3, 3-4, and 3-5 will include a purpose and that purpose can be changed as determined in
4 a 7(i) Process.

6 **3.2 System Obligations**

7 **3.2.1 Designated System Obligations**

8 Designated System Obligations, as listed in Table 3-2, Designated System Obligations, are
9 BPA obligations that: 1) are directly assigned to, or from, the generation output or
10 capability of the Tier 1 System Resources, or 2) are incurred because of contracts,
11 operational obligations, memorandums of agreement, treaties, statutes, regulations, court
12 orders, or executive orders, as individual obligations or in combination, that create a firm
13 obligation for the Tier 1 System Resources. Designated System Obligations also include the
14 portion (if any) of the Tier 1 System Resources that BPA uses to source generation inputs
15 for BPA's ancillary and control area service obligations, transmission losses, capacity for
16 the Western Resource Adequacy Program (WRAP) (or its successor), Support Services, or
17 other reserve obligations. These obligations are considered firm obligations of the system
18 regardless of weather, water, or economic conditions. These obligations may involve
19 energy, capacity, or a combination of the two.

20
21 Designated System Obligations can vary from year to year and change over time. Any costs
22 related to, or revenues recovered from, Designated System Obligations will be allocated to
23 the Composite Cost Pool.

1 Designated System Obligations may continue where a successor contract replaces an
2 expiring listed contract. The Designated System Obligations listed on Table 3-2 will not be
3 removed for the duration of this PRDM. If there is a cessation of any such Designated
4 System Obligation, the obligation amount will be set to zero when the obligation expires.
5 Table 3-2 may be updated to include new Designated System Obligations.

6 7 **3.2.2 New Designated System Obligations**

8 Customers with CHWM Contracts should have as much certainty as reasonably possible
9 about Designated System Obligations. Accordingly, BPA will, if practicable, hold a public
10 process before adopting a new Designated System Obligation. Where holding such a
11 process is not practicable before adopting a new Designated System Obligation, BPA will
12 hold such process before a new Designated System Obligation is added to Table 3-2 and
13 will document any change in the next applicable 7(i) Process.

14 15 **3.2.3 Large Designated System Obligation Increases**

16 If BPA forecasts a 10 percent or greater increase in total Designated System Obligations
17 over the most recently published forecast of Designated System Obligations, then BPA shall
18 notify all customers with CHWM Contracts of such change as soon as practical. Upon
19 written request of not less than 25 percent of the customers with CHWM Contracts (by
20 number), BPA will hold a public process on the matter.

21
22 In such a public process, BPA will hold at least one open meeting to: 1) in the case of new
23 Designated System obligations, review the need and the forecast amount of such obligation;
24 and 2) in the case of existing Designated System Obligations, review BPA's forecast of the
25 obligation amounts. BPA will consider written comments submitted in connection with

1 such meeting(s). BPA will respond to reasonable requests to provide information that is
2 non-confidential and is reasonably related to BPA's determination of new and existing
3 Designated System Obligations and the forecast obligation amounts. Issues related to cost
4 allocation, rate impacts, or rate treatment of changes to Designated System Obligations will
5 not be addressed in such process, but rather in the appropriate 7(i) Process.

6 7 **3.3 Augmentation**

8 There are two types of augmentation used for purposes of this PRDM: CHWM Modeled
9 Augmentation and Rate Period Augmentation.

10 11 **3.3.1 CHWM Modeled Augmentation**

12 CHWM Modeled Augmentation is a PRDM construct used to establish the CHWM System,
13 the simulated Slice capability, and to equitably allocate costs between Slice and Non-Slice
14 rates. CHWM Modeled Augmentation is not a forecast of physical resources needed for
15 load-resource balance. CHWM Modeled Augmentation is greater than zero when the sum
16 of customer annual CHWMs and the Designated System Obligations is greater than the
17 Tier 1 Firm System Output.

$$18$$
$$19 \quad CHWM \text{ Modeled Augmentation} = \text{Max}(0, \sum CHWM_{all} + DSO - T1FSO)$$

20 where:

21 $\sum CHWM_{all}$ = annual sum of CHWMs for all customers

22 DSO = Designated System Obligations

23 $T1FSO$ = Tier 1 Firm System Output

1 CHWM Modeled Augmentation is an annual average modeled amount of power needed to
2 meet the sum of customer CHWMs and the Designated System Obligations with the Tier 1
3 System Resources. Any Unused CHWM will be used to offset the CHWM Modeled
4 Augmentation. That is, CHWM Modeled Augmentation offset by Unused CHWM will reduce
5 the Unused CHWM amount debited from the Non-Slice Cost Pool and credited to the
6 Composite Cost Pool. CHWM Augmentation will be included as an annual flat block of
7 power for calculating the simulated Slice capability and the portion of a customer's Net
8 Requirement met with the Slice Product.

10 **3.3.2 Rate Period Augmentation**

11 Rate Period Augmentation is the forecast annual average amount of power needed to be in
12 load and resource balance after considering all of BPA's resources (*see* Tables 3-1, 3-3, 3-4,
13 and 3-5) and obligations (*e.g.*, Designated System Obligations, power needed to serve loads
14 under Section 5 of the Northwest Power Act). The cost of Rate Period Augmentation will be
15 based on the expected cost of a flat annual block of power determined in each 7(i) Process
16 for the applicable Fiscal Year and allocated to the Composite Cost Pool. The forecast costs
17 of augmentation may be subject to the Slice True-Up as determined in each 7(i) Process.

19 **3.4 Balancing Power Purchases**

20 In each 7(i) Process, BPA will forecast its Balancing Power Purchase costs. Balancing
21 Power Purchases are distinct from Rate Period Augmentation in that they are power
22 purchases or resource acquisitions forecast by BPA in a 7(i) Process to be made by BPA for
23 periods within a year during which BPA's resource capability is insufficient to meet BPA's
24 obligations for that period. Such Balancing Power Purchases will not be included when
25 calculating Rate Period Augmentation. BPA's Balancing Power Purchase costs may include

1 procured contract purchases as well as a forecast of future procurements. The cost of
2 BPA's Balancing Power Purchases will be allocated to the Non-Slice Cost Pool. The
3 Composite Cost Pool may include a debit with an equal and opposite credit to the Non-Slice
4 Cost Pool to account for any Balancing Power Purchase costs associated with rates other
5 than Tier 1 Non-Slice rates. For example, such a Composite to Non-Slice Cost Pool
6 adjustment would be needed if NR-rate-related Balancing Power Purchase costs are being
7 allocated to the Non-Slice Cost Pool when NR rate revenue is allocated to the Composite
8 Cost Pool. Any such adjustment would be established through the 7(i) Process.

10 **3.5 Tier 1 Non-Slice Capacity Acquisitions**

11 BPA may make capacity resource acquisitions for meeting its Tier 1 Non-Slice load
12 obligations. To the extent BPA makes these type of resource acquisitions, it will list these
13 resources in Table 3-3 as updated each 7(i) Process. The cost of Tier 1 Non-Slice Capacity
14 Acquisitions will be allocated to the Non-Slice Cost Pool.

16 **3.6 Tier 2 Acquisitions**

17 BPA may make resource acquisitions (energy, capacity or a combination of both) for
18 purposes of meeting its Tier 2 Load obligations. To the extent BPA makes these type of
19 resource acquisitions, it will list these Tier 2 Acquisitions in Table 3-4 with a note
20 regarding the resource's originally purchased purpose, *e.g.*, to serve loads under a specific
21 Tier 2 Rate Alternative. Table 3-4 will be updated each 7(i) Process. The cost of Tier 2
22 Acquisitions will be allocated to the applicable Tier 2 Cost Pool.

3.7 All Other Resource Acquisitions

BPA may make resource acquisitions (energy, capacity or a combination of both) for purposes other than to meet its PF load obligations served at Tier 1 and Tier 2 rates. All Other Resource Acquisitions will be listed in Table 3-5 with a note regarding the resource’s originally purchased purpose, *e.g.*, to serve loads at NR rates. To the extent a resource is originally intended to be used for multiple purposes, the resources will be listed multiple times with each specific purpose and portion included. This may result in the same resource being listed in Tables 3-1, 3-3, and 3-4, and multiple times in Table 3-5. Consistent with the statutory functionalization and allocations depicted in Figure 2-1, any costs related to All Other Resource Acquisitions and revenues recovered as a result of making All Other Resource Acquisitions, will be allocated to the Composite Cost Pool.

Table 3-1. TIER 1 SYSTEM RESOURCES

1	Regulated Hydro Projects	Expiration	Portion of Resource	Resource Type
2	Albeni Falls	n/a	100%	Hydro
3	Bonneville	n/a	"	"
4	Chief Joseph	n/a	"	"
5	Dworshak	n/a	"	"
6	Grand Coulee	n/a	"	"
7	Hungry Horse	n/a	"	"
8	Ice Harbor	n/a	"	"
9	John Day	n/a	"	"
10	Libby	n/a	"	"
11	Little Goose	n/a	"	"
12	Lower Granite	n/a	"	"
13	Lower Monumental	n/a	"	"
14	McNary	n/a	"	"
15	The Dalles	n/a	"	"
16	Independent Hydro Projects	Expiration		
17	Anderson Ranch	n/a	100%	Hydro
18	Big Cliff	n/a	"	"
19	Black Canyon	n/a	"	"
20	Boise River Diversion	n/a	"	"
21	Chandler	n/a	"	"

22	Cougar	n/a	"	"
23	Cowlitz Falls	6/30/2032	"	"
24	Detroit	n/a	"	"
25	Dexter	n/a	"	"
26	Foster	n/a	"	"
27	Green Peter	n/a	"	"
28	Green Springs – USBR	n/a	"	"
29	Hills Creek	n/a	"	"
31	Lookout Point	n/a	"	"
32	Lost Creek	n/a	"	"
33	Minidoka	n/a	"	"
34	Palisades	n/a	"	"
35	Roza	n/a	"	"
36	Other Projects	Expiration		"
37	Columbia Generating Station	n/a	100%	Nuclear
38	Dworshak/Clearwater Small Hydropower	n/a	"	Hydro
39	Fourmile Hill Geothermal	(year to year)	"	Geothermal
41	Contract Purchases	Expiration		
42	Priest Rapids CER for Canada	Treaty Entitlement Return	100%	Hydro
43	Rock Island #1 CER for Canada	Treaty Entitlement Return	"	Hydro
44	Rock Island #2 CER for Canada	Treaty Entitlement Return	"	Hydro
45	Rock Reach CER for Canada	Treaty Entitlement Return	"	Hydro
46	Wanapum CER for Canada	Treaty Entitlement Return	"	Hydro

1
2

Table 3-2. DESIGNATED SYSTEM OBLIGATIONS

1	Obligation	Contract Number	Expiration Date
2	BPA to BRCJ	14-03-49151	8/23/2024
3	BPA to BRCJ	14-03-17506	12/31/2023
4	BPA to BRRCR	14-03-73152	Mutually agreed
5	BPA to BREG	14-03-49151	8/23/2024
6	BPA to BRGC	14-03-001-12160	6/30/2017
7	BPA to BRPOP	14-03-79239	Mutually agreed
8	BPA to BRISI	14-03-49151	8/23/2024
9	BPA to BRISID	14-03-99106	Mutually agreed
10	BPA to BRISV	14-03-63656	Mutually agreed
11	BPA to BRITD	14-03-32210	Mutually agreed
12	BPA to BRITV	14-03-49151	8/23/2024
13	BPA to BRITK	00PB-12132	9/30/2011 (year to year)
14	BPA to BCHA Canadian Entitlement	99EO-40003	9/15/2024 (contract expected to be replaced)
15	BPA to SPP Harney Wells	88BP-92436	2/25/2018 (contract expected to be replaced)
16	Federal System Intertie Transmission Losses	n/a	(year to year)

1	Obligation	Contract Number	Expiration Date
17	WRAP Capacity	n/a	Ongoing
18	Non-Power Uses Agreement	n/a	(year to year)
19	Summer Storage Agreement	n/a	(year to year)
20	Arrow Local	n/a	(year to year)
21	Upper Baker	05PB-11542	(year to year)
22	AOP's/Entity Agreements	n/a	(year to year)
23	DOP's/Entity Agreements	n/a	(year to year)
24	Power/Transmission Services MOA for generation inputs for ancillary, control, and other services	07PB-11856	9/30/2009 (contract expected to be replaced)
25	Federal system transmission losses for power deliveries	n/a	(year to year)
26	Interchange	n/a	(year to year)
27	Loop flow support	n/a	(year to year)
28	Voltage support (VAR)	n/a	(year to year)
29	Project use loads not included in USBR	n/a	(year to year)
30	Support Services	n/a	(year to year)
31	Other reserve obligation	n/a	(year to year)

Table 3-3. TIER 1 NON-SLICE CAPACITY ACQUISITIONS

1	Resource	Contract #	Expiration	Portion of Resource	Resource Type
2	To be determined		n/a	100%	
3			n/a		
4			n/a		

Table 3-4. TIER 2 ACQUISITIONS

1	Resource	Contract #	Expiration	Purpose	Portion of Resource	Resource Type
2	To be determined		n/a		100%	
3			n/a			
4			n/a			

Table 3-5. ALL OTHER RESOURCE ACQUISITIONS

1	Resource	Contract #	Expiration	Purpose	Portion of Resource	Resource Type
2	To be determined		n/a		100%	
3			n/a			
4			n/a			

4 TIER 1 RATE DESIGN

The Tier 1 Rate design described in this chapter consists of four Core Rate Design charges: Tier 1 Energy Charges, Tier 1 Marginal Energy True-Up, Tier 1 Demand Charges, and Tier 1 Peak Load Variance Charges.

The Tier 1 Rate design also includes three Core Rate Design Rate Impact Credits: the RICc, the RICm, and the RICj. The RICc ensures customer's forecast BP-29 Rate Period capacity needs are charged the embedded cost of capacity. The RICm gradually transitions customers' effective rate changes under the Tiered Rate Methodology (TRM) to the PRDM. The RICj mitigates changes to Tier 1 Demand Charges particular to a JOE that took power under the TRM.

4.1 Tier 1 Energy Charges

The Tier 1 Energy Charges are calculated by multiplying Tier 1 energy rates (mills/kWh) by the quantity of Tier 1 energy (kWh) associated with the applicable PF product. The number of Tier 1 energy rates, and thereby Tier 1 Energy Charges, applicable during a Rate Period will be determined in each 7(i) Process; the PRDM does not dictate that a particular number of Tier 1 Energy Charges be implemented.

The Tier 1 Energy Charges will recover costs and credits allocated to the Composite, Non-Slice, and Slice Cost Pools. The Tier 1 Energy Charges that recover costs allocated to the Composite Cost Pool apply to the Slice, Load Following, and Block Products. The Tier 1 Energy Charges that recover costs and credits allocated to the Non-Slice Cost Pool apply to Load Following and Block Products. The Tier 1 Energy Charges that recover costs and credits allocated to the Slice Cost Pool apply to the Slice Product.

1 **4.1.1 Tier 1 Energy Charge Billing Determinants**

2 The quantity of Tier 1 energy that forms the basis for the Tier 1 Energy Charge Billing
3 Determinant is defined as follows:

- 4 • A customer’s Tier 1 Actual Hourly Load will be used to calculate the Tier 1 Energy
5 Charge Billing Determinants applicable to Load Following and Block products—
6 including the portion of Block that is purchased with the Slice Product.
- 7 • A customer’s Firm Slice Amount will be used to calculate the Tier 1 Energy Charge
8 Billing Determinants applicable to the Slice Product.

9
10 **4.1.2 Tier 1 Composite Energy Rates**

11 BPA will establish Tier 1 Composite Energy Rates in each 7(i) Process. Tier 1 Composite
12 Energy Rates are applicable to the Load Following, Block and Slice Products (mills/kWh).
13 The Tier 1 Composite Energy Rates will be calculated to recover costs and credits allocated
14 to the Composite Cost Pool and will be shaped across the year, using a fixed scalar
15 (mills/kWh) and expected market-based prices as determined in each 7(i) Process. The
16 Tier 1 Composite Energy Rates can be positive or negative values.

17
18 BPA will use a Monthly/Diurnal market-based price to shape its energy rates (*i.e.*, one HLH
19 and one LLH for each of the 12 months for a total of 24 market-based prices each year)
20 unless BPA develops a different market-based price approach in a 7(i) Process (for
21 example, more or less granular).

22
23 Prior to shaping, the annual average equivalent of the Tier 1 Composite Energy Rate is
24 equal to:

25
26
$$T1CompositeEnergyRate = \frac{CCP_F}{\Sigma T1EBD_F}$$

1 where:

2 $T1CompositeEnergyRate$ = the annual average equivalent of the Tier 1
3 Composite Energy Rates, expressed in mills/kWh, before being shaped,
4 using a fixed scalar, to the market-based price as established in each 7(i)
5 Process

6 CCP_F = the forecast total annual expenses and revenue credits in the
7 applicable Fiscal Year of the Rate Period allocated to the Composite Cost
8 Pool

9 $T1EBD_F$ = sum of forecast Tier 1 Energy Billing Determinants for Load
10 Following, Block, and Slice Products in kWh

11 **4.1.3 Tier 1 Non-Slice Energy Rate**

12 BPA will establish a Tier 1 Non-Slice Energy Rate in each 7(i) Process. The Tier 1 Non-Slice
13 Energy Rate is a rate applicable to the Load Following and Block Products (mills/kWh).
14 The Tier 1 Non-Slice Energy Rate will be calculated to recover costs and credits allocated to
15 the Non-Slice Cost Pool and will be a single annual rate. The Tier 1 Non-Slice Energy Rate
16 can be a positive or negative value.
17

$$18 \quad T1NonSliceEnergyRate = \frac{NSCP_F}{\Sigma T1EBD_{F.NS}}$$

19 where:

20 $T1NonSliceEnergyRate$ = Tier 1 Non-Slice Energy Rate expressed in mills/kWh

21 $NSCP_{FF}$ = the forecast total annual expenses and revenue credits in the
22 applicable Fiscal Year of the Rate Period allocated to the Non-Slice Cost
23 Pool
24

1 $\Sigma T1EBD_{F.NS}$ = sum of forecast Tier 1 Energy Billing Determinants for Load
2 Following and Block Products in kWh
3

4 **4.1.4 Tier 1 Slice Energy Rate**

5 BPA will establish a Tier 1 Slice Energy Rate in each 7(i) Process. The Tier 1 Slice Energy
6 Rate is applicable to the Slice Product (mills/kWh). The Tier 1 Slice Energy Rate will be
7 calculated to recover costs and credits allocated to the Slice Cost Pool and will be a single
8 rate annual rate. The Tier 1 Slice Energy Rate can be a positive or negative value.

$$9 \quad T1SliceEnergyRate = \frac{SCP_F}{\Sigma T1EBD_{F.S}}$$

10 where:

11 $T1SliceEnergyRate$ = Tier 1 Slice Energy Rate expressed in mills/kWh

12 SCP_F = the forecast total annual expenses and revenue credits in the applicable
13 Fiscal Year of the Rate Period allocated to the Slice Cost Pool

14 $\Sigma T1EBD_{F.NS}$ = sum of forecast Tier 1 Energy Billing Determinants for the Slice
15 Product in kWh
16
17

18 **4.2 Tier 1 Marginal Energy True-Up Charge**

19 At the end of each Fiscal Year, BPA will calculate a Tier 1 Marginal Energy True-Up Charge.
20 The Tier 1 Marginal Energy True-Up will be applicable to the Load Following, Block and
21 Slice Products. The Tier 1 Marginal Energy True-Up could be either a credit or a charge
22 depending on actual energy use, CHWM amounts, and the directional difference between
23 Tier 1 Rates and market prices. The purpose of the Tier 1 Marginal Energy True-Up is to: 1)
24 provide customers full access to their CHWM; 2) ensure that a market-based energy rate is
25 applied to energy use in excess of a customer's CHWM; 3) incent accurate load forecasts;

1 4) appropriately account for forecast directional differences between Tier 1 Rates and
2 market prices: and 5) in the case of the Slice Product, streamline, or potentially eliminate,
3 the need for a separate Requirement Slice Output (RSO) Test under the CHWM Contract for
4 the Slice Product by ensuring that RSO purchased by a Slice customer that is not used to
5 serve the customer's Total Retail Load is purchased at market-based energy rates rather
6 than at Tier 1 Rates.

7
8 The final Tier 1 Marginal Energy True-Up may be either a charge or a credit to a customer.
9 If a charge, such charge shall be applied as a three-month charge spread equally across the
10 three months following the month the final Tier 1 Marginal Energy True-Up Charge is
11 determined by BPA. If a credit, BPA will pay any amounts owed to the customer in a single
12 first-month bill credit. No interest will apply for charges or credits provided in this manner.

