

**Issues from TRM Settlement Discussions
As of June 19, 2008**

TRM Section 2: Cost Allocations

1. Principle #6 (allocation of administrative costs) – Parties ok with direction, but want to understand result; i.e., what is the dollar effect? BPA will provide this using the current populated Slice tables. – **Discussed at 6/18 Settlement Discussion—relatively small dollar amount. Those in attendance decided they were okay with proposed TRM treatment.**
2. Principle #3 – keeping costs separate between Tier 2 pools. – BPA will review and make further clarification as appropriate.
 - 2a. Where do unrecovered Tier 2 costs go?
Parties will discuss further – are they ok with BPA proposal?

T1 / T2 cost leakage *[from June 17 customer-only meeting]*:

- Scenario 1: Develop a resource for someone, and the load for whom it was built has not shown up, there's a need for a home for it;
 - Options: use as augmentation for Tier 1, or use it to serve Short-Term Tier 2 pool;
 - **Our Proposal: Excess is marketed off, and revenues are credited to that pool;**
 - Even if it is used for augmentation, then BPA sells it to Tier 1 at market, and credit goes to the pool;
 - Scenario 2: Tier 2 rate pool allocated costs of resources, loads disappear, except for some – who pays? First, BPA tries to collect the costs from those who imposed them – seek in bankruptcy, charges for stranded costs, etc.; **Our proposal if still haven't collected – excess marketed off, and revenues credited** [provided red-line of TRM section 9.2]
3. Confirm reserve interest crediting mechanism; what about different Slice Customer mix. – Need to confirm equitability. Slice customers looking at this and will share results.

Parties (Brawley and Carr) will work through impacts of product switching, and whether to propose an approach to track interest credits to specific customers.

- **Customers reported (June 18) they had determined that proposed treatment is acceptable.**

Interest Credit on \$495.6 million (total reserves that existed at time Slice created) *[from June 17 customer-only meeting]*

- Trying to track each individual dollar into non-slice pool, giving entitlement to each utility = problematic.
 - Just planning on accepting BPA's proposal; (about a \$30 million issue)
4. Need clarity in the cost table about augmentation for DSIs. Should Tier 1 cost pool reflect revenue from DSIs?

5. Page 5, Line 16, “Tier 1 Costs or credits” -- define credits
6. Tier 1 Costs – definition needs work
7. Page 5, line 5 – use of “example” – should be more directive, less descriptive (general comment re. TRM).
8. MRNR[*from June 17 customer-only meeting*]
 - BPA sets rates based on depreciation, when actual debt service is less, leads to increased reserves – FERC may require this treatment;
 - BPA’s proposal to deal with this when it arises; (issue of Slice having contributed to reserves, but not getting some back under the DDC).
 - **Our proposal – Put in language in the TRM saying that BPA will deal with this “equitably”, by returning reserves to each customer class (Slice and non-Slice) in proportion to the contributions made by each group;** One mechanism could be a DDC for Slice customers;
 - May have to look at the circumstances that led to reserves going up;
 - This issue came up in the Financial Plan – “Kevin Clark issue”
 - Difficult for us to pinpoint a single conclusion at this point;

TRM Section 3: Federal System Resources

1. Customers want input on Tier 1 and 2 Resources. Diane is going to put talking points together for NRU and others to use with their members.
 - a. Need clarity on how BPA’s resource planning is going to interact with the Council’s Plan.
 - b. Need to lay out schedule in advance to synch with notice provisions.
 - c. Main customer concern is how and when they can review and comment.
 - d. Customers are curious how the various needs for resources acquisition relate.
2. TRM page 12. What are Discretionary Obligations on Table 3.1? Mark/group them. – BPA needs to provide follow up. Need to add identification to Table 3.1.
 - BPA provided revised Table 3.1 on June 18.
 - Clarification of text re. Discretionary Obligations needed
3. How will customers know about changes in contract obligations? White Book? – BPA to consider whether White Book can provide more detailed information re. the Tier 1 System Resource obligations that affect regulated hydro totals. Need to hold a workshop soon and clarify the process for putting together the White Book.
4. Need more clarity about the make up of the FBS and what it can become.
5. Concern about planned outages at Chief Joe and Grand Coulee and the energy impact. Further discussions needed (Tim Misley)

6. Add references to other sections that will clarify “defined