13 14 **4.2.1 Tier 1 Marginal Energy True-Up Billing Determinant for the Load Following** 15 **Product**

16 The Tier 1 Marginal Energy True-Up Billing Determinant for the Load Following Product is
17 calculated using the following equations:

18
19 Condition 1: If a Load Following customer has Above-CHWM Load and the annual sum of a
20 customer's Tier 1 Actual Hourly Load is less than its CHWM, then the Tier 1 Marginal
21 Energy True-Up Billing Determinant is equal to:

$$22 \quad METU_{BD} = \text{Minimum}(ACHWM, CHWM - \Sigma T1AHL_A) \times -1$$

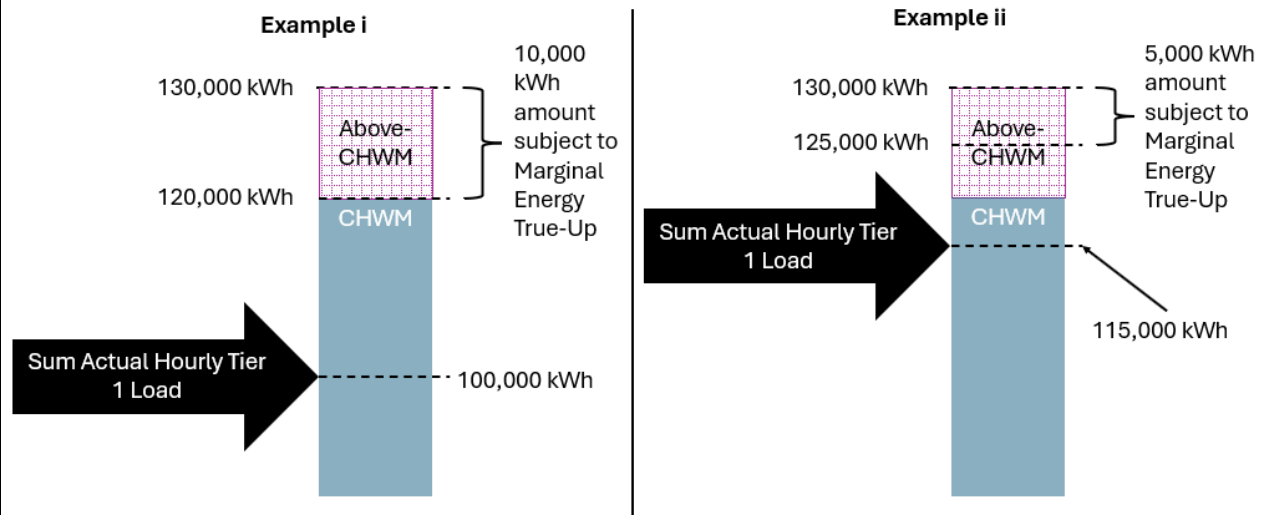
23
24 where:

25 $METU_{BD}$ = Tier 1 Marginal Energy True Up Billing Determinant in kWh

26 $ACHWM$ = the customer's Above Contract High Water Mark Load in annual kWh

1 $CHWM$ = the customer's Contract High Water Mark Load in annual kWh
 2 $\Sigma T1AHL_A$ = the customer's annual sum of Tier 1 Actual Hourly Load in kWh
 3
 4

Figure 4-1. Load Following Condition 1, Examples



5
 6
 7 Condition 2: If a Load Following customer's annual sum of a customer's Tier 1 Actual
 8 Hourly Load is greater than its CHWM, then the Tier 1 Marginal Energy True-Up Billing
 9 Determinant is equal to:

$$METU_{BD} = \Sigma T1AHL_A - CHWM$$

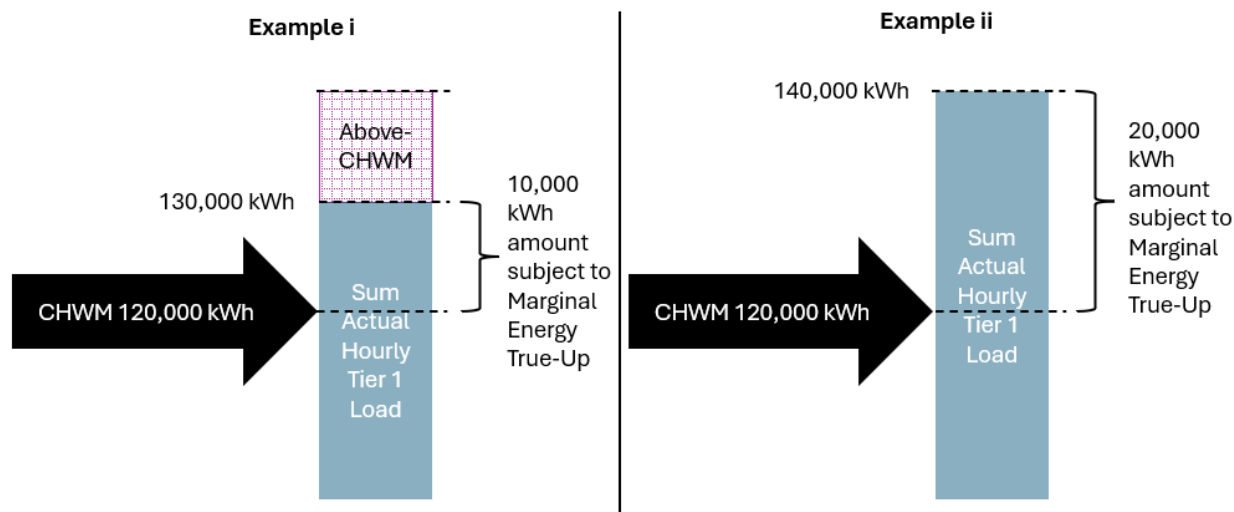
11 where:

12 $METU_{BD}$ = Tier 1 Marginal Energy True Up Billing Determinant in kWh

13 $\Sigma T1AHL_A$ = the customer's annual sum of Tier 1 Actual Hourly Load in kWh

14 $CHWM$ = the customer's Contract High Water Mark Load in annual kWh
 15

Figure 4-2. Load Following Condition 2, Examples



If neither Condition 1 nor Condition 2 apply, then the Load Following customer’s Tier 1 Marginal Energy True-Up Billing Determinant is zero.

4.2.2 Tier 1 Marginal Energy True-Up Billing Determinant for Block and Slice Products

The Tier 1 Marginal Energy True-Up for Block and Slice Products is calculated using the following equations:

Condition 1: If a Block or Slice customer has no Above-CHWM Load and an Actual Annual Net Load that is greater than its Forecast Tier 1 Annual Net Load, then the Tier 1 Marginal Energy True-Up Billing Determinant is equal to:

$$METU_{BD} = \text{Minimum}(ANL_A - ANL_F, CHWM - ANL_F) \times -1$$

where:

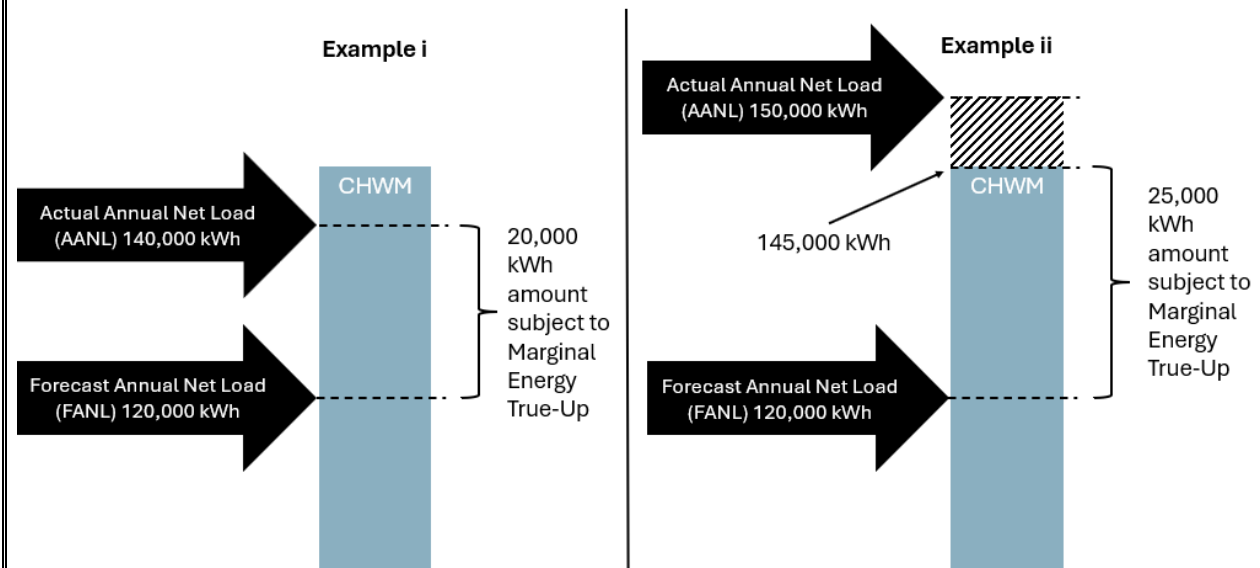
$METU_{BD}$ = Tier 1 Marginal Energy True Up Billing Determinant in kWh

ANL_A = the customer’s Actual Annual Net Load in annual kWh

1 ANL_F = the customer's Forecast Annual Net Load in annual kWh

2 $CHWM$ = the customer's Contract High Water Mark Load in annual kWh

3
4 **Figure 4-3. Block and Slice Condition 1, Examples**



5
6
7 Condition 2: If a Block or Slice customer has no Above-CHWM Load and an Actual Annual
8 Net Load that is less than its Forecast Annual Net Load, then the Tier 1 Marginal Energy
9 True-Up Billing Determinant is equal to:

$$METU_{BD} = ANL_F - ANL_A$$

12 where:

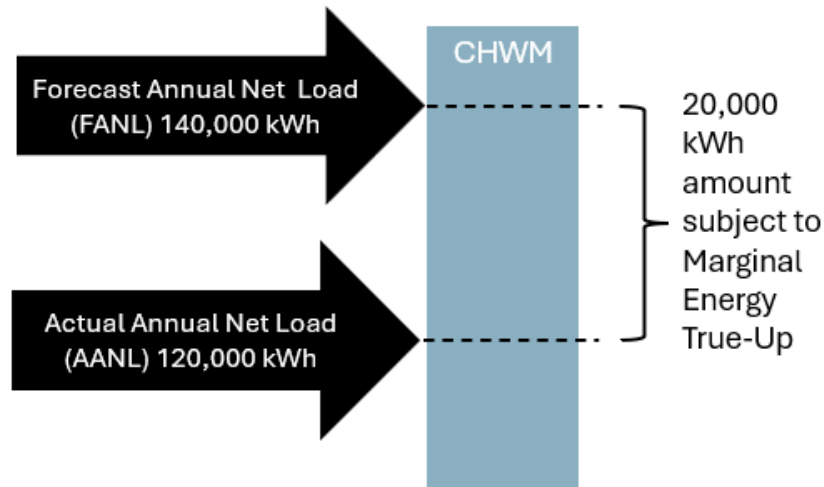
13 $METU_{BD}$ = Tier 1 Marginal Energy True Up Billing Determinant in kWh

14 ANL_F = the customer's Forecast Annual Net Load in annual kWh

15 ANL_A = the customer's Actual Annual Net Load in annual kWh

1

Figure 4-4. Block and Slice Condition 2, Example



2

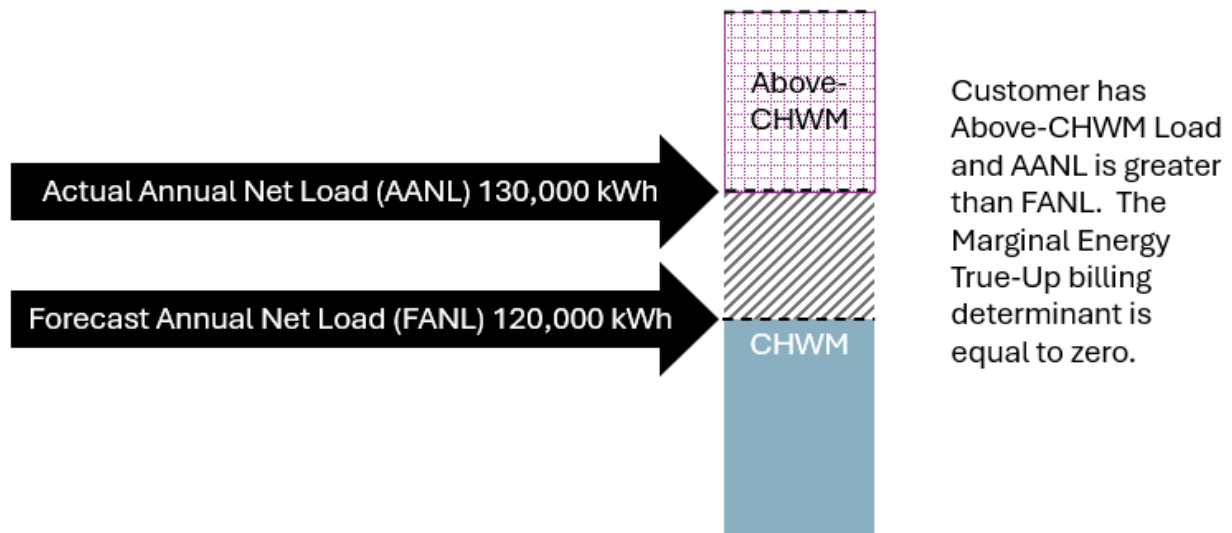
3

4 Condition 3: If a Block or Slice customer has Above- CHWM Load and an Actual Annual Net
 5 Load that is greater than or equal to its Forecast Annual Net Load, then the Tier 1 Marginal
 6 Energy True-Up Billing Determinant is equal to zero.

7

8

Figure 4-5. Block and Slice Condition 3, Example

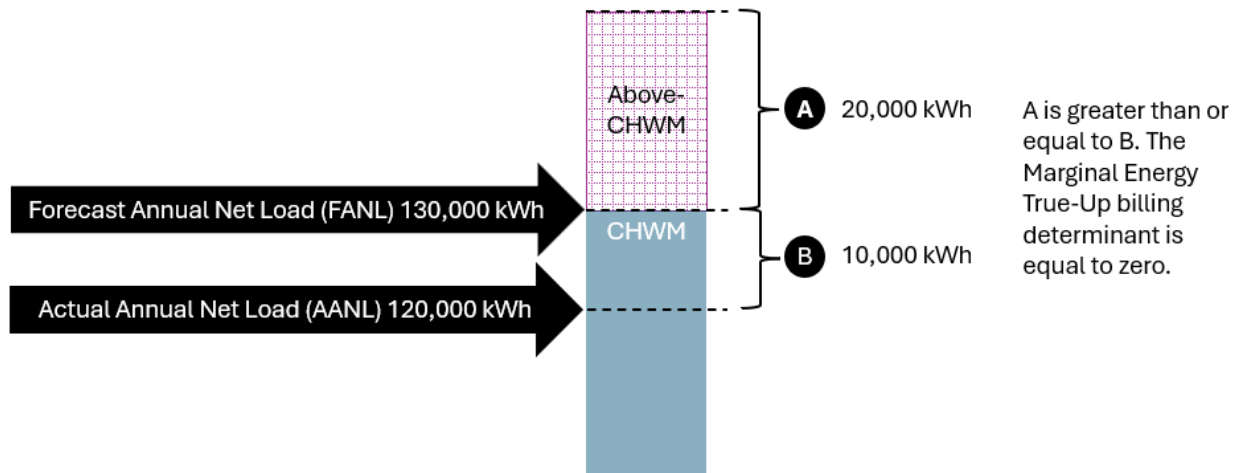


9

10 Condition 4: If a Block or Slice customer has Above-CHWM Load and an Actual Annual Net
 11 Load that is less than its Forecast Annual Net Load, then two checks will be evaluated to
 12 determine the Tier 1 Marginal Energy True-Up Billing Determinant.

Condition 4 Check 1: If the Block or Slice customer's Above-CHWM Load is greater than or equal to its Forecast Annual Net Load minus its Actual Annual Net Load, then the Tier 1 Marginal Energy True-Up Billing Determinant is equal to zero.

Figure 4-6. Block and Slice Condition 4: Check 1, Example



Condition 4 Check 2: If the Block or Slice customer's Above-CHWM Load is less than its FANL minus its AANL, then the Tier 1 Marginal Energy True-Up Billing Determinant is equal to:

$$METU_{BD} = ANL_F - ANL_A - ACHWM$$

where:

$METU_{BD}$ = Tier 1 Marginal Energy True Up Billing Determinant in kWh

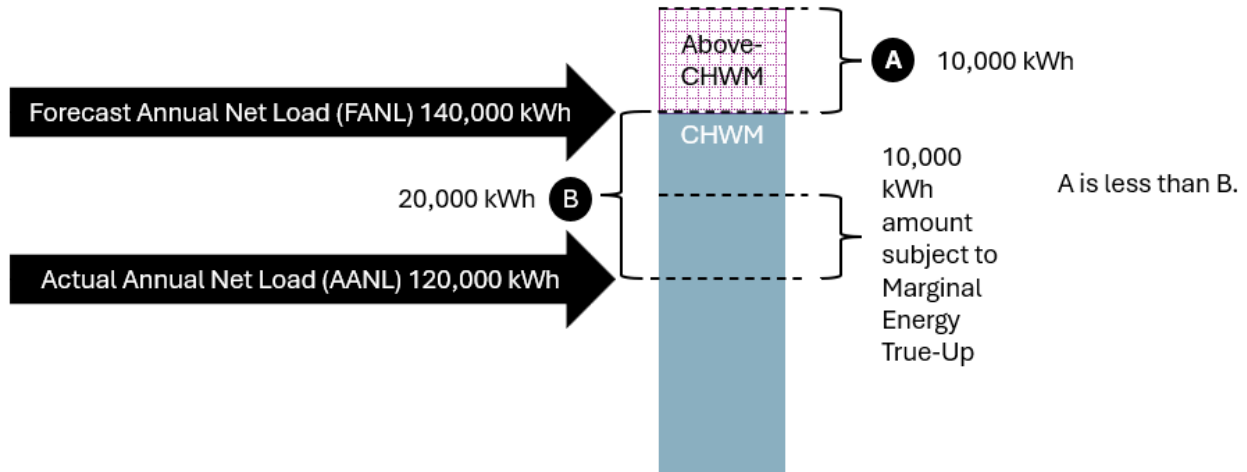
ANL_F = the customer's Forecast Annual Net Load in annual kWh

ANL_A = the customer's Actual Annual Net Load in annual kWh

$ACHWM$ = the customer's Above Contract High Water Mark Load in annual kWh

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2

Figure 4-7. Block and Slice Condition 4: Check 2, Example



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4.2.3 Tier 1 Marginal Energy True-Up Rate

A customer's Tier 1 Marginal Energy True-Up Rate is the mills/kWh difference between a flat annual block of power purchased from BPA: 1) at its Tier 1 energy rates applicable to the Non-Slice Product, including a customer's Low Density Discount (LDD), RIC_C and RIC_M, and 2) the same amount of power had it been purchased at a market-based price. The Tier 1 Marginal Energy True-Up Rate can be negative or positive, and is specific to each customer. The market-based price will be established in each 7(i) Process. The formula BPA will use to calculate the customer's Marginal Energy True Up Rate is as follows:

13

$$METU_R = FB_{MKT} - \{([FB_{COMP} + NS_R] \times [1 - LDD]) + RIC_C + RIC_M\}$$

14

where:

15

$METU_R$ = a customer's Tier 1 Marginal Energy True Up Rate expressed in mills/kWh for a Fiscal Year

16

17

FB_{MKT} = the mills/kWh market price of a flat annual block of power as established in each 7(i) Process

18

19

1 FB_{COMP} = mills/kWh cost of a flat annual block of power purchased at BPA's
2 Tier 1 Composite Energy Rates

3 NS_R = the Tier 1 Non-Slice Energy Rate expressed in mills/kWh for a Fiscal
4 Year

5 LDD = a customer's Low Density Discount applicable to the Fiscal Year subject
6 to the Tier 1 Marginal Energy True-Up

7 RIC_C = a customer's RIC_C for the Fiscal Year subject to the Tier 1 Marginal
8 Energy True-Up expressed in mills/kWh

9 RIC_M = a customer's RIC_M for the Fiscal Year subject to the Tier 1 Marginal
10 Energy True-Up expressed in mills/kWh

11 12 **4.3 Tier 1 Demand Charge**

13 The Tier 1 Demand Charge sends a long-run marginal price signal to customers to
14 encourage the efficient use of capacity. Tier 1 Demand Charge under this Section 4.3,
15 together with Tier 1 Peak Load Variance Charges under Section 4.4, are also designed to
16 recover the costs of BPA holding capacity to serve customer loads. Forecast revenues
17 received from the Tier 1 Demand Charge are credited to the Non-Slice Cost Pool. The Tier 1
18 Demand Charge is applicable to the Load Following and Block Products. The Tier 1
19 Demand Charge is calculated as the Tier 1 Demand Charge Billing Determinant multiplied
20 by the Tier 1 Demand Rate.

21 22 **4.3.1 Tier 1 Demand Charge Billing Determinant**

23 BPA will use two quantities to calculate a customer's monthly Tier 1 Demand Charge Billing
24 Determinant: the customer's monthly Tier 1 Customer System Peak, and the customer's
25 monthly average Tier 1 Actual Hourly Load. The following formula will be used to calculate
26 a customer's monthly Tier 1 Demand Charge Billing Determinant:

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26

$$T1DBD_{Mo} = T1CSP_{Mo} - T1AHL_{A.Mo}$$

where:

$T1DBD_{Mo}$ = Tier 1 Demand Billing Determinant expressed in kW per month (kW/Mo)

$T1CSP_{Mo}$ = Tier 1 Customer System Peak each month expressed in kW

$T1AHL_{Mo}$ = customer's average Tier 1 Actual Hourly Load each month expressed in kW

For a Joint Operating Entity (JOE), the calculation of the Tier 1 Demand Charge Billing Determinant will be a summation of the Tier 1 Demand Charge Billing Determinant of each member utility.

4.3.2 Tier 1 Customer System Peak

A customer's Tier 1 Customer System Peak is equal to the customer's maximum Tier 1 Actual Hourly Load for each month.

4.3.3 Average Tier 1 Actual Hourly Load

The average Tier 1 Average Actual Hourly Load is calculated as the sum of the customer's Tier 1 Actual Hourly Load each month, expressed in kilowatt hours, divided by the total hours in the same month.

4.3.4 Tier 1 Demand Rates

There are 12 Tier 1 Demand Rates, one for each month of the year. Tier 1 Demand Rates will be based on the annual fixed costs (e.g., capital, fixed fuel, and fixed operations and maintenance (O&M)) of the Marginal Capacity Resource, as adjusted for any offsetting fixed

1 revenue of the Marginal Capacity Resource or potential multiple uses of that capacity, as
2 determined in each 7(i) Process. The Marginal Capacity Resource may be based on BPA's
3 Resource Program, BPA's actual acquisitions, or third-party sources. Third-party sources
4 may include, but are not limited to, the Energy Information Administration, EPRI Technical
5 Assessment Guide, the Northwest Power and Conservation Council, and Integrated
6 Resource Plans of Pacific Northwest electric utilities.

7
8 The annual fixed costs of the Marginal Capacity Resource, as potentially adjusted
9 downward to account for fixed revenue or multiple uses (for example, a battery used for
10 shaping energy and voltage support), will be used to calculate an annual Tier 1 Demand
11 Rate and will be shaped across the 12 months to create 12 monthly Tier 1 Demand Rates.
12 The shape of the monthly Tier 1 Demand Rates will be established using monthly market-
13 based prices, such as BPA's market energy price forecast or the monthly cost of capacity if a
14 viable capacity market, or other mechanism valuing seasonable capacity, develops in the
15 Pacific Northwest, as established in each 7(i) Process.

16 17 **4.3.5 Tier 1 Demand Rate Adjustment Cap**

18 Increases and decreases to the monthly Tier 1 Demand Rates will be limited to a maximum
19 10 percent (upward or downward) change every two years, with the exception of the Tier 1
20 Demand Rates set for the BP-29 Rate Period when the first Tier 1 Demand Rates under
21 PRDM are established.

22 23 **4.3.6 Capacity Credits**

24 See Appendix E for the overall framework for how the Existing and New Capacity Credits
25 apply.

1 **4.3.6.1 Existing Capacity Credit**

2 An Existing Capacity Credit will be applied when a Load Following customer has a
3 Dedicated Resource that is an Existing Resource that has a capacity obligation that is
4 greater than its monthly Exhibit A amount.

5
6 The amount of the Existing Capacity Credit will be established in each 7(i) Process as
7 described in this paragraph. The Existing Capacity Credit will be based on the embedded
8 cost of Supplemental Operating Reserves, or its successor, adjusted to reflect the Tier 1
9 System Resources only, and shaped into months using each Rate Period’s monthly Tier 1
10 Demand Rates described in this chapter. The Existing Capacity Credit may be discounted to
11 the specific characteristics of each source of capacity to account for any potential limits in
12 availability like frequency and duration of use. The Existing Capacity Credit may account
13 for other operational characteristics of the capacity that add or subtract value. Any energy
14 provided using this capacity will be credited to the customer at market-based rates as
15 determined in each 7(i) Process. The use of capacity will not impact the measurement of
16 the Tier 1 Customer System Peak and Tier 1 Actual Hourly Load.

17
18 **4.3.6.2 New Capacity Credit**

19 A customer can qualify for a New Capacity Credit by contractually committing to provide
20 BPA access to capacity not otherwise committed to the customer’s load which, as
21 determined solely by BPA, either: 1) reduces the Administrator’s capacity obligations, or
22 2) can be used by BPA to help meet the Administrator’s capacity obligations. The allocation
23 of the cost of providing the New Capacity Credit will be determined in each 7(i) Process and
24 may be functionalized to Power, Transmission, or a partial allocation to both. When the
25 cost is functionalized to Power’s Revenue Requirement, that cost of providing the New

1 Capacity Credit will be allocated consistent with the BPA's statutes, *see* Figure 2-1, and the
2 principles in Section 2.1 above.

3
4 The amount of the New Capacity Credit will be established in each 7(i) Process and will be
5 tailored to the characteristics of the capacity provided. The New Capacity Credit will be
6 based on the marginal cost of capacity, such as the Marginal Capacity Resource as used to
7 establish the Tier 1 Demand Rates described in this chapter, and potentially discounted to
8 the specific characteristics of each source of capacity to account for any potential limits in
9 availability like frequency and duration of use. The New Capacity Credit may account for
10 other operational characteristics of the capacity that add or subtract value, such as, but not
11 limited to, accounting for any applicable energy value and recharge costs. The New
12 Capacity Credit will also be constructed with consideration of the potential impact on the
13 Tier 1 Customer System Peak and Tier 1 Actual Hourly Load to limit situations where BPA
14 would pay the customer twice for the same capacity—once through the New Capacity
15 Credit and again through a reduction in Tier 1 Demand and Tier 1 Energy Charge revenue—
16 while also considering implementation ease and practicality.

18 **4.4 Tier 1 Peak Load Variance Charge**

19 The Tier 1 Peak Load Variance Charge(s) (PLVC), are applicable to the Load Following
20 Product and to eligible Block Product customers that elect the Peak Load Variance Service
21 (PLVS). The PLVC recovers the cost of holding capacity for load excursions outside BPA's
22 expected P50 (50th percentile which means that 50 percent of the peak load forecast will be
23 equal to or exceed this value) peak load forecast up to BPA's P10 peak load forecast
24 (10th percentile which means that 10 percent of the peak load forecast will be equal to or
25 exceed this value). Such additional capacity will be adjusted downward for the portion that
26 is recovered through other charges, like Operating Reserves. The costs recovered through

1 the PLVC will be established using BPA's embedded cost of Supplemental Operating
2 Reserves, or its successor, adjusted to reflect the Tier 1 System Resources only, and shaped
3 into months using each Rate Period's monthly Tier 1 Demand Rates. PLVC for the Load
4 Following Product will: 1) reflect applicable load diversity benefits; 2) be evaluated using a
5 monthly embedded cost of a shared pool of capacity; and 3) only apply in months where
6 BPA establishes a capacity planning standard applicable to its PF Public load obligations as
7 determined in each 7(i) Process.

8
9 The PLVC for the Load Following Product will be calculated using energy Billing
10 Determinants expressed in kilowatthours and the rate will be expressed in a single
11 mills/kWh. The PLVC rate design applicable to the Block Product will be established in
12 each 7(i) Process. The specific loads to include the energy Billing Determinants and the
13 rates used to calculate the PLVC will be established in each 7(i) Process and may be
14 different as between the Load Following Product and the Block Product if planning, access
15 to and use of PLVS capacity is determined to be materially different across the products
16 (*i.e.*, the cost of PLVC will be set commensurate with the service provided). For example,
17 if the Block Product can be used in a way that decreases load diversity and shared pool
18 benefits or if the Block Product has access to PLVS capacity in months other than those
19 where BPA establishes a capacity planning standard applicable to its PF Public load
20 obligations. Revenue from the PLVC will be credited to the Non-Slice Cost Pool.

21
22 Energy provided through PLVS for the Load Following Product will be included in Tier 1
23 Actual Hourly Load, and will be subject to all other applicable Tier 1 rates. Energy provided
24 through PLVS for the Block Product will be priced at a market-based energy rate as
25 established in each 7(i) Process and will apply to any additional monthly energy taken
26 through the PLVS above the customer's contractually defined Block amount. Energy

1 provided through PLVS for the Block Product within its contractually defined Block amount
2 will be treated as Block load served at Tier 1 Rates.

3 4 **4.5 Tier 1 Rate Impact Credits**

5 The Core Rate Design includes three Rate Impact Credits: the Rate Impact Credit for
6 Capacity (RICc), the Rate Impact Credit, Mitigation (RICm), and the Rate Impact Credit for
7 the JOE (RICj). The RICc ensures forecast BP-29 capacity needs are charged the embedded
8 cost of capacity. The RICm is a rate design mitigation tool used for transitioning customers
9 from rates in the TRM to rates in the PRDM, by tempering rate impacts over time. The RICj
10 is a rate design mitigation tool used for transitioning a JOE (on behalf of its member) that
11 paid rates under the TRM to the rate design under the PRDM, by tempering the Tier 1
12 Demand Charge rate impacts over time.

13
14 For a JOE, the calculation and application of the RICc and RICm will be a summation of each
15 member's RICc and RICm. The RICj would be calculated and applied to the JOE.

16 17 **4.5.1 Rate Impact Credit, Capacity (RICc)**

18 The RICc credits the customer's energy rate for the cost difference between the marginal
19 Tier 1 Demand Rate and BPA's embedded cost of capacity applied to the customer's forecast
20 BP-29 Rate Period capacity needs. RICc is calculated for all customers regardless of BP-29
21 Rate Period product choice but will only be applied to the Load Following and Block Only
22 Products. RICc is calculated using the effective rate difference resulting from an application
23 of the marginal Tier 1 Demand Rate and BPA's embedded cost of capacity. The cost of the
24 RICc will result in a reduction in the demand revenue credited to the Non-Slice Cost Pool.

1 The RICc for each Load Following customer is equal to the difference between 1) the annual
2 Tier 1 effective rate (mills/kWh) using BP-29 Rate Period forecast Billing Determinants
3 applied to marginal Tier 1 Demand Rates for the subject Rate Period and 2) the annual
4 Tier 1 effective rate (mills/kWh) using the same BP-29 Rate Period forecast Billing
5 Determinants applied to an embedded cost of capacity rate. The embedded cost of capacity
6 rate is calculated using the embedded cost of Supplemental Operating Reserves established
7 for the BP-29 Rate Period, adjusted to only reflect the Tier 1 System Resources for the
8 BP-29 Rate Period, and shaped into months using each Rate Period's monthly Tier 1
9 Demand Rates.

10
11 The RICc for Block and Slice Product customers is calculated the same as for a Load
12 Following customer, with the added assumption that each Block and Slice Product customer
13 elected to take only the Block Product with a shaping capacity equal to the greater of: 1) the
14 customer's BP-29 Rate Period contractual shaping amount, and 2) the maximum amount of
15 shaping capacity the customer could have taken during the BP-29 Rate Period without
16 being subject to a Peak Net Requirement check. As an alternative, a Block or Slice Product
17 customer can also elect, at CHWM Contract signing, to have its RICc calculated using
18 FY 2029 Peak Net Requirement data and its FY 2029 weather-normalized loads as
19 established through a 7(i) Process.

20
21 The formula applied to all products is as follows:

$$RIC_c = Max \left\{ 0, \frac{\sum_{i=1}^{12} (DemandRate_i - ECC_i) \times DemandBD_i}{T1Energy_{RICc}} \right\}$$

1 where:

2 $RICc$ = is a customer's Rate Impact Credit for Capacity expressed in mills/kWh

3 i = a month of the year

4 $DemandRate_i$ = is the monthly Tier 1 Demand Rate applicable to each Rate
5 Period expressed in mills/kW defined in section 4.3.4 above.

6 ECC_i = is the embedded monthly cost of capacity calculated for the BP 29 Rate
7 Period, shaped to the monthly Tier 1 Demand Rates applicable to each Rate
8 Period expressed in mills/kW

9 $DemandBD_i$ = is the customer's monthly BP-29 Rate Period forecast Tier 1
10 Demand Billing Determinants for a Load Following customer or, for a Block
11 and Slice customer, the greater of 1) the customer's BP-29 Rate Period
12 contractual shaping amount and 2) the maximum amount of shaping
13 capacity the customer could have taken during the BP-29 Rate Period
14 without being subject to a Peak Net Requirement check

15 $T1Energy_{RICc}$ = is the customer's sum of BP-29 Rate Period forecast Tier 1
16 energy

18 **4.5.1.1 Recalculation of RICc**

19 The RICc will be recalculated in each 7(i) Process based solely on changes to the marginal
20 Tier 1 Demand Rates as prescribed in Section 4.3.4. above.

21
22 BPA may recalculate a Load Following customer's RICc for application starting in the BP-31
23 Rate Period if BPA determines that a customer's BP-29 Rate Period forecast Tier 1 Demand
24 Billing Determinants in any month is more than 15 percent different (larger or smaller)
25 than the Billing Determinants that would result using the customer's weather-normalized
26 actual FY 2029 load. In such a situation, the RICc for an applicable Load Following

1 customer would be recalculated using the formula in Section 4.5.1, but with the following
2 changes: 1) the customer's BP-29 Rate Period forecast Tier 1 Billing Determinants
3 ($DemandBD_i$) will be replaced with the customer's Tier 1 Billing Determinants calculated
4 using weather-normalized actual FY 2029 load; and 2) the customer's sum of BP-29 Rate
5 Period forecast Tier 1 energy ($T1Energy_{RICc}$) will be replaced with the customer's Tier 1
6 energy calculated using weather-normalized actual FY 2029 load.

7
8 A customer's RICc may also be adjusted, at BPA's sole discretion, in a 7(i) Process to account
9 for the customer's demand response actions taken between FY 2025 and FY 2028 that can
10 be quantifiably demonstrated by the customer to have materially changed the customer's
11 BP-29 Rate Case forecast or its FY 2029 weather normalized loads.

12 13 **4.5.1.2 Calculation of RICc for New Publics**

14 When a New Public is formed entirely from another Existing Public customer with a RICc,
15 the New Public's RICc will be set equal to the Existing Public's RICc. When a New Public is
16 formed entirely from a combination of Existing Public customers, a Tier 1 Load weighted
17 RICc will be calculated for the New Public. Under either scenario, the Existing Public
18 customer's RICc will remain unchanged.

19
20 When a New Public is formed entirely from an entity other than an Existing Public, a RICc
21 will be established for the New Public, and will be calculated as described in this section,
22 except the underlying load forecast will be that associated with the first Rate Period in
23 which the New Public is eligible to purchase power at BPA's Tier 1 Rates. When a New
24 Public is formed in part by an entity other than an Existing Public and in part by Existing
25 Public(s), BPA may, in its sole discretion, use a weighted average RICc methodology that
26 takes into consideration the multiple sources of all the Tier 1 Load, or BPA may choose to

1 calculate the RICc assuming the New Public was formed entirely from an entity other than
2 an Existing Public.

4 **4.5.1.3 Calculation of RICc for Existing-to-Existing Public Annexation**

5 A customer's RICc will not be recalculated for the Existing Public that is having its Tier 1
6 Load reduced due to annexation. The Existing Public gaining Tier 1 Load as a result of the
7 annexation will have its RICc recalculated based on the weighted average of 1) its prior-to-
8 annexation Tier 1 Load and associated RICc, and 2) the annexed Tier 1 Load and the RICc
9 associated with that load.

11 **4.5.1.4 Product Switching and RICc**

12 A RICc will not be recalculated because of a product switch.

14 **4.5.2 Rate Impact Credit, Mitigation (RICm)**

15 The Rate Impact Credit for Mitigation (RICm) phases in rate impacts attributed to rate
16 design changes between the previous and current Core Rate Design charges (TRM to 2029
17 PRDM). The Core Rate Design charges under the TRM include: Customer Charges, Load
18 Shaping Charges, and Tier 1 Demand Charges. The Core Rate Design charges under the
19 PRDM include: Tier 1 Energy Charges, Tier 1 Marginal Energy True-Up, Tier 1 Demand
20 Charge, and the Tier 1 Peak Load Variance Charge. Although the Tier 1 Marginal Energy
21 True-Up and the Tier 1 Peak Load Variance Charge for the Block product are considered
22 Core Rate Design elements of the PRDM, these two are not considered Rate-Design Changes
23 considered for purposes of the RICm. The RICm will not measure any other potential
24 sources of rate impacts, such as differences in the allocation of costs and credits, changes in
25 the calculation of the Irrigation Rate Discount and changes in the Low Density Discount.
26 The RICm will also not include the Tier 1 Peak Load Variance Charge for Block customers

1 that are either 1) not eligible to purchase or ; 2) do not elect to purchase the PLVS for the
2 BP-29 rate period. For Block customers that are eligible and elect to purchase the PLVS for
3 the BP-29 rate period, the RICm will be measured by assuming a PLVC that is the same as if
4 the customer were purchasing the Load Following Product.

5
6 The RICm is a rate credit that can be either positive or negative and is specific to each
7 customer (mills/kWh). The RICm sets a positive-cap, or ceiling, at the outset of the 2029
8 PRDM. The cost of that rate impact cap is allocated to customers with forecast negative rate
9 impacts based on an effective negative-cap, or floor, for rate impacts at the outset of the
10 2029 PRDM. The negative-cap, or floor, is solved for by increasing the floor for all
11 customers until the sum of the RICm charges (*e.g.*, negative credits) is equal to the sum of
12 the RICc credits. The BP-29 rate impact positive-cap will be 2 percent. The RICm will be
13 phased out in two-year increments after FY 2030 by adding 0.15 mills/kWh to each
14 customer's negative RICm until the customer's RICm is zero or above. When a customer's
15 two-year RICm flips from being negative to positive, that customer's RICm will be deemed
16 fully phased out and be set to zero. A positive RICm will decline in direct proportion to the
17 phase out of the aggregate cost of the RICm program. A phase out of the customer's
18 positive or negative RICm will be in proportion to each other.

19
20 The phase out schedule applicable to customers with positive RICm Rates will be set in the
21 BP-29 7(i) Process and fixed for the term of the contract. As the phase out schedule
22 materializes over time, there will be differences in the aggregate RICm credits and RICm
23 charges. Any such difference, positive or negative, will be allocated to the Composite Cost
24 Pool.

1 **4.5.2.1 Calculation of RICm for New Publics**

2 A RICm will not be established for any New Public. Under no situation will an Existing
3 Public customer's RICm be changed as a result of the formation of a New Public.

4
5 **4.5.2.2 Calculation of RICm for Existing-Public to Existing-Public Annexation**

6 A customer's RICm will not be recalculated for the Existing Public that is having its Tier 1
7 Load reduced due to annexation. The Existing Public gaining Tier 1 Load as a result of the
8 annexation will have its RICm recalculated based on the weighted average of its prior
9 annexation Tier 1 Load and associated RICm and the annexed Tier 1 Load and the RICm
10 associated with that load.

11
12 **4.5.2.3 Product Switching and RICm**

13 In the event a customer with a negative RICm (*i.e.*, the RICm reduces the amount the
14 customer pays BPA) switches products during the contract duration, their RICm will be
15 eliminated starting in the Rate Period the product switch becomes effective. In the event a
16 customer with a positive RICm (*i.e.*, the RICm increases the amount the customer pays BPA)
17 switches products during the contract duration, their RICm will remain unchanged from the
18 amounts and schedule as established through the BP-29 7(i) Process.

19
20 **4.5.3 Rate Impact Credit, JOE (RICj)**

21 The Rate Impact Credit for the JOE (RICj) phases in rate impacts attributed solely to
22 changes to the Tier 1 Demand Charge calculations particular to the JOE from TRM and
23 PRDM. The RICj credits the only JOE that paid rates under the TRM and is applicable only if
24 that JOE elects the Load Following Product. It is a stream of bill credits phased out over
25 time with a first-year bill credit that is calibrated to mitigate the rate impacts the JOE's
26 members would experience as a result of changing the method used to calculate the JOE's

1 demand Billing Determinant. The cost of the RICj would be allocated to the Non-Slice Cost
 2 Pool and would not impact any customer's Tier 1 Marginal Energy True-Up Rate. The RICj
 3 would be issued on the October bill of each Fiscal Year. The annual RICj is shown in
 4 Table 4-1.

5 **Table 4-1. RATE IMPACT CREDIT FOR THE JOE SCHEDULE**

Fiscal Year	RICj Amount
2029	\$1,000,000
2030	\$933,333
2031	\$866,667
2032	\$800,000
2033	\$733,333
2034	\$666,667
2035	\$600,000
2036	\$533,333
2037	\$466,667
2038	\$400,000
2039	\$333,333
2040	\$266,667
2041	\$200,000
2042	\$133,333
2043	\$66,667
2044	\$0

8 **4.6 Tier 1 Other Charges**

9 BPA will limit Tier 1 Rates and Charges to those detailed in this Chapter 4. These
 10 limitations pertain to the Core Rate Design charges and credits of the PRDM and do not
 11 encompass other adjustments, charges, credits, and special rate provisions (*e.g.*, customer-
 12 specific charges and credits, targeted adjustment charges, unauthorized increase charges,

1 conservation charges, credits, or surcharges), or any other charges or credits allowed under
2 Section 9.4.

3
4 These limitations do not apply to rate adjustments developed and assessed for risk
5 mitigation (*e.g.*, application of a Cost Recovery Adjustment Clause (CRAC)), new or modified
6 risk mitigation tools, or mid-Rate Period rate adjustments for cost recovery purposes.

7 Further, the PRDM does not in any way limit or constrain the way in which BPA recovers its
8 conservation costs from its customers.

9
10 In addition, BPA may also, without revising the PRDM, impose separate rates for product
11 and service switching, which will be developed as needed in the applicable 7(i) Process. If,
12 notwithstanding the limitations expressed here, BPA or a party in a 7(i) Process wishes to
13 institute a new rate or charge, it may pursue a revision to this PRDM to reflect such new
14 rate or charge in accordance with the provisions in Chapter 9.

15 16 **4.7 Disaggregation of Risks within Tier 1 Non-Slice Products**

17 Except for the Core Rate Design charges defined above, the PRDM will not further sub
18 allocate risk-related costs between or within products prior to September 30, 2041. This
19 prohibition of a further sub allocation of risk is limited to Tier 1 Rates and does not apply to
20 any other rates, products, or services that BPA may provide, such as Tier 2 Rates and other
21 PF and non-PF rates, products, and services. Any sub allocation of risk in Tier 1 Rates after
22 September 30, 2041, would be decided through a 7(i) Process. A proposal to change the
23 suballocation of risk in the Tier 1 Rates after September 30, 2041, in a 7(i) Process, will not
24 be considered a revision to the PRDM.

1 **4.8 Cashflow Considerations**

2 Because the Tier 1 Rate design may result in within-year cash flow impacts to customers,
3 BPA may, if practicable and consistent with BPA’s statutory obligation to ensure timely cost
4 recovery, accommodate individual customer requests to reshape charges within the Fiscal
5 Year to mitigate adverse cash flow effects on the customer. Such reshaping of charges must
6 recover the same amount of dollars on a net present value basis within the Fiscal Year as
7 would have been recovered without the reshaping. The reshaping of the payments must be
8 mutually agreed upon by both BPA and the customer prior to the start of the Rate Period.
9 Absent agreement, the customer will pay the Tier 1 Energy Charges without reshaping.

10
11 The reshaping of the Tier 1 Energy Charges will take into account the cash-flow impacts to
12 the customer of a forecast of Tier 1 Energy Charges, a forecast of Tier 1 Demand Charges,
13 and a forecast of Tier 1 Peak Load Variance Charges. The forecast cash-flow impacts to the
14 customer will be mitigated by including fixed dollar monthly credits and debits that
15 recover, in total, the same amount of dollars on a net present value basis. The fixed dollar
16 monthly credits and debits will not impact any rate or Billing Determinant. To
17 accommodate reshaping requests, BPA will take into account the potential offsetting
18 impacts of multiple reshaping requests. BPA may prorate multiple reshaping requests if
19 necessary to avoid or mitigate material adverse impacts on BPA’s cash flow.

1 **5 TIER 2 RATE DESIGN**

2 Consistent with the provisions below, the specific rate designs for BPA’s Tier 2 Rate
3 Alternatives will be determined in each 7(i) Process. BPA’s allocation of costs to the Tier 2
4 Cost Pools associated with the Tier 2 Rate Alternatives will be subject to the provisions of
5 this PRDM. The allocation of Tier 2 Costs and the design of Tier 2 Rates will ensure to the
6 maximum extent practical that the Tier 2 Rates will recover the full allocated cost of BPA
7 service to planned Above-CHWM Load. Tier 1 System Resources will not be used in a
8 manner that subsidizes the allocated costs of Tier 2 Rate service. All Tier 2 Cost Pools will
9 include the marginal cost of meeting resource planning requirements as well as include the
10 marginal cost of providing any applicable Support Services.

11
12 **5.1 Tier 2 Construct**

13 Each customer will elect, in its CHWM Contract, how its Above-CHWM Load will be served
14 during the contract term. The customer will choose whether and how its Above-CHWM will
15 be served by electing the Tier 2 Long-Term Path, the Tier 2 Flexible Above-CHWM Path, or a
16 combination of the two paths. Above-CHWM Load under the Tier 2 Long-Term Path is
17 served by BPA under its Tier 2 Long-Term Alternative at the Tier 2 Long-Term Rate. Above-
18 CHWM Load under the Tier 2 Flexible Above-CHWM Path could be served by a combination
19 of the customer’s non-Federal resources, BPA’s Tier 2 Short-Term Alternative at the Tier 2
20 Short-Term Rate, and BPA’s Tier 2 Vintage Alternatives at the applicable Tier 2 Vintage Rate.

21
22 BPA will establish only one Tier 2 Long-Term Rate for each year, and one Tier 2 Short-Term
23 Rate for each year. BPA may establish multiple Tier 2 Vintage Rates as BPA may provide
24 multiple distinct Tier 2 Vintage Alternatives within a year, and each would have its own rate
25 based on the cost of the resources specific to each distinct Tier 2 Vintage Alternative. Each
26 customer electing a particular Tier 2 Rate Alternative will pay the rate associated with the

1 Tier 2 Rate Alternative Service. Each Tier 2 Rate will be established to recover all the Tier 2
2 Costs allocated to that Tier 2 Rate Alternative plus any adders to account for real power
3 losses, overhead costs, other costs, and other services being provided from BPA to support
4 power sold at each Tier 2 Rate. BPA will establish Tier 2 Rates based on the cost of
5 providing a flat annual block of power.

6
7 Any Forecast Firm Inventory used to provide service at Tier 2 Rates will be priced at the
8 marginal value of such power, except Forecast Firm Inventory used to provide service at the
9 Tier 2 Long-Term Rate, which will be at a rate equivalent to BPA's Tier 1 Non-Slice Rates.
10 Forecast Firm Inventory will be used to provide service at the Tier 2 Long-Term Rate when
11 BPA has Forecast Firm Inventory, as determined in each 7(i) Process, and the Tier 2 Long-
12 Term Rate has an otherwise unmet power need.

14 **5.1.1 Tier 2 Amounts**

15 The amount of power purchased by a customer under BPA's Tier 2 Rate Alternatives for
16 each Rate Period will be established in the Above-CHWM Process consistent with each
17 customer's Above-CHWM Load elections. The Above-CHWM Process concludes before
18 Tier 2 Rates are set in the 7(i) Process. Above-CHWM Load served at Tier 2 Rates will be in
19 fixed, annual amounts on a take-or-pay basis for each Fiscal Year of a Rate Period. To
20 support operational convenience, a Load Following customer that would have a portion of
21 its Above-CHWM Load served under the Tier 2 Flexible Path can also elect to have up to
22 0.999 aMW of its Above-CHWM Load served through the Core Rate Design as described in
23 Chapter 4. The 0.999 aMW election would apply to the JOE and not to each of the JOE's
24 members.

1 **5.2 Tier 2 Cost Basis**

2 As described in Section 2.2.1.4, BPA will identify which of its costs are Tier 2 Costs and to
3 which Tier 2 Cost Pool the costs will be allocated for calculating each Tier 2 Rate in the
4 applicable 7(i) Process. Additionally, Section 3.6 contains guidance regarding the allocation
5 of specific resource costs.

6
7 **5.2.1 Tier 2 Cost Component Construct**

8 The costs included in each of the Tier 2 Cost Pools will be BPA's costs associated with
9 serving the customers who elect service at the corresponding Tier 2 Rate Alternative.

10
11 For a Tier 2 Rate Alternative based on block energy purchases from market sources, the
12 costs allocated to that Cost Pool will include costs that BPA incurs to serve load at a set or
13 variable price, with a combination of forward and spot purchases of block energy from the
14 market. When this type of Tier 2 Rate is set, BPA may not have made all the market
15 purchases needed to serve the loads at this rate. Consequently, this type of rate may be
16 comprised of both known and projected costs of the energy from market purchases, a risk
17 component to cover the expected risks of providing service at a set forward price (which
18 could take the form of some combination of Planned Net Revenues for Risk (PNRR) and rate
19 adjustments or true-ups), plus any adders to account for real power losses, risk, overhead
20 costs, and other costs being incurred and services being provided by BPA to support power
21 sold at that specific Tier 2 Rate. See Section 5.2.3 below for the construct of the Overhead
22 Cost Adder.

23
24 For a Tier 2 Rate Alternative based on non-dispatchable resources, the costs allocated to
25 that Tier 2 Cost Pool will include costs BPA incurs to serve load with a purchase of the
26 specific non-dispatchable resource. These types of costs may include the cost of the

1 resource purchase, transaction costs, the cost of providing Support Services, plus any
2 adders to account for real power losses, risk, overhead costs, and other costs being incurred
3 or services being provided by BPA to support power sold at that specific Tier 2 Rate.
4 Transaction costs might include transmission and Balancing Authority Area charges for
5 within-hour balancing. Transaction costs may be known or be based on projections that
6 are trued up after the fact. The cost of providing Support Services would be at the same
7 rates as those that would be applied to a customer's purchase of a non-dispatchable Non-
8 Federal Resource to convert the resource delivery to the financial equivalent of a flat annual
9 block.

10
11 For a Tier 2 Rate Alternative based on dispatchable resources, the costs allocated to that
12 Tier 2 Cost Pool will include costs and risks that BPA incurs to serve load with a purchase of
13 a dispatchable resource, with the customer assuming the operational risks. These types of
14 costs include projected annual fixed costs (debt service and fixed operations and
15 maintenance (O&M)) of the resource; the expected fuel and variable O&M costs of the
16 resource based on its expected operation; a mechanism to true up the expected fuel and
17 variable O&M costs to actual costs; the cost of operating reserves and replacement power
18 for outages; a mechanism to compensate the customer for any savings from economic
19 dispatch of the resource, including fuel remarketing proceeds; costs of transmission
20 services, if any, to transmit power to the federal system; transaction costs; plus any adders
21 to account for real power losses, risk, overhead costs, and other costs being incurred or
22 services being provided by BPA to support power sold at that specific Tier 2 Rate.

23
24 A Tier 2 Alternative Cost Pool can include combinations of market purchases and resource
25 costs, as described above. Tier 2 Rates can be fixed for a Rate Period or be subject to true-
26 ups, surcharges, and other adjustments to support collecting BPA's cost of providing a

1 Tier 2 Rate Alternative from the customers who elect service at the corresponding Tier 2
2 Rate Alternative.

4 **5.2.2 Tier 2 and Support Services**

5 Tier 2 Rates based on the costs of resources acquired by BPA to serve Above-CHWM Loads
6 will include appropriate Support Services charges necessary to price the service as if the
7 resource output is serving a flat annual load. Support Services supplied by BPA for
8 resources serving loads at Tier 2 Rates will ensure energy neutrality, and Support Services
9 capacity-related charges will compensate the Composite Cost Pool for the value of the
10 Support Services and for risk exposure incurred due to the provision of Support Services.
11 Support Services may include energy-related and other charges. The revenue from these
12 other charges will be allocated to the Cost Pool based on cost causation principles, such as
13 allocating Support Services energy-related charges to the Non-Slice Cost Pool if BPA's
14 Balancing Power Purchases costs, which are also allocated to the Non-Slice Cost Pool, are
15 being impacted as a result of BPA providing Support Services. The forecast costs for
16 Support Services used to calculate each Tier 2 Rate will be set in each 7(i) Process for each
17 Rate Period.

19 **5.2.3 Tier 2 Overhead Cost Adder**

20 Each Tier 2 Cost Pool will include an Overhead Cost Adder. This adder will provide an
21 offset to the Composite Cost Pool for the general and administrative (overhead) costs
22 associated with BPA's provision of power at Tier 2 Rates. In each 7(i) Process, BPA will
23 propose an Overhead Cost Adder to be applied to all power sold at Tier 2 Rates
24 (mills/kWh). The adder will be set at a level that will reasonably compensate the
25 Composite Cost Pool for the costs of providing the service, which BPA expects would be
26 comparable to typical electricity broker fees.

1 **5.3 Tier 2 Remarketing**

2 If BPA remarkets a customer’s Tier 2 purchase obligation pursuant to the CHWM Contract,
3 then BPA will credit the proceeds to such customer (net of any remarketing costs as
4 described in the next section). The customer must continue to pay for the entire purchase
5 at the appropriate Tier 2 Rate.

6
7 **5.3.1 Calculating Remarketed Tier 2 Rate Proceeds**

8 If BPA remarkets for a customer any Tier 2 Rate Alternative purchase obligation, the
9 proceeds (as established below) obtained from such remarketing will be netted against the
10 customer’s monthly bill. BPA will calculate the applicable rate(s) used to calculate the
11 proceeds for the remarketed energy in each 7(i) Process. The total proceeds of the
12 remarketed energy will be reduced for aggregated transaction costs, including, but not
13 limited to, such costs as broker or other marketing fees, transmission costs, transmission
14 losses, and odd lot remarketing costs. Transaction costs also could include a risk
15 component or adjustment mechanism for the risk associated with the potential difference
16 between forecast and actual market prices.

17
18 The customer will remain responsible for paying any charges and adjustments that
19 otherwise would have been paid had BPA not had to provide remarketing. Remarketing of
20 Tier 2 Rate Alternative purchase obligation amounts that include a transfer of Renewable
21 Energy Credits (RECs) to the customer under the customer’s CHWM Contract will not affect
22 any transfer of RECs to the customer associated with such amounts. This procedure will be
23 applied whether or not BPA actually remarkets the power or uses it for its own purposes.
24

1 **5.4 Tier 2 Long-Term Alternative**

2 **5.4.1 Tier 2 Long-Term Change Fee and Charge**

3 Pursuant to the terms in the customer’s CHWM Contract, a customer may elect to change
4 (cap or reduce) its Tier 2 Long-Term Alternative election. A Tier 2 Change Fee and a Long-
5 Term Tier 2 Change Charge will apply if this change in original election is made 1) after BPA
6 acquires power for the purposes of serving Tier 2 Long-Term Path obligations, or 2) after
7 July 31, 2027, whichever occurs first. The Tier 2 Change Fee will be established in each 7(i)
8 Process and will be no lower than 0.05 mills/kWh and no higher than 0.10 mills/kWh
9 applied to the customer’s Tier 1 Load amount for the Rate Period immediately following the
10 election.

11
12 The Long-Term Tier 2 Change Charge will be based on costs BPA determines would
13 otherwise be spread to other Tier 2 Long-Term Path customers, calculated independent to
14 and without consideration of the Tier 2 Change Fee, as a result of the change in election.
15 The revenue received from the Tier 2 Change Fee and the Long-Term Tier 2 Change Charge
16 will be credited to the Tier 2 Long-Term Cost Pool.

17
18 **5.4.2 Tier 2 Long-Term Cost Reallocation Provision**

19 If the Tier 2 Long-Term Cost Pool contains costs and BPA has no load being served at the
20 Tier 2 Long-Term Rate, BPA will reallocate such costs to all customers that elected any
21 portion of their potential Above-CHWM Load to be served under the Tier 2 Long-Term
22 Alternative. This reallocation will be spread across all such customers’ Rate Period forecast
23 Tier 1 Energy Charge Billing Determinants.

24
25 Similarly, if a subset of customers that elected BPA’s Tier 2 Long-Term Alternative are
26 determined to be bearing an inequitable amount of the costs allocated to the Tier 2 Long-

1 Term Cost Pool, BPA will determine, through the 7(i) Process, the portion of the Tier 2
2 Long-Term Cost Pool to be reallocated to all customers that elected any portion of their
3 potential Above-CHWM Load be served under the Tier 2 Long-Term Alternative. This
4 reallocation will be spread across all such customers' Rate Period forecast Tier 1 Energy
5 Charge Billing Determinants.

7 **5.5 Tier 2 Vintage Alternative**

8 Pursuant to the terms in the customer's CHWM Contract, a customer may elect to serve its
9 Above-CHWM load under the Tier 2 Flexible Above-CHWM Path. Included in the Tier 2
10 Flexible Above-CHWM Path is the eligibility to purchase power at a Tier 2 Vintage Rate.

11
12 A Tier 2 Vintage Rate will be established when BPA acquires a Vintage Resource(s)
13 pursuant to the terms of the customer's CHWM Contract. The Tier 2 Vintage Rate will be
14 based on the costs of the Vintage Resource(s) along with any associated services or costs.
15 The applicable Tier 2 Vintage Rate determined by BPA shall be restated in the Statement of
16 Intent as described in the CHWM Contract.

17
18 When a customer purchases power under a Tier 2 Vintage Alternative that is in excess of its
19 then current Above-CHWM Load, BPA may treat such power as either: 1) a sale of surplus
20 power sold at a surplus rate equivalent to the applicable Tier 2 Vintage Rate to be managed
21 by the customer; or 2) excess power to be managed by BPA through a remarketing service
22 (see Section 5.3) until the customer's load grows into its Tier 2 Vintage amount, as
23 determined by BPA.

24
25 A formula or other special rate provision will be established in each 7(i) Process to address
26 applicable credits and charges that may result when power delivery under a Tier 2 Vintage

1 Alterative begins within a Fiscal Year and when power delivery occurs earlier or later than
2 planned.

6 SUPPORT SERVICES

Support Services are offered under the CHWM Contract and include multiple services that assist in the integration of Federal and non-Federal resources with load service. Support Services are available for all specified Non-Federal Resources that Load Following customers contractually dedicate to serve their Total Retail Load (TRL), and for specified new renewable resources Block customers contractually dedicate to serve their TRL.

Support Services include both Resource Support Services (RSS) and Other Support Services (OSS). RSS may include, but are not limited to, providing forced outage services, services providing additional Federal capacity to help the customer meet its contractual obligations with BPA, or services to firm up variable generation. OSS may include but are not limited to scheduling services, curtailment management services, and/or market integration related services. See Appendix D for the overall framework of Support Services.

6.1 Support Services Pricing Principles

Support Services will be priced comparably across Load Following and Block Products. With one exception, the capacity component of each Support Service will be priced at a marginal cost of capacity, such as the Marginal Capacity Resource used to set the Tier 1 Demand Rates, and any applicable energy components will be priced at a market-based price of energy for the appropriate time period for the particular Support Service. The exception to the marginal cost of capacity pricing is for contractually required Resource Support Services applied to Existing Resources. In this situation, the capacity-based fee will be calculated using BPA's embedded cost of Supplemental Operating Reserves, or its successor, adjusted to reflect the Tier 1 System Resources only.

1 Other costs, such as the cost of providing scheduling services, could be based on relevant
2 portions of BPA’s Revenue Requirement or on the cost charged by other entities to provide
3 a similar service.

4
5 The price of capacity, the price of energy, and the allocation of any other costs for Support
6 Services offered by BPA will be determined in each 7(i) Process. The revenue received
7 from providing Support Services will be allocated to the Cost Pool based on cost causation
8 principles—such as allocating capacity-related revenue to the Composite Cost Pool to
9 compensate for the associated Designated System Obligation, or to the Non-Slice Cost Pool
10 to offset impacts to BPA’s Balancing Power Purchases costs that are otherwise allocated to
11 the Non-Slice Cost Pool.

12
13 **6.2 Treatment for Load Following Non-Dispatchable Dedicated Resources**
14 **that are Existing Resources but Not Variable Energy Resources**

15 BPA will apply a Forced Outage Reserves Service (FORS)-based fee to all Load Following
16 customer’s Non-Dispatchable Dedicated Resources that are Existing Resources but not
17 Variable Energy Resources. The capacity-based fee will be calculated using BPA’s
18 embedded cost of Supplemental Operating Reserves, or its successor, adjusted to reflect
19 the Tier 1 System Resources only. The FORS-based fee allows an Existing Resource
20 dedicated to a Load Following customer’s load that is Non-Dispatchable and not a Variable
21 Energy Resource to produce generation below its Contract Exhibit A amounts under
22 conditions defined in the CHWM Contract (such as megawatthour limits, frequency of
23 occurrence, qualifying events, and notice requirements) and pay a market-based rate
24 (inclusive of potential upward adjustments and other costs), as established in each 7(i)
25 Process.

1 The FORS-based fee also allows eligible resources, as defined by the CHWM Contract, to
2 receive a market-based energy credit (inclusive of potential downward adjustments and
3 other costs), as established in each 7(i) Process, for amounts of energy produced by the
4 resource in excess of its Exhibit A amounts. To avoid double counting, only the Exhibit A
5 amounts will be used for purposes of calculating Billing Determinants as described in
6 Chapter 4 of this PRDM.

7 8 **6.3 Treatment for Load Following Non-Dispatchable Dedicated Resources** 9 **that are Existing Resources and are Variable Energy Resources**

10 BPA will apply a capacity-based fee to all Load Following customer's Non-Dispatchable
11 Dedicated Resources that are both Existing Resources and Variable Energy Resources. The
12 capacity-based fee will be calculated using BPA's embedded cost of Supplemental
13 Operating Reserves, or its successor, adjusted to reflect the Tier 1 System Resources only.
14 The capacity-based fee allows BPA to treat the resource as a firm resource for purposes of
15 the Tier 1 Demand Charge, as described in Section 4.3. It also allows an Existing Resource
16 dedicated to a Load Following customer's load that is Non-Dispatchable and a Variable
17 Energy Resource to produce generation below its Exhibit A amounts and pay a market-
18 based rate (inclusive of potential upward adjustments and other costs), as established in
19 each 7(i) Process.

20
21 The capacity-based fee also allows eligible resources, as defined by the CHWM Contract, to
22 receive a market-based energy credit (inclusive of potential downward adjustments and
23 other costs), as established in each 7(i) Process, for amounts of energy produced by the
24 resource in excess of its Exhibit A amounts. The capacity-based fee will be calculated using
25 BPA's embedded cost of Supplemental Operating Reserves, or its successor, adjusted to
26 reflect the Tier 1 System Resources only.

1 To avoid double counting, only the Exhibit A amounts will be used for purposes of
2 calculating Billing Determinants as described in Chapter 4 of this PRDM.

3
4 **6.4 Treatment for Load Following Dispatchable Dedicated Resources that are**
5 **Existing Resources**

6 BPA may apply credits, charges, and require a Load Following customer to purchase
7 Support Services for Dispatchable Dedicated Resources that are Existing Resources.
8 The purpose of the credits, charges, and services is to ensure, facilitate, or help a customer
9 meet its contractual obligations with BPA, while also capturing the dispatchable energy
10 and capacity value of the resource. A Load Following customer's Dispatchable Dedicated
11 Resources that are Existing Resources will come with contractual capacity-related
12 obligations and will also be provided an Existing Capacity Credit as described in
13 Section 4.3.6.1.

14
15 **6.5 Treatment for Load Following Resources Serving Above-CHWM Load**

16 BPA will apply credits, charges, and may require that a Load Following customer purchase
17 Support Services when its resources serving Above-CHWM Load are not provided in the
18 shape of a flat annual block of power. The purpose of the credits, charges, and applicable
19 services is to capture the value difference, both in energy and capacity, that the customer's
20 resource serving Above-CHWM Load brings relative to a flat annual block of power.

7 RISK MITIGATION

In each 7(i) Process, BPA will establish risk mitigation mechanisms and set rates that are consistent with BPA's then-current agency financial risk standard(s), as set out in BPA's then-current financial plan and policies.

The CHWM Contract includes take-or-pay provisions that obligate each customer to pay its monthly BPA power bills calculated using the Tier 1 and Tier 2 Rates applicable to each customer.

7.1 Tier 1 Risk

In each 7(i) Process, BPA will assess the risks related to the costs and revenues allocated to the Tier 1 Cost Pools, design risk mitigation measures, and set the Tier 1 Rates to meet BPA's risk standard(s). Such measures may include PNRR, Cost Recovery Adjustment Clauses (CRACs), true-ups to actual costs, and other measures determined appropriate by BPA.

The primary financial risk mitigation measures for the Slice Product are the transfer of the net secondary revenue risk to Slice purchasers (by providing them with secondary energy instead of a rate credit for anticipated net secondary revenues) and the Slice True-Up (*see* Section 2.7).

7.2 Tier 2 Risk

Risks in Tier 2 will be assessed in each 7(i) Process, both for each Tier 2 Rate Alternative and collectively for all Tier 2 Rate Alternatives, to determine if the terms and conditions have mitigated such risks sufficiently to meet BPA's risk standards. In addition to such

1 terms and conditions, BPA will include in Tier 2 Rates any supplementary risk mitigation
2 necessary to meet BPA's risk standards. Altogether, Tier 2 risk mitigation will be
3 structured so that the risk associated with Tier 2 Rates will not increase the costs allocated
4 to Tier 1 Cost Pools or require any enhancement of Tier 1 risk protection mechanisms
5 beyond what would have been required absent sales at Tier 2 Rates. BPA recognizes that it
6 may be limited in Tier 2 Rate offerings by the foregoing requirements that Tier 2 risks not
7 increase costs allocated to Tier 1 or require enhancement of Tier 1 risk protections.

8
9 In each 7(i) Process, when there is more specificity about the resource and purchase costs
10 allocated to the various Tier 2 Cost Pools, BPA will assess the risks of providing service at
11 the various Tier 2 Rate Alternatives. BPA will propose risk mitigation tools for each Tier 2
12 Cost Pool (*e.g.*, PNRR, CRACs, and true-ups to actual costs), as appropriate.

14 **7.3 Assessment of Aggregate Risk**

15 If, after assessing and mitigating risks for each Tier 1 Cost Pool and Tier 2 Cost Pool, BPA
16 finds that Power function risks have not been adequately mitigated pursuant to BPA's risk
17 standards, then BPA will allocate the remaining risk and any additional mitigation between
18 the tiers in the applicable 7(i) Process, consistent with this PRDM.

8 OTHER RATE DESIGN

This chapter identifies and describes ancillary PF rates not otherwise described in Chapters 4 and 5. These include: Rates for Unanticipated Load, Low Density Discount, Irrigation Rate Discount, and PF Exchange.

8.1 Rates for Unanticipated Load

BPA will develop rates in the applicable 7(i) Process for service to unanticipated loads (*e.g.*, due to delay in the start-up of a specified new Non-Federal Resource). Unanticipated loads are public preference loads that BPA is obligated to serve under its statutes, but of which BPA has not had the notice to serve as required by the CHWM Contract or General Rate Schedule Provisions (GRSPs) for a customer to receive service at Tier 1 or Tier 2 Rates. The GRSPs developed in the applicable 7(i) Process will establish the terms and conditions for application of these rates, which are intended to reflect the costs associated with the power and services needed to serve such load.

Load that BPA does not have an obligation to serve may face an unauthorized increase (UAI) charge. For example, if a customer does not provide for serving load when a Non-Federal Resource has an outage, and BPA delivers power, such power deliveries would be charged the UAI.

8.2 Low Density Discount

In the applicable 7(i) Process, BPA will apply a long-term Low Density Discount (LDD) that will remain in effect for multiple Rate Periods to the extent permitted by Section 7(d)(1) of the Northwest Power Act. The LDD benefit to a JOE will be equivalent to the sum of LDD

1 benefits calculated for all eligible individual members of the JOE. BPA will determine the
2 LDD for the JOE based on each such individual utility member's LDD amount.

3
4 The LDD will apply to the following Tier 1 charges: Tier 1 Composite Energy Charge, the
5 Tier 1 Non-Slice Energy Charge, the Tier 1 Slice Energy Charge, the Tier 1 Demand Charge,
6 and the Tier 1 Peak Load Variance Charge. LDD will not apply to purchases of power for
7 Above-CHWM Load. The cost of the LDD program will be allocated to the Composite Cost
8 Pool. The discount will be determined using the LDD Percentage Discount Table, as
9 published in the applicable GRSPs.

10
11 In the applicable 7(i) Process, BPA will apply an LDD Percentage Discount Table that is the
12 same as or similar to the example in Appendix C. The table will be formulated so that the
13 resulting LDD program cost is forecast to be between \$42 million and \$44 million on
14 average per year during the BP-29 Rate Period. This program cost may include utility-
15 specific adjustments intended to temporarily mitigate a loss in program benefits to a utility
16 deemed to be materially impacted by the change in LDD methodology from the TRM to the
17 PRDM. This program cost above is comparable to the program costs prior to the effective
18 date of the PRDM.

19
20 The eligibility requirements of C/M (consumers per mile of line) and K/I (kWh to
21 investment ratio) will initially be calculated in the same manner as was the case in BP-26
22 Rate Period. BPA may, in a later 7(i) Process, propose changes to the eligibility
23 requirements, LDD Percentage Discount Table, and definitions. Additionally, the
24 definitions in the GRSPs may be adjusted to accommodate changes to distribution systems,
25 including underground distribution lines, where appropriate.

1 **8.3 Irrigation Rate Discount**

2 Beginning with the BP-29 Rate Period and continuing through the term of the CHWM
3 Contracts, BPA will include an Irrigation Rate Discount (IRD) in BPA’s wholesale power 7(i)
4 Process initial rate proposals in the form of a fixed percentage discount on the Tier 1 Rates.
5 Eligible irrigation loads will be identified in a customer’s CHWM Contract and will not
6 increase during the term of the contract. The discount will not apply to loads served at
7 Tier 2 Rates.

8
9 The IRD benefit to a JOE will be equivalent to the sum of IRD benefits calculated for all
10 eligible individual members of the JOE. BPA will determine the IRD benefit for the JOE
11 based on each such individual utility member’s IRD benefit.

12
13 In the BP-29 7(i) Process, BPA will calculate the fixed IRD percentage that will remain for
14 the term of the CHWM Contract. The IRD percentage will be set by calculating the value
15 that will result in a program cost of approximately \$22 million in FY 2029, when applied to
16 eligible irrigation loads in that year. This program cost above is comparable to the
17 program costs prior to the effective date of the PRDM.

18
19 Each Rate Period, BPA will use the IRD percentage to set a mills/kWh discount rate that,
20 when applied to qualified irrigation load, produces a dollar credit on eligible customers’
21 power bills. The percentage will be multiplied by the sum of the forecast revenue that
22 irrigation loads will pay through Tier 1 Rates, adjusted for any applicable LDD, divided by
23 the sum of the irrigation loads (expressed in kWh) to derive the mills/kWh discount. This
24 discount will be seasonally available to qualifying loads during May, June, July, August, and
25 September.

1 The CHWM Contract will include the terms and conditions for the IRD. The CHWM
2 Contract also will specify quantities, definitions, and conditions for a qualifying irrigation
3 load. The discount rate to be applied to qualifying irrigation loads for the relevant Rate
4 Period will be determined in the applicable 7(i) Process and will be included in the
5 applicable GRSPs.

6
7 BPA will include in the FY 2029 proposed GRSPs the eligibility criteria for the IRD. To
8 qualify for the IRD, the customer must meet one of the following criteria:

- 9 1) The customer must have participated in BPA's IRD program in FY 2028.
- 10 2) At least 75 percent of the customer's Total Retail Load must be placed on BPA
11 starting October 1, 2028, and the customer's irrigation rate schedule sales, May
12 through September in FY 2018-2022, divided by its TRL for FY 2018-2022, is at
13 least 5 percent; or, if less than 5 percent, the average kilowatts used for May through
14 September in FY 2018-2022 (25 months/5 years) is 7,500,000 kWh or more.

15
16 Eligibility evaluation will be determined differently for existing and newly eligible
17 Irrigation Rate customers. Eligibility evaluation for existing IRD customers will occur at
18 signing of the CHWM Contract. Eligibility for new Irrigation Rate customers will be
19 evaluated 90 calendar days after BPA issues the final PRDM ROD in 2025. Newly eligible
20 IRD customers' CHWM Contracts will be amended to reflect the eligible kilowatthour
21 amounts.

22
23 For a Slice customer, BPA will apply the percentage reduction to the lesser of the
24 customer's qualifying irrigation load (kilowatthours) specified in its CHWM Contract or the

1 sum of its monthly Block purchase at Tier 1 Rates plus the monthly Firm Slice Amount. No
2 other charges or Billing Determinants will be affected.

3
4 There will be a true-up process at the end of each year's May through September irrigation
5 season to ensure that the customer experienced the full amount of irrigation load stated in
6 the CHWM Contract. If a customer's May through September measured irrigation load is
7 less than the amount of load eligible for mitigation, a true-up calculation will determine the
8 amount the customer owes BPA at end of the irrigation season. The details and
9 requirements of the true-up will be described in the applicable 7(i) Process and included in
10 the GRSPs for each applicable Rate Period.

11
12 BPA will require IRD participating customers to implement cost-effective conservation
13 measures on eligible irrigation systems in their service territories, as described in the
14 GRSPs. The conservation measures may be eligible for future BPA conservation programs;
15 the amount of BPA support will be determined through the 7(i) Process.

16 17 **8.4 Section 7(b)(2) Rate Test**

18 **8.4.1 PF Exchange Rate for Customers with CHWM Contract**

19 The PF Exchange Rate is not applicable to PF customers with a CHWM Contract.
20

21 **8.4.2 PF Exchange Rate for Customers without a CHWM Contract**

22 For customers that have not signed a CHWM Contract and have signed a Residential
23 Purchase and Sale Agreement (RPSA), BPA will establish a PF Exchange rate(s) in each 7(i)
24 Process. Such rate(s) will be set consistent with the Northwest Power Act.
25

1 **8.4.3 Section 7(b)(2) or Section 7(b)(3) Issues Not Addressed by PRDM**

2 Notwithstanding any other provisions in this PRDM, this PRDM does not address, and
3 therefore neither authorizes nor precludes, the allocation of Section 7(b)(2) trigger
4 amounts to BPA surplus sales, including secondary energy sales under the Slice Product.
5 Notwithstanding any other provisions in this PRDM, all issues pertaining to calculation of
6 the Section 7(b)(2) rate test and allocation of the Section 7(b)(3) surcharge will be
7 determined in the applicable 7(i) Process.

8
9

9 PRDM REVISION PROCESSES AND DISPUTE RESOLUTION

In this Chapter 9:

- **Customer** means a Public that purchases power from BPA at a Tier 1 Rate under a CHWM Contract.
- **Customer Group** means a group comprised of not less than 45 percent of the Customers (utility count) or 45 percent of the sum of the CHWMs.

For purposes of calculating utility count for a Customer Group or under Sections 9.2.2.2, 9.3.2.2, 9.4.2.2, 9.5.2, or 9.5.3, a JOE is counted by its component utilities.

9.1 General Provisions

9.1.1 Process Generally Applicable to Any PRDM Revision

No revision to this PRDM may be made without the introduction, consideration, and adoption of such revision in a 7(i) Process. BPA will comply with the applicable requirements of this Chapter 9 when proposing revisions to the PRDM. Should a proposed revision to the PRDM not satisfied the requirements for introduction in a 7(i) Process as set out herein, then BPA shall neither propose nor adopt such proposed revision in a 7(i) Process until the applicable requirements of this Chapter 9 are satisfied.

Except as provided in Sections 9.2 (Improvements/Enhancements) and 9.3.2 (Unintended Consequences that affect only Customers), nothing in this Chapter 9 limits the positions that a Customer may advocate in a 7(i) Process regarding the PRDM. Nothing in Chapter 9 either 1) precludes any party to a BPA 7(i) Process, other than a Customer, from making any proposal or offering any testimony or other evidence on any matter that may

1 otherwise be raised in a BPA 7(i) Process or 2) constrains any person or entity, including a
2 Customer, from taking any position with BPA on any issue outside of a 7(i) Process.

3
4 **9.1.2 Core Provisions of the PRDM that May be Revised Only to Ensure Cost**
5 **Recovery or Comply with Court Ruling**

6 The provisions of the PRDM identified below cannot be revised except and unless the
7 Administrator determines in accordance with the applicable procedures set forth in this
8 Chapter 9 that BPA cannot otherwise timely recover its costs or that the change is
9 necessary to effectively comply with a court ruling:

- 10 1) The Core Rate Design described in Chapter 4, consisting of the concept of three
11 Tier 1 Energy Charges (Composite, Slice, and Non-Slice); the Tier 1 Marginal
12 Energy True-Up; the Tier 1 Demand Charge; the Tier 1 Peak Load Variance
13 Charge; and Tier 1 Credits, which include the RICc, RICm (including the RICm
14 phase-out schedule established pursuant to Section 4.5.2), and RICj (including
15 the RICm phase-out schedule established pursuant to Section 4.5.3).
- 16 2) The establishment of Tier 2 Rates, as set forth in Chapter 5.
- 17 3) Cost allocation principles set forth in Section 2.1.

18
19 **9.1.3 Actions Not Considered to be a Revision to the PRDM**

20 Subject to Section 9.1.2 and the express terms of the PRDM, the Administrator reserves the
21 discretion he or she otherwise possesses under law to establish, undertake, or otherwise
22 address the following, including through implementation of the PRDM consistent with the
23 terms thereof for those matters governed by the PRDM, in appropriate cases:

- 24 1) Calculation of actual rate levels.

- 1 2) Any rate issues or, as applicable, such components of rates issues that are
2 identified in this PRDM as specifically reserved for determination in a future 7(i)
3 Process. These include, but are not limited to:
- 4 a) Allocation of costs consistent with Sections 2.1, 2.2, and 2.3 and the Allocated
5 Tiered Cost Table, Table 2-1
 - 6 b) The determination whether a line item in the Composite Cost Pool is subject
7 to true-up (*see* Chapter 2).
 - 8 c) The addition of new Tier 2 cost pools (*see* Section 2.2).
 - 9 d) Methods used to solve for Tier 1 and Tier 2 Rates (*see* Section 2.2.1)
 - 10 e) Modifications to BPA’s Power Services Statement of Revenues and Expenses
11 (*see* Section 2.2.2)
 - 12 f) Allocations of New Expenses and New Credits (*see* Sections 2.3 and 2.8.4)
 - 13 g) Proposals to reallocate portions of the Tier 1 Secondary Energy Credit to
14 Composite Cost Pool (*see* Section 2.4)
 - 15 h) Proposals for an alternative cost recovery mechanism (*see* Section 2.6)
 - 16 i) True-up of rate revenue credits (*see* Section 2.8.2.2)
 - 17 j) Revisions to MRNR treatment (*see* Section 2.8.2.3)
 - 18 k) Expenses and revenue credits (*see* Section 2.8.4)
 - 19 l) Resources considered Tier 1 System Resources and respective firm power
20 (*see* Section 3.1)
 - 21 m) Designated System Obligations and related issues (*see* Sections 3.2.2 and
22 3.2.3)

- 1 n) Forecasts of Rate Period Augmentation (*see* Section 3.3)
- 2 o) The determination whether forecast costs of augmentation are subject to the
- 3 Slice True-Up (*see* Section 3.3.2).
- 4 p) Forecasts of Balancing Power Purchases and adjustments (*see* Section 3.4)
- 5 q) Updates to Table 3-3, 3-4, and 3-5 (*see* Section 3.5, 3.6, and 3.7)
- 6 r) Establishment of Tier 1 Energy Charges (*see* Section 4.1)
- 7 s) Establishment of Tier 1 Composite Energy Rates (*see* Section 4.1.2)
- 8 t) Establishment of Tier 1 Non-Slice Energy Rate (*see* Section 4.1.3)
- 9 u) Establishment of Tier 1 Slice Energy Rate (*see* Section 4.1.4)
- 10 v) Establishment of Tier 1 Marginal Energy True-Up Rate (*see* Section 4.2.3)
- 11 w) Adjustments to Marginal Capacity Resource and shape of monthly Tier 1
- 12 Demand Rates (*see* Section 4.3.4)
- 13 x) Establishment of Capacity Credits (*see* Section 4.3.6)
- 14 y) Capacity planning standards, PLVC Billing Determinants, and market-based
- 15 energy rate (*see* Section 4.4)
- 16 z) RICc recalculations (*see* Section 4.5.1.1)
- 17 aa) Rates for New Publics (*see* Section 4.5.1.2)
- 18 ab) Recovery of conservation costs and rates for product and service switching
- 19 (*see* Section 4.6)
- 20 ac) Sub-allocation of risk in Tier 1 Rates after September 30, 2041
- 21 (*see* Section 4.7)
- 22 ad) Forecast costs for Support Services (*see* Section 5.2.2)

- 1 ae) Determination of the Overhead Cost Adder to Tier 2 Cost Pools
- 2 (see Section 5.2.3)
- 3 af) Calculations for remarketed energy (see Section 5.3.1)
- 4 ag) Tier 2 Long-Term Change Fee and Charge(see Section 5.4.1)
- 5 ah) Design, pricing, and application of the Support Services rates (see Chapter 6)
- 6 ai) FORS-based fee (see Section 6.2)
- 7 aj) Risk mitigation (consistent with Chapter 7)
- 8 ak) Rates for Unanticipated Load (see Section 8.1)
- 9 al) Applicability of Low Density Discount (see Section 8.2)
- 10 am) Irrigation Rate Discount (see Section 8.3)
- 11 an) PF Exchange Rate treatment (see Section 8.4)
- 12 ao) Application of Sections 7(b)(2) and 7(b)(3) of the Northwest Power Act
- 13 (see Section 8.4.3)

14 3) PRDM Exhibits will be filled in and revised consistent with the terms of the PRDM.

15 4) Such other actions described in the PRDM that are to be determined in a Section 7(i)

16 Process.

17

18 The actions described in this Section 9.1.3 do not constitute a “revision” to the PRDM.

19

20 **9.2 Improvements and Enhancements**

21 **9.2.1 Criteria and Conditions for Improvements and Enhancements**

22 Revisions to the PRDM not covered by Section 9.4 (Cost Recovery/Court Ruling), 9.1.2

23 (Core Provisions), or 9.3 (Unintended Consequences) and that are proposed by BPA or a

1 Customer Group to improve and enhance the PRDM (Improvement Proposal) must be
2 made consistent with this Section 9.2.

3 4 **9.2.2 Process for Improvements and Enhancements**

5 BPA or a Customer Group may propose a revision to the PRDM as provided for in
6 Section 9.2.1 only after complying with the requirements of this Section 9.2.2.

7 8 **9.2.2.1 Notice**

9 Before BPA or a Customer Group proposes in a 7(i) Process an Improvement Proposal, BPA
10 or the Customer Group will notify all Customers of the Improvement Proposal in advance of
11 the 7(i) Process and the proponent's reasons for: 1) why the Improvement Proposal will
12 improve or enhance implementation of the PRDM in a way that will continue to effectuate
13 its purposes but be more cost-effective and efficient, customer responsive, readily
14 implementable, or capable of fulfilling the PRDM's purposes, and 2) how the value of the
15 Improvement Proposal outweighs any harm created by it. The notice will specify the date
16 by which each Customer may express its support for the Improvement Proposal, and the
17 means for registering its support.

18 19 **9.2.2.2 Customer Approval**

20 BPA or the Customer Group may propose in a 7(i) Process the Improvement Proposal only
21 if it is approved by Customers totaling both 1) at least 70 percent of Customers (utility
22 count) and 2) at least 50 percent of the sum of the CHWMs, with both of the foregoing
23 measured by the individual vote of each Customer. In determining the total, BPA shall
24 count each abstention and absence of a vote as a vote that the Customer does not approve
25 the Improvement Proposal.

1 In the event that the Customers approving the Improvement Proposal are less than the
2 voting requirements of the preceding paragraph, then the Improvement Proposal will not
3 be proposed in any 7(i) Process by BPA, the Customer Group, or any Customer until the
4 voting requirements in this Section 9.2.2.2 above are satisfied.

5
6 In the event that the Customers approving the Improvement Proposal are equal to or more
7 than the voting requirements of this Section 9.2.2.2, then BPA or the Customer Group may
8 propose the Improvement Proposal in a 7(i) Process. The Improvement Proposal will be
9 considered in the normal course through the 7(i) Process with a decision in the
10 Administrator's Record of Decision.

11 12 **9.3 Revisions for Unintended Consequences**

13 **9.3.1 Criteria and Conditions for Revisions for Unintended Consequences**

14 With the exception of PRDM changes that are constrained by Section 9.1.2 (Core
15 Provisions) or implementation of the PRDM reserved by Section 9.1.3 (Expressly Not
16 Revisions), BPA may, in accordance with the applicable procedures of this Chapter 9,
17 propose revisions in the PRDM: 1) to address or avoid unintended consequences that put at
18 risk the Principles and Goals underlying the PRDM as set forth in Section 1.1 of BPA's
19 Provider of Choice Policy, or 2) to accommodate BPA's participation in a day-ahead market.
20 However, nothing in this Section 9.3 constrains BPA's ability to propose revisions in the
21 PRDM to ensure cost recovery or comply with a Court ruling that also accommodate BPA's
22 participation in a day-ahead market; such proposals must comply with the requirements in
23 Section 9.4.1.

1 **9.3.2 Process for Revisions for Unintended Consequences that *Do Not* Affect Others**
2 **or General Policies**

3 The procedures set forth in this Section 9.3.2 apply only to revisions to the PRDM as
4 provided for in Section 9.3.1 that address or rectify unintended consequences of the PRDM
5 that affect only Customers with CHWM Contracts, or that do not affect or affect only in a *de*
6 *minimis* manner investor-owned utilities (IOU) or direct service industry (DSI) customers
7 of BPA or BPA customers that are not eligible for or do not take service under CHWM
8 Contracts (“Unintended Consequence Proposal”). Such procedures do not apply to, and an
9 Unintended Consequence Proposal does not encompass, proposed revisions to the PRDM
10 that are necessary to address or rectify unintended consequences of the PRDM that affect
11 BPA programs or policies of general application (*e.g.*, the unintended consequence affects
12 programmatic responsibilities such as fish and wildlife, conservation, or transmission).

13
14 BPA or a Customer Group may propose an Unintended Consequence Proposal in a
15 7(i) Process only after complying with the requirements of this Section 9.3.2.

16
17 **9.3.2.1 Notice**

18 Before such an Unintended Consequence Proposal is introduced in a 7(i) Process by BPA or
19 a Customer Group, BPA will notify all Customers in advance of the 7(i) Process of the
20 Unintended Consequence Proposal and the proponent’s reasons for: 1) why the
21 Unintended Consequence Proposal will address or rectify the unintended consequence that
22 puts at risk the Principles and Goals underlying the PRDM as set forth in Section 1.1 of the
23 Provider of Choice Policy, and 2) how the value of the Unintended Consequence Proposal
24 outweighs any detriment created by it. The notice will specify the date by which each
25 Customer may object to the Unintended Consequence Proposal and the means for
26 registering its objection.

1 **9.3.2.2 Customer Objection**

2 BPA or the Customer Group may propose in a 7(i) Process the Unintended Consequence
3 Proposal unless it is objected to by Customers totaling both 1) at least 70 percent of
4 Customers (utility count) and 2) at least 50 percent of the sum of the CHWMs, with both of
5 the foregoing measured by the individual vote of each Customer. In determining the total,
6 BPA shall count each abstention and absence of a vote as a vote that the Customer does not
7 object to the proposed change.

8
9 In the event that the Customers objecting to the Unintended Consequence Proposal equal
10 or exceed the voting requirements of the preceding paragraph, then BPA, the Customer
11 Group, or any Customer shall not propose in any 7(i) Process the Unintended Consequence
12 Proposal until the voting requirements of this Section 9.3.2 are satisfied.

13
14 In the event that the Customers objecting to the Unintended Consequence Proposal are less
15 than the voting requirements of this Section 9.3.2, BPA or the Customer Group may
16 propose in a 7(i) Process the Unintended Consequence Proposal. The Unintended
17 Consequence Proposal will be considered in the normal course through the 7(i) Process
18 with a decision in the Administrator’s Record of Decision.

19
20 **9.3.3 Process for Revisions for Unintended Consequences that *Do* Affect Others or**
21 **General Programs or Policies**

22 Any proposals to revise the PRDM to address unintended consequences that affect others
23 or general programs or policies (*i.e.*, within the scope of Section 9.3.1, but not within the
24 scope of Section 9.3.2), may be proposed and considered in the normal course through the
25 7(i) Process, with a decision in the Administrator’s Record of Decision.

1 **9.3.3.1 Notice**

2 Before such a proposal is considered in a 7(i) Process by BPA or a Customer Group, BPA
3 will notify all Customers of the proposal and the proponent’s reasons for: 1) why the
4 proposal will address or rectify the unintended consequence that puts at risk the Principles
5 and Goals underlying the PRDM as set forth in Section 1.1 of the Provider of Choice Policy
6 and 2) how the value of the proposal outweighs any detriment created by it.
7

8 **9.4 Revisions to PRDM to Ensure Cost Recovery or Comply with Court Ruling**

9 **9.4.1 Criteria and Conditions for Revisions for Cost Recovery or Court Ruling**

10 BPA reserves the right to revise any part of this PRDM if the Administrator has determined
11 in accordance with the applicable procedures set forth in Chapter 9 that: 1) BPA cannot
12 timely and reasonably recover its costs without revising the PRDM; or 2) a revision to the
13 PRDM is necessary to effectively comply with a court ruling. For purposes of this PRDM,
14 reference to a court ruling will be deemed to include a ruling of the Federal Energy
15 Regulatory Commission that disapproves or remands a BPA rate based on the PRDM.
16

17 **9.4.2 Process for Revisions for Cost Recovery or Court Ruling**

18 BPA will propose only those revisions under Sections 9.4.1 that are necessary to comply
19 with a court ruling or ensure cost recovery (Recovery/Response Proposal) and will seek to
20 limit both the number and scope of such revisions.
21

22 **9.4.2.1 Preliminary Procedures Specific to Revisions for Cost Recovery**

23 Before proposing any revision to the PRDM to ensure timely cost recovery, to the extent
24 practicable BPA will take the following steps:

- 25 1) BPA will make reasonable efforts to recover the costs from the party(s) that would
26 otherwise be responsible for such costs. Such efforts may include making demand

1 on any available credit support and pursuing legal action when appropriate.

2 2) BPA will make good faith efforts to reduce BPA power costs so as to offset the cost
3 that would otherwise occasion the need for a change in the PRDM to ensure cost
4 recovery.

5 3) If the cost recovery problem is occasioned by the design of the PRDM, BPA will
6 convene a public meeting with Customers and interested parties to discuss
7 alternatives to a revision of the PRDM.

8 4) After taking such steps, BPA will issue a report to Customers and interested parties
9 regarding the efforts, including those listed (1-3) above, that the Administrator has
10 taken before resorting to a revision to the PRDM, and why the set of safeguards BPA
11 followed when entering identified transactions (*e.g.*, service at a Tier 2 Rate) was
12 not sufficient to avoid the cost recovery problem.

13
14 These criteria, or disputes over whether the Administrator has satisfied them, do not
15 override and will not be allowed to frustrate the Administrator's responsibility to establish
16 rates to recover costs and timely repay the U.S. Treasury.

17
18 **9.4.2.2 Customer Petition for Mini-Trial Disputing Response/Recovery**
19 **Proposal**

20 Customers that are party to a 7(i) Process may petition for a Mini-Trial alleging the
21 Recovery/Response Proposal is not necessary to ensure cost recovery or respond to a
22 court ruling, and/or that the Recovery/Response Proposal is unreasonably
23 disproportionate to what is needed to comply with the court ruling or to ensure cost
24 recovery, compared to the alternative proposal(s), if any, offered by the Customer(s).

1 A written petition so disputing the Response/Recovery Proposal may only be filed with the
2 Hearing Officer within 20 Business Days after submission of BPA's initial proposal in such
3 7(i) Process, or within 10 Business Days after an Administrator's Mini-Trial decision under
4 Section 9.6 (4(C)). The petition may be filed only if it is approved by Customers totaling
5 both 1) at least 70 percent of such Customers (utility count), and 2) at least 50 percent of
6 the sum of the CHWMs, with both of the foregoing measured by the individual vote of each
7 Customer.

8
9 Upon receipt of such petition, the Hearing Officer shall expeditiously schedule, consistent
10 with the rate case schedule and the procedural requirements of Section 9.6 (Mini-Trial), a
11 Mini-Trial regarding whether BPA's Response/Recovery Proposal is necessary to ensure
12 cost recovery or respond to a court ruling as provided for in Section 9.4.1, and/or whether
13 the Response/Recovery Proposal is unreasonably disproportionate to what is needed to
14 comply with the court order or to ensure cost recovery, compared to the alternative
15 proposal(s), if any, offered by the Customer(s).

16
17 If no such petition is timely filed, the Recovery/Response Proposal will be considered in the
18 normal course through the 7(i) Process with a decision in the Administrator's Record of
19 Decision.

20 21 **9.5 Disputes Alleging Irreconcilable Conflict with the PRDM**

22 **9.5.1 Criteria and Conditions for Determining an Irreconcilable Conflict Exists**

23 An Irreconcilable Conflict exists only when:

- 24 1) The PRDM clearly and unambiguously requires or prohibits an action, and an action
25 or inaction proposed by BPA (BPA Position) is contrary to such requirement or

1 prohibition; or

- 2 2) The PRDM is silent, ambiguous, or leaves a gap regarding the matter in question,
3 and the BPA Position cannot be reconciled with any reasonable interpretation of
4 what the PRDM does provide for.

5
6 **9.5.2 Customer Petition for Mini-Trial Alleging Irreconcilable Conflict within a 7(i)**
7 **Process**

8 Customers that are party to a 7(i) Process may petition for a Mini-Trial alleging that a BPA
9 Position in such 7(i) Process is in Irreconcilable Conflict with the PRDM.

10
11 A written petition so alleging may only be filed with the Hearing Officer within 20 Business
12 Days after submission of BPA's initial proposal in a 7(i) Process. The petition may be filed
13 only if it is approved by Customers totaling both 1) at least 70 percent of such Customers
14 (utility count) and 2) at least 50 percent of the sum of the CHWMs of all such Customers,
15 with both of the foregoing measured by the individual vote of each Customer. Such petition
16 must allege that 1) a BPA Position in the 7(i) Process is in Irreconcilable Conflict with the
17 PRDM; 2) BPA has not sought to revise the PRDM to reconcile it with the BPA Position; and
18 3) such Customers oppose the BPA Position.

19
20 Upon receipt of such petition, the Hearing Officer shall expeditiously schedule, consistent
21 with the rate case schedule and the procedural requirements of Section 9.6 (Mini-Trial), a
22 Mini-Trial regarding whether the BPA Position is in Irreconcilable Conflict with the PRDM.

23
24 If no such petition is timely filed, the BPA Position will be considered in the normal course
25 through the 7(i) Process with a decision in the Administrator's Record of Decision.

1 **9.5.3 Customer Petition for Mini-Trial Alleging Irreconcilable Conflict Outside a 7(i)**
2 **Process**

3 Customers may petition for a Mini-Trial alleging that a BPA final action or inaction, other
4 than the Administrator's Record of Decision following a 7(i) Process, is in Irreconcilable
5 Conflict with the PRDM.

6
7 A written petition so alleging may only be submitted to the Administrator within 20
8 Business Days after a BPA final action or inaction. The petition may be filed only if it is
9 approved by Customers totaling both 1) at least 70 percent of such Customers (utility
10 count) and 2) at least 50 percent of the sum of the CHWMs of all such Customers, with both
11 of the foregoing measured by the individual vote of each Customer. Such petition must
12 allege that 1) a BPA final action or inaction is in Irreconcilable Conflict with the PRDM; and
13 2) such Customers oppose the BPA final action or inaction.

14
15 Upon receipt of such petition, the Administrator shall expeditiously schedule, consistent
16 the procedural requirements of Section 9.6 (Mini-Trial), a Mini-Trial regarding whether the
17 BPA final action or inaction is in Irreconcilable Conflict with the PRDM.

18
19 **9.6 Mini-Trial Before the Administrator**

20 If a Mini-Trial is scheduled pursuant to Section 9.4 (Cost Recovery/Court Ruling) or 9.5
21 (Irreconcilable Conflict), the following procedures will apply. A Mini-Trial pursuant to
22 Section 9.4 (Cost Recovery/Court Ruling) or 9.5.2 (Irreconcilable Conflict Within 7(i)
23 Process) will be a part of the 7(i) Process, and will be presided over by the Hearing Officer.
24 A Mini-Trial Pursuant to 9.5.3 (Irreconcilable Conflict Outside 7(i) Process) will not be part
25 of a 7(i) Process, and will be presided over by the Administrator. A Mini-Trial will consist
26 of the following:

- 1) Parties shall file statements of position that summarize their arguments regarding the issue(s) in the underlying petition. Parties with like positions should attempt to consolidate their submissions.
- 2) Oral presentations, not to exceed two (2) days in total, will be scheduled before the Administrator, and such other BPA executives designated by the Administrator. The order of presentation will be: 1) the parties in opposition to the BPA Position, Recovery/Response Proposal, or BPA final action or inaction; 2) parties, if any, in support of the BPA Position, Recovery/Response Proposal, or BPA final action or inaction; and 3) rebuttal by parties in opposition. Parties' presentations may consist of testimony, oral argument, or a combination of both. The Administrator may ask any questions or engage in any discussion with any of the participating parties that he or she deems appropriate.
- 3) Within 15 Business Days of the oral presentations, unless extended by the Administrator for good cause, the Administrator shall provide a written statement that BPA maintains, modifies, or withdraws the BPA Position or Recovery/Response Proposal; or whether the BPA final action or inaction is in Irreconcilable Conflict with the PRDM. The Administrator shall summarize the basis for his or her decision. In a Mini-Trial pursuant to 9.4 (Cost Recovery/Court Ruling) or 9.5.2 (Irreconcilable Conflict Within 7(i) Process), the Administrator retains the ability to reach a different final decision at the conclusion of the 7(i) Process in the Administrator's Record of Decision.
- 4) In a Mini-Trial pursuant to 9.5.2 (Irreconcilable Conflict Within 7(i) Process), the Administrator may decide the BPA Position:
 - a) is not in Irreconcilable Conflict with the PRDM

1 b) is in Irreconcilable Conflict with the PRDM, but BPA is now proposing to
2 revise the PRDM consistent with Section 9.3.3 (Unintended Consequence that
3 affects others)

4 c) is in Irreconcilable Conflict with the PRDM, but BPA is now proposing to
5 revise the PRDM consistent with Section 9.4 (Cost Recovery/Court Ruling).

6 d) is in Irreconcilable Conflict with the PRDM, and BPA is withdrawing the BPA
7 Position or Recovery/Response Proposal.

8 The Customer petition opposing the BPA Position forecloses revisions under
9 Section 9.2 (Improvement/Enhancement) and revisions under Section 9.3.2
10 (Unintended Consequences that do not affect others). In the case of “b)” (above),
11 the Administrator’s decision will be accompanied by the notice required in Section
12 9.3.3.

13 In the case of “c)” (above), the Administrator’s decision will, to the extent
14 practicable, be accompanied by the report in Section 9.4.2.1.

15 Consistent with Section 9.4.2.2, Customers will have 10 Business Days following the
16 Administrator’s decision to petition for a Mini-Trial regarding whether BPA’s
17 Response/Recovery Proposal is necessary to ensure cost recovery or respond to a
18 court ruling as provided for in Section 9.4.1, and/or whether the
19 Response/Recovery Proposal is unreasonably disproportionate to what is needed to
20 comply with the court order or to ensure cost recovery, compared to the alternative
21 proposal(s), if any, offered by the Customer(s).

22 5) A Mini-Trial pursuant to 9.4 (Cost Recovery/Court Ruling) or 9.5.2 (Irreconcilable
23 Conflict Within 7(i) Process) provides an opportunity for Customers to directly
24 address the Administrator early in the 7(i) Process, but does not limit the positions
25 BPA or parties may take during the 7(i) Process. The BPA Position,
26 Recovery/Response Proposal, or Unintended Consequence Proposal resulting from

1 the Mini-Trial will be considered in the normal course through the 7(i) Process with
2 a decision in the Administrator's Record of Decision.

- 3 6) In a Mini-Trial pursuant to 9.5.3 (Irreconcilable Conflict Outside 7(i) Process), if the
4 Administrator determines the BPA final action or inaction is in Irreconcilable
5 Conflict with the PRDM, BPA will take all necessary steps within its authority to
6 revoke the BPA final action or inaction. BPA may seek to revise the PRDM using the
7 procedures in this Chapter 9. In no event will the BPA final action or inaction, any
8 decision made pursuant to this Section 9.6, or any action by BPA pursuant to such
9 decision be construed to provide a basis for a claim of damages; liability for loss of
10 profits; or special, incidental, or consequential damages.

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Appendices

Appendix A—Definitions

**Appendix B—Cost Verification Process for the Slice True-Up
Adjustment Charge**

Appendix C—Determination of LDD Eligible Discount Percentage

Appendix D—Support Services Framework

Appendix E—Capacity Credits Framework

Appendix A

PRDM Definitions

1
2
3 **“7(i) Process”** means a public process conducted by BPA, pursuant to Section 7(i) of the
4 Northwest Power Act, 16 U.S.C. § 839e(i), or its successor, to establish rates for the sale of
5 power and other products.

6 **“Above-CHWM Load”** means the forecasted portion of a customer’s Preliminary Net
7 Requirement that is in excess of the customer’s CHWM, if any, as determined in the Above-
8 CHWM Load Process.

9 **“Above-CHWM Load Process”** means the public process conducted during each Forecast
10 Year, in which BPA will calculate the following values for the upcoming Rate Period: 1) each
11 customer’s Preliminary Net Requirement; 2) adjusted CHWMs; and 3) each customer’s
12 Above-CHWM Load.

13 **“Actual Annual Net Load”** means a customer’s measured annual Total Retail Load less
14 Existing Resources, Specified Resources added to the Tier 1 Allowance Amount, the annual
15 measured energy amount of NLSLs, Consumer-Owned Resources serving On-site Consumer
16 Load, and Above-CHWM Load. This is used for calculating the Marginal True-Up Charge for
17 Block and Slice products, as described in Section 4.2.2.

18 **“Additional Adjustment for Very Low-Densities”** means an additional discount amount
19 added to an eligible customer’s Low Density Discount to account for the customer’s very
20 low system density.

21 **“Agreed-Upon Procedures”** means services that fall under the category of miscellaneous
22 financial services provided to BPA by an external auditor that are covered contractually
23 between BPA and an external auditor.

1 **“All Other Resource Acquisitions”** means the portion of BPA’s resource acquisitions
2 made for any purpose that is not a Tier 1 System Resource, Balancing Power Purchase, a
3 Tier 1 Non-Slice Capacity Acquisition, or a Tier 2 Acquisition, as listed in Table 3-5.

4 **“Allocated Tiered Cost Table”** means the table that sets forth the expenses and revenue
5 credits allocated to Publics with CHWM Contracts in the Cost Pools that result from
6 application of the Cost Allocation Method.

7 **“Average Megawatts” or “aMW”** means the amount of electric energy in megawatt-hours
8 (MWh) during a specified period of time, divided by the number of hours in that period.

9 **“Balancing Authority”** means the responsible entity that integrates resource plans ahead
10 of time, maintains demand and resource balance within a Balancing Authority Area, and
11 supports interconnection frequency in real time.

12 **“Balancing Authority Area”** means the collection of generation, transmission, and loads
13 within the metered boundaries of the Balancing Authority. The Balancing Authority
14 maintains load-resource balance within this area.

15 **“Balancing Power Purchases”** means a power purchases or resource acquisitions forecast
16 by BPA in a 7(i) Process to be made by BPA for any portion of the upcoming Rate Period
17 during which BPA’s resource capability is insufficient to meet BPA’s obligations for that
18 period.

19 **“Billing Determinant”** means the measurement of a product or service to which a
20 particular rate will be applied to define a particular charge or credit that BPA will bill to a
21 customer, as established and defined in this PRDM.

22 **“Block or Block Product”** means a planned amount of Firm Requirements Power sold to a
23 customer to meet a portion of its regional consumer load pursuant to BPA’s power product
24 defined in the Block purchase obligation and Slice/Block purchase obligation under the

1 CHWM Contracts, including but not limited to stand-alone Block, shaped Block, Block with
2 shaping capacity, and the Block portion of Slice/Block in this PRDM, unless specified
3 otherwise.

4 **“Bonneville Fund”** means a continuing appropriation established by 16 U.S.C. § 838i(a)
5 that is available to meet all of BPA’s cash obligations. BPA’s cash from all sources are
6 deposited in and all BPA expenditures are made from a financial account held within the
7 U.S. Treasury.

8 **Business Day(s):** every Monday through Friday, except federal holidays.

9 **“Contract High Water Mark” or “CHWM”** means the amount of Firm Requirements Power
10 (expressed in annual Average Megawatts) that a customer is eligible to access at Tier 1
11 Rates. The amount of Firm Requirements Power a customer purchases at Tier 1 Rates is
12 limited to the lesser of its CHWM or its Net Requirement.

13 **“Contract High Water Mark Contract” or “CHWM Contract”** means the power sales
14 agreement between a customer and BPA that contains a Contract High Water Mark
15 (CHWM), and under which the customer purchases power from BPA at rates established by
16 BPA in accordance with the PRDM.

17 **“CHWM Modeled Augmentation”** means a PRDM construct of a flat annual block of power
18 used to establish the simulated Slice capability and equitably allocate costs between Slice
19 and Non-Slice Cost Pools.

20 **“CHWM System”** means the annual Tier 1 Firm System Output, reduced for annual
21 Designated System Obligations plus annual CHWM Modeled Augmentation as determined
22 in each 7(i) Process.

1 **“Composite Cost Pool”** means the Tier 1 Cost Pool to which expenses and revenue credits
2 are to be allocated in accordance with Sections 2.1 and 2.2.1.1, and which are set out in
3 Table 2-1, Section A.

4 **“Consumer-Owned Resource”** shall have the meaning as defined in the CHWM Contract.

5 **“Core Rate Design”** means the charges and credits as described in Sections 4.1, 4.2, 4.3,
6 and 4.4 and the three Rate Impact Credits, RICc, RICm, and RICj.

7 **“Cost Allocation Method”** means the ratemaking step of assigning expenses and revenue
8 credits to Cost Pools in the process of developing rates for BPA products and services in
9 accordance with the PRDM.

10 **“Cost Pool”** means a grouping of costs and credits allocated to a specific product, service,
11 or customer type.

12 **“Cost Recovery Adjustment Charge (CRAC)”** means a risk mitigation tool that adjusts
13 rates pursuant to criteria determined by BPA in a 7(i) Process.

14 **“Cost Review Public Process”** means a public process that allows customers and
15 interested parties to review and obtain financial information from BPA, see Section 2.9.

16 **“Cost Verification Process”** means a public process that permits customers and interested
17 parties to review the Slice True-Up, see Section 2.8.5.

18 **“Customer”** meaning as described in Chapter 9 definition.

19 **“Customer Group”** meaning as described in Chapter 9 definition.

20 **“Dedicated Resource”** shall have the meaning as defined in the CHWM Contracts.

21 **“Designated System Obligations”** means the set of obligations specified in Table 3-2 that:

22 1) are directly assigned to the generation output or capability of the Tier 1 System
23 Resources; or 2) are incurred because of contracts, operational obligations, memorandums

1 of agreement, treaties, statutes, regulations, court orders, or executive orders, individually
2 or in combination, that create a firm obligation for the Tier 1 System Resources.

3 Designated System Obligations also includes the portion of BPA’s ancillary and control area
4 service obligations that are provided from the Tier 1 System Resources.

5 **“Direct-Service Industrial Customers (DSIs)”** means the customers specified in Section
6 3(8) of the Northwest Power Act, 16 U.S.C. § 839a(8).

7 **“Dispatchable Resource”** means a Specified Resource from which generation amounts can
8 be intentionally increased or decreased by the resource owner or operator, and which has
9 capacity capability greater than the energy capability as defined in the CHWM Contract.

10 **“Diurnal”** means the division of hours within a month between Heavy Load Hours (HLH)
11 and Light Load Hours (LLH).

12 **“Existing Capacity Credit”** means a capacity credit applied when a Load Following
13 Customer has a Dedicated Resource that is an Existing Resource and that has a capacity
14 obligation greater than its monthly Exhibit A amount, as described in Section 4.3.6.1.

15 **“Existing Public”** means that, within the PRDM for purposes of annexation considerations
16 for the RICc and RICm, Existing Public is defined in ordinal relation to a new Public.

17 **“Existing Resource”** shall have the meaning as defined in the CHWM Contract.

18 **“Federal Columbia River Power System (FCRPS)”** means the integrated power system
19 that includes, but is not limited to, the transmission system constructed and operated by
20 BPA and the hydroelectric dams in the Pacific Northwest constructed and operated by the
21 U.S. Army Corps of Engineers and the Bureau of Reclamation.

22 **“Firm Slice Amount”** means a customer’s Slice Percentage multiplied by the CHWM
23 System.

1 **“Fiscal Year (FY)”** means the period beginning each October 1 and ending the following
2 September 30.

3 **“Forced Outage Reserve Service (FORS)”** means a service that provides an agreed-to
4 amount of capacity and energy during forced outages and other specific events of a
5 qualifying resource as defined in the CHWM Contract.

6 **“Forecast Annual Net Load”** means a customer’s forecast annual Total Retail Load less
7 Existing Resources, Specified Resources added to the Tier 1 Allowance Amount, Consumer-
8 Owned Resources serving On-site Consumer Load, NLSLs, and Above-CHWM Load. This is
9 used for calculating the Marginal True-Up Charge for Block and Slice products, as described
10 in Section 4.2.2.

11 **“Forecast Firm Inventory”** means a forecast quantity of firm power that remains after all
12 obligations are met, except obligations served at a Tier 2 Rate as determined in each 7(i)
13 Process. Forecast Firm Inventory is used solely for determining the Long-Term Tier 2 Rate,
14 as described in Section 5.1.

15 **“Federal Base System (FBS)”** meaning as set forth in Section 3(10) of the Northwest
16 Power Act, 16 U.S.C. § 839a(10).

17 **“Federal Columbia River Power System (FCRPS)”** means the integrated power system
18 that includes, but is not limited to, the transmission system constructed and operated by
19 BPA and the hydroelectric dams in the Pacific Northwest constructed and operated by the
20 U.S. Army Corps of Engineers and the Bureau of Reclamation.

21 **“Firm Power and Surplus (FPS)”** means the Firm Power and Surplus Products and Service
22 Rate Schedule, or its successor, as established in a Section 7(i) Process.

23 **“Firm Slice Amount”** means a customer’s Slice Percentage multiplied by the CHWM
24 System.

1 **“Firm Surplus”** means the amount of Forecast Firm Inventory remaining after all of BPA’s
2 power obligations are met as calculated in a 7(i) Process.

3 **“Forced Outage Reserve Service (FORS)”** means a service that provides an agreed-to
4 amount of capacity and energy to load during the forced outages and other contractually
5 defined events of a qualifying resource.

6 **“General Rate Schedule Provisions (GRSPs)”** means BPA’s published rate schedule as
7 determined in each 7(i) Process.

8 **“Heavy Load Hour (HLH)”** means hours ending 0700 through 2200 hours Pacific
9 Prevailing Time (PPT), Monday through Saturday, excluding holidays as designated by the
10 North American Electric Reliability Corporation (NERC). BPA may update this definition as
11 necessary to conform to standards of the Western Electricity Coordinating Council (WECC),
12 North American Energy Standards Board (NAESB), or NERC.

13 **“Improvement Proposal”** meaning as described in Section 9.2.

14 **“Industrial Firm Power (IP)”** means the rate for firm power sold to a DSI Customer
15 pursuant to Section 7(c) of the Northwest Power Act, 16 U.S.C. § 839e(c).

16 **“Investor-Owned Utility (IOU):** means a privately owned or publicly traded utility
17 organized under state law as a for-profit corporation to provide electric power service.

18 **“Irreconcilable Conflict”** meaning as described in Section 9.5.

19 **“Irrigation Rate Discount (IRD)”** means a rate discount provided to a qualifying customer
20 with an eligible irrigation load.

21 **“Joint Operating Entity (JOE)”** means an entity that meets the requirements of
22 Section 5(b)(7) of Northwest Power Act, 16 U.S.C. § 839c(b)(7).

1 **“Light Load Hours (LLH)”** means: 1) hours ending 0100 through 0600 and 2300 through
2 2400 hours PPT, Monday through Saturday, and 2) all hours on Sundays and holidays as
3 designated by NERC. BPA may update this definition as necessary to conform to standards
4 of the WECC, NAESB, or NERC.

5 **“Load Following Customer”** means a customer purchasing the Load Following Product.

6 **“Load Following Product”** means an amount of Firm Requirements Power sold to a
7 customer to meet its Net Requirement pursuant to BPA’s power product defined in the
8 Load Following purchase obligation under the CHWM Contracts.

9 **“Low Density Discount (LDD)”** means the discount authorized by Section 7(d)(1) of the
10 Northwest Power Act, 16 U.S.C. § 839e(d)(1).

11 **“Marginal Capacity Resource”** means a long-run capacity resource determined in each
12 7(i) Process for purposes of setting the Demand Rate, as described in Section 4.3.4.

13 **“Minimum Required Net Revenue (MRNR)”** means a component of the BPA revenue
14 requirement added in a year when rates sufficient to recover accrued expenses would not
15 generate sufficient cash flow to cover cash obligations.

16 **“Mini-Trial”** meaning as described in Section 9.6 definition.

17 **“Net Requirement”** means the amount of electric power that a customer may purchase
18 from BPA to serve its Total Retail Load, minus amounts of its Dedicated Resources shown
19 in Exhibit A, as determined consistent with Section 5(b)(1) of the Northwest Power Act.

20 **“New Credit”** means an amount of revenue credited to the applicable Cost Pool but for
21 which no credit category exists in Table 2.

22 **“New Expense”** means an expense allocable to the applicable Cost Pool but for which no
23 expense category exists in Table 2.

1 **“New Large Single Load (NLSL)”** meaning as specified in Section 3(13) of the Northwest
2 Power Act and in BPA’s NLSL policy.

3 **“New Public”** means a Public that is not an Existing Public.

4 **“Non-Dispatchable Resource”** meaning as defined in CHWM Contract.

5 **“Non-Federal Resource”** means a generating facility or other source of electric power or
6 capability not obtained from BPA.

7 **“Non-Slice”** means Load Following and Block

8 **“Non-Slice Cost Pool”** means the Tier 1 Cost Pool to which expenses and revenue credits
9 are to be allocated by BPA in accordance with Sections 2.1 and 2.2.1.3, and which are set
10 out on Table 2, Section D. The Non-Slice Cost Pool is the basis for the Non-Slice Customer
11 Rate.

12 **“Northwest Power Act”** means the Pacific Northwest Electric Power Planning and
13 Conservation Act, 16 U.S.C. § 839, Public Law No. 96-501, as amended.

14 **“Notice” or “Notify” or “Notification”** means communications posted electronically.

15 **“New Capacity Credit”** means a capacity credit applicable to customers that provide BPA
16 access to capacity not otherwise committed to the customer’s load which, as determined
17 solely by BPA, either: 1) reduces the Administrator’s capacity obligations; or 2) can be used
18 by BPA to help meet the Administrator’s capacity obligations, as described in Section
19 4.3.6.2.

20 **“New Resource Rate (NR)”** means the rate for requirements firm power sold to an
21 investor-owned utility (IOU) or Public customer pursuant to Section 7(f) of the Northwest
22 Power Act, 16 U.S.C. § 839e(c).

23 **“On-Site Consumer Load”** shall have the meaning as defined in the CHWM Contract.

1 **“Overhead Cost Adder”** means a uniform scalar, set by BPA in each 7(i) Process in
2 accordance with Section 5.2.3, that is designed to compensate the Composite Cost Pool for
3 the general and administrative (overhead) costs associated with BPA’s provision of power
4 at Tier 2 Rates.

5 **“Peak Net Requirement”** means a forecast monthly peak load (at 50 percent peak
6 probability) less Dedicated Resource peak amounts as stated in applicable customers’
7 Exhibit A of the CHWM Contract.

8 **“PF Exchange Rate”** means a rate established pursuant to section 7(b) of the Northwest
9 Power Act that is applicable to customers participating in the Residential Exchange
10 Program set forth in section 5(c) of the Act.

11 **“Planned Net Revenues for Risk (PNRR)”** means a risk-mitigation tool defined in BPA’s
12 Financial Reserves Policy.

13 **“Power Services”** means the organization, or its successor organization, within BPA that is
14 responsible for the management and sale of BPA provided electric power.

15 **“Power Services Statement of Revenues and Expenses”** means the financial report of
16 the results of Power Services activities for the reporting period, including depreciation
17 expense and interest. This is also known as the income statement.

18 **“Preliminary Net Requirement”** means the forecasted portion of a customer’s annual Net
19 Requirement that BPA uses to calculate the customer’s Above-CHWM Load for each Fiscal
20 Year. Preliminary Net Requirement is determined as the forecasted annual Total Retail
21 Load less Existing Resources, NLSLs, Specified Resources added to Tier 1 Allowance
22 Amount, and Consumer-Owned Resources serving On-Site Consumer Load, as determined
23 in the Above-CHWM Load Process.

1 **“Priority Firm Power (PF)”** means PRDM’s reference to the Section 7(b) rate, as described
2 in the Northwest Power Act.

3 **“Public” or “Public Customer”** means a public body or cooperative utility or federal
4 agency eligible to purchase requirements power from BPA pursuant to Section 5(b) of the
5 Northwest Power Act.

6 **“Public Rate Design Methodology (PRDM)”** means the methodology describing the
7 manner in which BPA will collect a portion of its revenue requirement from Public
8 customers with a CHWM Contract through a combination of charges, credits, fees, and
9 discounts, as well as the terms and conditions related to any potential changes to the
10 methodology.

11 **“Rate Impact Credit, Capacity (RICc)”** means a dollar credit used to allocate the cost-
12 based value of FCRPS, as described in Section 4.5.1.

13 **“Rate Impact Credit, JOE (RICj)”** means a dollar credit specific to the JOE to allow a
14 gradual transition from BPA’s TRM to the PRDM, as described in Section 4.5.3.

15 **“Rate Impact Credit, Mitigation (RICm)”** means a dollar credit to allow a gradual
16 transition from BPA’s TRM to the PRDM, as described in Section 4.5.2.

17 **“Rate Period”** means the period of time during which a specific set of rates established by
18 BPA pursuant to this PRDM will remain in effect, as defined in Section 1.1.

19 **“Rate Period Augmentation”** means the forecast average annual amount of power
20 necessary to achieve load and resource balance after considering all of BPA’s resources
21 (see Tables 3-1, 3-3, 3-4, and 3-5) and obligations (*e.g.*, Designated System Obligations,
22 power needed to serve loads under Section 5 of the Northwest Power Act).

23 **“Request for Offer (RFO)”** means the method used by BPA to solicit bids or proposals
24 from suppliers of power (energy, capacity, or both).

1 **“Resource Support Services (RSS)”** means a suite of services BPA Power Services
2 provides to integrate federal and non-federal resources defined in the CHWM Contract and
3 priced in each 7(i) Process consistent with Section 6.

4 **“Revenue Requirement Table”** means the table setting forth all BPA expenses and
5 revenue credits that BPA will use when implementing the Cost Allocation Method. The line
6 items on the Revenue Requirement Table are similar to those in the Allocated Tiered Cost
7 Table, but without the Cost Pool distinctions.

8 **“Slice Contract”** means a contract and all other agreements with Slice Customers that
9 provide for the sale of the Slice/Block Product.

10 **“Slice Cost Pool”** means the Tier 1 Cost Pool to which costs and credits are to be allocated
11 by BPA that are specifically and uniquely attributable to the Slice Product.

12 **“Slice Customer”** means a customer that is purchasing the Slice Product pursuant to the
13 Slice/Block CHWM Contract.

14 **“Slice Percentage”** means the percentage used to determine the amount of the Slice
15 Product a customer purchases, pursuant to its CHWM Contract.

16 **“Slice Product”** means the power product defined in the CHWM Contract with the
17 Slice/Block purchase obligation.

18 **“Slice True-Up Charge”** means the sum of the Slice True-Up Composite Cost Pool Charge
19 and the Slice True-Up Slice Cost Pool Charge, as described in Section 2.8.5.

20 **“Slice True-Up Composite Cost Pool Billing Determinant”** means a quantity expressed
21 in kilowatthours that is multiplied by the Composite Cost Pool Slice True-Up Rate, which
22 determines the Composite Cost Pool True-Up Charge, as described in Section 2.8.

1 **“Slice True-Up Composite Cost Pool Rate”** means a rate expressed in mills per
2 kilowatthour that are multiplied by the Composite Cost Pool Slice True-Up Billing
3 Determinant to establish the Composite Cost Pool Slice True-Up Charges, as described in
4 Section 2.8.

5 **“Slice True-Up Slice Cost Pool Charge”** means a charge that accounts for differences
6 between forecast and actual Slice Cost Pool line items, as described in Section 2.8.3.

7 **“Specified Resources”** shall have the meaning as defined in the CHWM Contract.

8 **“Support Services (SS)”** means a suite of services BPA Power Services provides to
9 customers as defined in the CHWM Contract and priced in each 7(i) Process consistent with
10 Section 6.

11 **“Tier 1 Actual Hourly Load”** means the actual amount of a customer’s electric load
12 (measured in kilowatthours) that is recorded on the appropriate metering equipment,
13 adjusted as specified in the applicable agreement, and that was served at Tier 1 Rates
14 during the relevant hour. Generally, for Load Following customers, the Tier 1 Actual
15 Hourly Load is the customer’s Total Retail Load in each hour, less 1) the applicable
16 Dedicated Resource amounts (excluding New and Existing Capacity Credit amounts)
17 serving the customer’s TRL in that hour; 2) power purchased at the NR Rate in that hour;
18 3) Consumer-Owned Resources serving On-site Consumer Load; and 4) power purchased
19 at Tier 2 Rates in that hour. For the Block Product, the Tier 1 Actual Hourly Load is equal to
20 the contractually established Block amount for each hour. The monthly maximum Actual
21 Tier 1 Load for the Block Product is equal to the monthly maximum contractually
22 established Block amount plus any contractually defined shaping capacity amount.

23 **“Tier 1 Allowance Amount”** shall have the meaning as defined in the CHWM Contract.

1 **“Tier 1 Costs”** means the expenses identified on Table 2 that are allocated to any Tier 1
2 Cost Pool. Table 2 specifies to which Tier 1 Cost Pool each Tier 1 Cost is to be allocated.

3 **“Tier 1 Cost Pools”** means the three Cost Pools to which BPA allocates Tier 1 Costs. The
4 Tier 1 Cost Pools are the Composite Cost Pool, the Slice Cost Pool, and the Non-Slice Cost
5 Pool.

6 **“Tier 1 Credits”** means the credits identified on Table 2 that are allocated to any Tier 1
7 Cost Pool. Table 2 specifies to which Tier 1 Cost Pool each Tier 1 Credit is to be allocated.

8 **“Tier 1 Demand Charge”** means the product of the Demand Charge Billing Determinant
9 and the Demand Rate, as described in Section 4.3.

10 **“Tier 1 Demand Charge Billing Determinant”** means the measurement of capacity use
11 associated with customer load served by the Load Following and Block Products, expressed
12 in kilowatts per month, to which the demand rate will be applied, resulting in a Demand
13 Charge billed by BPA, as described in Section 4.3.1.

14 **“Tier 1 Demand Rate”** means a rate expressed in mills per kilowatt per month applied to
15 the Demand Charge Billing Determinant, resulting in a Demand Charge billed by BPA, as
16 described in Section 4.3.4.

17 **“Tier 1 Demand Rate Adjustment Cap”** means a monthly limit on upward changes to the
18 Demand Rate between Rate Periods, as described in Section 4.3.5.

19 **“Tier 1 Energy Charges”** means charges described in Section 4.1, determined in each 7(i)
20 Process, and calculated by multiplying Tier 1 Energy Rates by Tier 1 Energy Charge Billing
21 Determinants.

22 **“Tier 1 Energy Charge Billing Determinants”** means the quantity of Tier 1 energy, as
23 described in Section 4.1.1

1 **“Tier 1 Composite Energy Rate”** means a rate that recovers the costs and credits allocated
2 to the Composite Cost Pool, expressed in mills per kilowatthour, as described in Section 4.1.

3 **“Tier 1 Load”** means power sold at the Tier 1 Rate.

4 **“Tier 1 Customer System Peak (CSP)”** means a customer’s maximum Actual Hourly Tier 1
5 Load (in kilowatts) in a month.

6 **“Tier 1 Firm System Output”** means the firm output of the Tier 1 System Resources
7 adjusted for non-power constraints and not reduced for Designated System Obligations.

8 **“Tier 1 Marginal Energy True-Up (METU)”** means an end-of-fiscal-year process that
9 evaluates the difference between forecast and actual energy usage and aligns that
10 difference with appropriate Tier 1 and market-based pricing levels, as described in
11 Section 4.2

12 **“Tier 1 Marginal Energy True-Up Charge”** means an annual charge or a credit that
13 accounts for differences between forecast and actual energy, as described in Section 4.2.

14 **“Tier 1 Marginal Energy True-Up Billing Determinant”** means the measurement of
15 energy expressed in kilowatthours to which the Marginal Energy True-Up Rate will be
16 applied, resulting in a Marginal Energy True-Up Charge or Credit billed by BPA, as
17 described in Section 4.2.1

18 **“Tier 1 Marginal Energy True-Up Rate”** means a rate expressed in mills per kilowatthour
19 applied to the Marginal Energy True-Up Billing Determinant resulting in a Marginal Energy
20 True-Up Charge or Credit billed by BPA, as described in Section 4.2.3.

21 **“Tier 1 Non-Slice Capacity Acquisitions”** means the portion of BPA’s capacity resource
22 acquisition made exclusively for meeting its Tier 1 Non-Slice load obligations.

1 **“Tier 1 Non-Slice Rate”** means the energy rate that recovers costs and credits allocated to
2 the Non-Slice Cost Pool, as described in Section 4.1.3.

3 **“Tier 1 Peak Load Variance Charge (PLVC)”** means a charge, or charges, for a PLVS, to be
4 determined in each 7(i) Process in accordance with Section 4.4.

5 **“Tier 1 Peak Load Variance Service (PLVS)”** means a resource-capacity planning-based
6 service for instances when planned load exceeds expected load forecast values.

7 **“Tier 1 Rate”** means the rates and charges in BPA’s Wholesale Power Rate Schedules,
8 established in accordance with the PRDM Chapter 4, as applicable, and its GRSPs (or their
9 successors) established during a 7(i) Process.

10 **“Tier 1 Secondary Energy”** means the amount of electric energy BPA forecasts in a 7(i)
11 Process that will be produced by the Tier 1 System Resources in excess of the Tier 1 Firm
12 System Output.

13 **“Tier 1 Secondary Energy Credit”** means the revenue credit allocated to the Non-Slice
14 Cost Pool from the disposition of Tier 1 Secondary Energy, as forecast in a 7(i) Process.

15 **“Tier 1 Slice Energy Charge”** means the product of a customer’s Firm Slice Amount and
16 the Slice Tier 1 Energy Rate, as described in Section 4.1.

17 **“Tier 1 Slice Energy Rate”** means rates expressed in mills per kilowatthour applied to the
18 Slice Energy Billing Determinant, resulting in a Slice Tier 1 Charge billed by BPA, as
19 described in Section 4.1.4

20 **“Tier 1 System Resources”** means the resources listed in Table 3-1, as updated for any
21 new resources, including market purchases, that BPA determines are needed to meet its
22 CHWM obligations.

1 **“Tier 2 Costs”** means the costs and credits that BPA will identify in Table 2 and allocate to
2 the appropriate Tier 2 Cost Pool during the applicable 7(i) Process.

3 **“Tier 2 Cost Pools”** means the cost pools comprised of costs and revenues attributable to
4 each Tier 2 Rate Alternative.

5 **“Tier 2 Load”** means power sold at the Tier 2 Rate.

6 **“Tier 2 Long-Term Alternative”** means a contractual option a customer elects for serving
7 its Above-CHWM Load at the Tier 2 Long-Term Rate, as described in the CHWM Contract.

8 **“Tier 2 Long-Term Change Charge”** means a charge associated with a customer’s election
9 to change its Tier 2 Long-Term Alternative election as established in each 7(i) Process, as
10 described in Section 5.4.1.

11 **“Tier 2 Long-Term Change Fee”** means a fee associated with a customer’s election to
12 change its Tier 2 Long-Term Alternative election as established in each 7(i) Process, as
13 described in Section 5.4.1.

14 **“Tier 2 Long-Term Cost Pool”** means expressed in mills per kilowatthours, which are
15 multiplied by the Tier 2 Billing Determinant to determine the Tier 2 Charge, as described in
16 Sections 5.1 and 5.2 and established in each 7(i) Process.

17 **“Tier 2 Long-Term Path”** means a contractual option a customer elects for serving, all or a
18 partial amount, of its Above-CHWM Load with power priced at the Tier 2 Long Term Rate
19 as described in the CHWM Contract.

20 **“Tier 2 Long-Term Rate”** means rate or rates aimed at recovering only the costs of the
21 Tier 2 Long-Term Cost Pool, expressed in mills per kilowatthours, which are multiplied by
22 the Tier 2 Billing Determinant to determine the Tier 2 Charge, as described in Sections 5.1
23 and 6 5.2 and established in each 7(i) Process

1 **“Tier 2 Flexible Above-CHWM Path”** means a customer election to serve Above CHWM
2 Load with 1) Firm Requirements Power at the Tier 2 Short Term Rate, 2) Firm
3 Requirement Power at a Tier 2 Vintage Rate, if applicable, 3) Dedicated Resources, or 4) a
4 combination of amounts of 1), 2) and 3). as stated in the CHWM Contract.

5 **“Tier 2 Rate”** means the rates and charges in BPA’s Wholesale Power Rate Schedules,
6 established in accordance with the PRDM Chapter 5, as applicable, and its GRSPs (or their
7 successors) established during a 7(i) Process.

8 **“Tier 2 Rate Alternative”** means either a Tier 2 Short-Term Rate, a Tier 2 Long-Term Rate
9 or a Tier 2 Vintage Rate at which customers may elect to purchase Firm Requirements
10 Power as described in the CHWM Contract.

11 **“Tier 2 Short-Term Alternative”** means a contractual option a customer elects for serving
12 its Above-CHWM Load at the Tier 2 Short-Term Rate, as described in the CHWM Contract.

13 **“Tier 2 Short-Term Rate”** means a rate or rates aimed at recovering only the costs of the
14 Tier 2 Short-Term Cost Pool which are multiplied by the Tier 2 Billing Determinant to
15 determine the Tier 2 Charge, as described in Sections 5.1 and 5.2 and established in each
16 7(i) Process.

17 **“Tier 2 Vintage Alternative”** means a contractual option a customer elects for serving its
18 Above-CHWM Load at a Tier 2 Vintage Rate.

19 **“Tier 2 Vintage Rate”** means a rate or rates aimed at recovering only the costs of the
20 Tier 2 Vintage Alternative Cost Pool, which are multiplied by the Tier 2 Billing Determinant
21 to determine the Tier 2 Charge, as described in Sections 5.1 and 5.2 and established in each
22 7(i) Process.

23 **“Tiered Rate Methodology (TRM)”** means BPA’s rate methodology applicable from
24 October 1, 2012, through September 30, 2028.

1 **“Total Retail Load (TRL)”** means all retail electric power consumption, including electric
2 system losses, within a customer’s electrical system, excluding:

- 3 1) those loads BPA and the customer have agreed are non-firm or interruptible loads
- 4 2) loads of other utilities served by such customer
- 5 3) any loads not on such customer’s electrical system or not within such customer’s
6 service territory, unless specifically agreed to by BPA

7 **“Transmission Services”** means the organization, or its successor organization, within
8 BPA that is responsible for the management and sale of transmission service on the Federal
9 Columbia River Transmission System.

10 **“Unanticipated Load”** means a load that BPA is obligated to serve under the Northwest
11 Power Act, but for which BPA has not had notice to serve as required by the CHWM
12 Contract or General Rate Schedule Provisions (GRSP) in order for a customer to receive
13 service at Tier 1 Rate or Tier 2 Rate.

14 **“Unanticipated Load Service Rate (ULS)”** means a rate applied to Unanticipated Load.

15 **“Unauthorized Increase (UAI)”** means a charge applied to a customer taking more power
16 from BPA than it is contractually entitled to take.

17 **“Unused CHWM”** means the difference between a customer’s CHWM amount and the
18 amount of power the customer is allowed to purchase at a Tier 1 Rate for a given rate
19 period.

20 **“Variable Energy Resource”** means a Specified Resource where the energy output cannot
21 be intentionally shifted between time periods or days, and which has capacity capability
22 less than the energy capability as defined in CHWM Contract.

1 **“Vintage Resource”** means the output of a physical resource that BPA determines, in its
2 sole discretion, to acquire for a period of greater than three years that forms the cost basis
3 for pricing Firm Requirements Power subject to an established Tier 2 Vintage Rate.

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APPENDIX B

Cost Verification Process for the Slice True-Up Adjustment Charge

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1. Slice True-Up Adjustment Charge and Agreed-Upon Procedures

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- a) Upon completion of the BPA annual audit, BPA will calculate the Slice True-Up Adjustment Charge for the Fiscal Year just concluded, consistent with the requirements of Section 2.7 of the PRDM and the Allocated Tiered Cost Table (Table 2-1 of the PRDM) as established in the applicable 7(i) Process. BPA will provide notification to the Slice customers of the Slice True-Up Adjustment Charge applicable to all Slice customers.
 - b) After such notification, BPA will post for review by customers the PRDM Cost Allocation Tables (i.e., Composite, Non-Slice, and Slice Cost Pools) reflecting the actual expenses and revenue credits from the Fiscal Year just concluded. The Slice True-Up Adjustment Charge applicable to each Slice customer will not be posted. Following the posting of the Cost Allocation Tables, BPA will allow 15 Business Days for the identification by any customer of any Slice True-Up Adjustment issue for consideration by BPA for inclusion in the Agreed-Upon Procedures (AUPs). AUPs are defined as services falling under the category of miscellaneous financial services provided to BPA by an external auditor, which are covered contractually between BPA and an external auditor.
 - c) After the identification of such issues, BPA will draft the tasks to be included in the AUPs to address such issues. The proposed tasks will be posted for all customers to review together with a deadline (not to exceed 10 Business Days from the date of the posting) for requests to include additional tasks. Customers will have an

1 opportunity to consult with BPA regarding the specific tasks for inclusion in the
2 AUPs and to request the inclusion of tasks additional to the proposed tasks posted
3 by BPA. BPA will finalize the AUPs, which will include all proposed tasks included in
4 BPA's initial posting and any additional tasks requested by customers. However,
5 BPA may exclude any requested additional task that BPA reasonably determines:
6 1) is without merit; 2) would be immaterial to the calculation of the Slice True-Up
7 Adjustment; 3) is a matter outside the scope of the Slice True-Up calculations as
8 provided in Section 1a; or 4) challenges an allocation between Slice and non-Slice
9 customers previously determined in a 7(i) Process. BPA will decide whether the
10 AUPs will be performed by BPA's auditor or an external auditor selected by BPA.

11 d) The AUPs will describe the specific tasks to be performed, the deliverables expected,
12 and the timeframe the auditor will have to complete the specific tasks. The AUPs
13 are procedures for the performance of specific tasks that the auditor agrees to
14 perform and that specify the depth and scope of the work to be performed. The
15 AUPs are not subject to, and do not give rise to, audit standards, responsibilities, or
16 liabilities, and the auditor will not express an audit opinion on the specific tasks
17 performed under the AUPs. For the Slice True-Up Adjustment, the scope of work
18 will be constrained to verify that BPA's Slice True-Up Adjustment contains only
19 those expenses or revenue credits permitted to be included in—and does not
20 contain any expenses or revenue credits that should be excluded from—the Slice
21 Rate pursuant to the PRDM and the applicable Cost Allocation Table established in
22 the applicable 7(i) Process. BPA and the auditor will determine the means used to
23 perform the scope of work in the AUPs to minimize the workload of such AUPs.
24 BPA's accounting policies and standards, management decisions, and other policies
25 are not subject to review and question.
26

1 **2. Cost Verification for Slice True-Up**

- 2 a) The cost verification for Slice True-Up will commence after 1) completion of BPA's
3 annual audit; 2) Slice customers are notified of the Slice True-Up Adjustment
4 Charge; 3) all customers have been provided the opportunity to review the Cost
5 Allocation Tables with Fiscal Year actual amounts listed in the applicable expense
6 and revenue credit categories;(4) all customers have had an opportunity to address
7 Slice True-Up Adjustment issues for consideration by BPA to be included in the
8 AUPs and an opportunity to review the draft list of AUP tasks; 5) the auditor has
9 completed all of the finalized tasks and provided to BPA the results of the AUPs; and
10 6) BPA has released the AUP results to all customers.
- 11 b) The auditor will have approximately 120 calendar days after the date Slice
12 customers receive their notification of the Slice True-Up Adjustment Charge for a
13 Fiscal Year to complete the finalized tasks in the AUPs and provide the results to
14 BPA.

15
16 **3. Cost Verification Workshops**

- 17 a) The cost verification workshops will be publicly noticed and open to all customers
18 and interested parties. The first workshop will include BPA presentations on and its
19 review of the calculation of the Slice True-Up Adjustment and the results of the
20 AUPs. At this workshop, customers will review the materials presented and may
21 pose questions.
- 22 b) BPA will establish a 15 Business Day comment period during which customers and
23 interested parties may submit written comments on the AUP results and the issues
24 that were raised during the initial workshop related to the Slice True-Up
25 Adjustment.

1 c) Promptly following the close of the comment period pursuant to Section 3b, BPA
2 will hold at least one follow-up workshop to address all issues raised during the
3 initial workshop and the comment period. Upon customer request, if agreed to by
4 BPA, and if provided for in the retention agreement between BPA and the auditor,
5 BPA will request that the auditor who performed the AUPs attend the follow-up
6 workshop and provide clarification to questions raised related to the AUP results.
7

8 **4. BPA's Draft Response, Third-Party Review Process, and BPA's Final Response**

9 a) BPA will issue within 15 Business Days of the close of the last follow-up workshop a
10 Draft Response addressing any submitted written comments on the AUP results and
11 issues raised in the comment period. BPA will provide a copy of such draft response
12 to all parties who submitted comments on BPA's initial response.

13 b) Any customer or interested party who is aggrieved by BPA's Draft Responses
14 regarding the Slice True-Up Adjustment may request a neutral third-party non-
15 binding review process by providing written notice, within 10 Business Days (notice
16 period) of the issuance of the Draft Response, to BPA and all parties who submitted
17 comments. The notice will contain a concise statement of each BPA Draft Response
18 that is disputed and an explanation of the nature and basis of the grievance.

19 c) If no party requests the neutral third-party non-binding review process within the
20 notice period, then neutral third-party review will be waived by all parties for all
21 purposes for the applicable cost verification for Slice True-Up, and BPA will take the
22 actions necessary to implement the decisions set out in its Draft Response document
23 including, but not limited to, any further adjustment of payment(s) or credit(s) to
24 Slice customers.

1 d) Any issue raised pursuant to Section 4b above will be forwarded to the neutral third
2 party for non-binding review unless BPA reasonably determines that such issue is
3 inappropriate for third-party non-binding review because it concerns: 1) the
4 allocation of a New Expense; 2) matters that are immaterial to the calculation of the
5 Slice True-Up Adjustment; or 3) matters that are outside the scope of the cost
6 verification process for the Slice True-Up Adjustment as set forth in Section 1a
7 above. Any such Slice True-Up Adjustment issues that are excluded from non-
8 binding review will be determined by BPA without reference to the neutral third
9 party, and BPA's decision will be part of and communicated at the same time as,
10 BPA's Final Decision provided for in Section 4h below. If such issues excluded from
11 non-binding review are subsequently decided in a 7(i) Process, and as a
12 consequence of BPA's 7(i) Process review of the issue, different decisions are made
13 and result in a different Slice True-Up Adjustment, the positive or negative
14 difference will be either charged or credited, as the case may be, to the Slice
15 customers with interest as provided for consistent with the requirements of
16 Section 2.8.4 of the PRDM.

17 e) In accordance with Section 4b, BPA will promptly – following the close of the notice
18 period – notify each customer or interested party who is aggrieved by one or more
19 of BPA's Draft Responses as to whether the issue(s) will be forwarded to a third-
20 party non-binding review process. If there is to be a non-binding third-party review
21 process, BPA will promptly appoint the neutral third party.

22 f) If the issue(s) is to be submitted to a third-party non-binding review process, the
23 issue(s) will be submitted to the neutral third-party expert by written submission.
24 Such written submissions shall be submitted to the third-party expert not later than
25 20 Business Days after the posting of the third-party appointment on the BPA
26 website, and will not exceed 50 double-spaced pages (12 point font; 26 lines, except

1 for single-spaced quotes), together with exhibits not in excess of 50 pages. The
2 third-party expert may pose questions to any party making a submittal and may
3 permit oral argument on some or all of the issues presented, at his or her discretion.
4 The third-party expert will issue a written opinion on all matters at issue within 30
5 Business Days of the later of the written submittals or oral argument.

- 6 g) The third-party expert must have a level of experience with the utility industry of
7 not less than 10 years, with knowledge of accounting, cost allocation, and rate-
8 setting methodology and practices. The third-party expert will be selected by BPA
9 in consultation with the customers participating in the third-party non-binding
10 process.
- 11 h) Upon completion of the third-party non-binding review process, BPA will provide a
12 Final Response disposing of the issues and questions dealt with in the opinion of the
13 third-party expert. In such Final Response, BPA may either adopt in whole or in
14 part or reject in whole or in part the disposition of the issues and questions in the
15 opinion of the third-party expert. The Final Response will also include BPA's
16 decisions on the issues not referred to the third party pursuant to Section 4d above.
17 Upon the issuance of such Final Response, BPA will take the actions necessary to
18 implement the decisions set out in its Final Response document, including but not
19 limited to any further adjustment of payment(s) or credit(s) to Slice customers.

Appendix C

Determination of LDD Eligible Discount Percentage

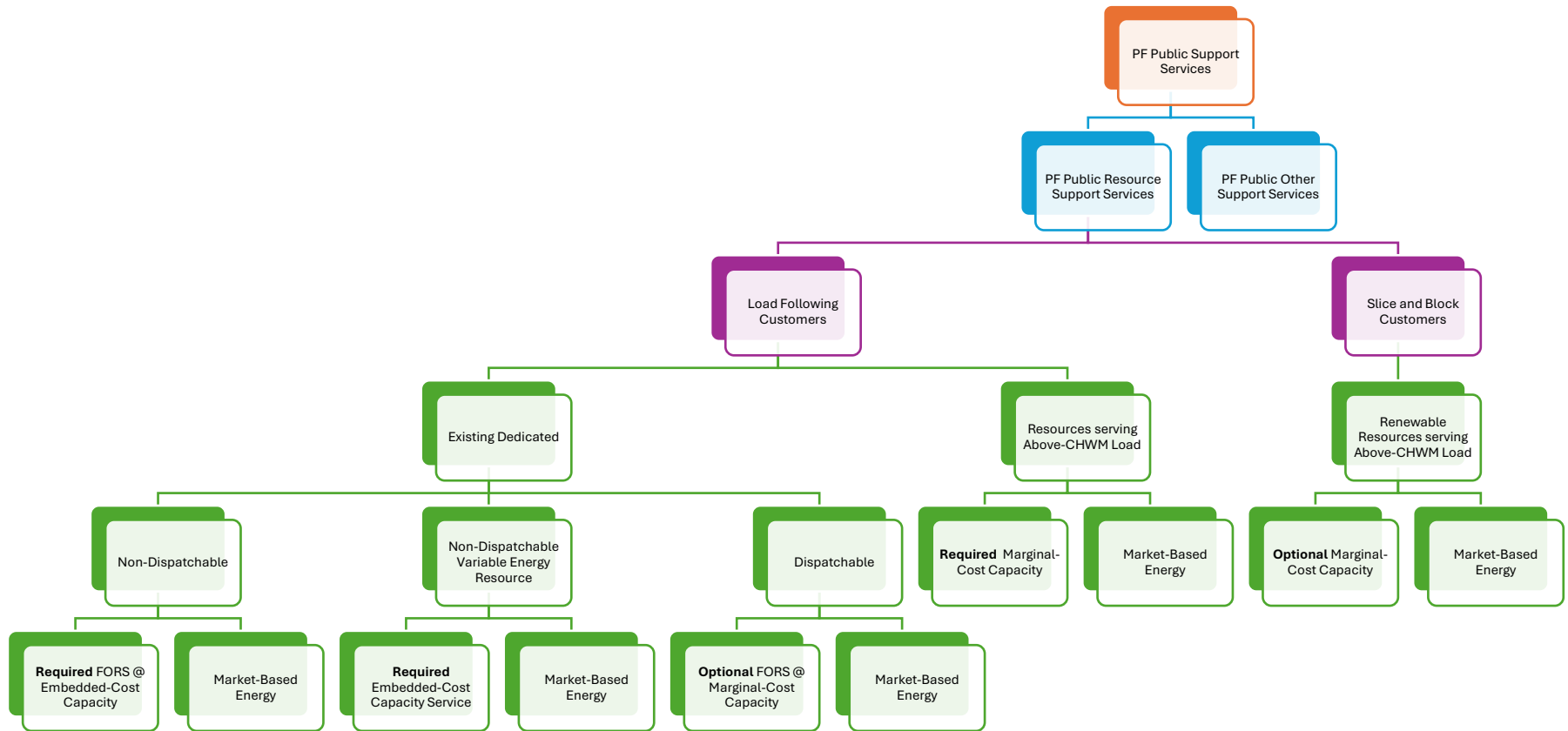
An example LDD Percentage Discount Table with a specified maximum total eligible discount percentage is shown below. A table like it will be used to determine an eligible discount percentage for each customer. PRDM Chapter 8 must be consulted for a full description and necessary related information.

The eligible discount percentage will be the sum of the two potential discount percentages for which the customer qualifies. The total eligible discount percentage will not exceed 9 percent and may be adjusted pursuant to LDD Phase-In Adjustment, and Additional Adjustment for Very Low Densities.

Percentage Discount	Applicable Range for kWh/Investment (K/I) Ratio	Applicable Range for Consumers/Mile (C/M) Ratio
0.0%	$36 < X$	$12 < X$
0.5%	$33 < X \leq 36$	$11 < X \leq 12$
1.0%	$30 < X \leq 33$	$10 < X \leq 11$
1.5%	$27 < X \leq 30$	$9 < X \leq 10$
2.0%	$24 < X \leq 27$	$8 < X \leq 9$
2.5%	$21 < X \leq 24$	$7 < X \leq 8$
3.0%	$18 < X \leq 21$	$6 < X \leq 7$
3.5%	$15 < X \leq 18$	$5 < X \leq 6$
4.0%	$12 < X \leq 15$	$4 < X \leq 5$
4.5%	$9 < X \leq 12$	$3 < X \leq 4$
5.0%	$6 < X \leq 9$	$2 < X \leq 3$
5.5%	$3 < X \leq 6$	$1 < X \leq 2$
6.0%	$X \leq 3$	$X \leq 1$

Appendix D

Support Services Framework



Appendix E

Capacity Credits Framework

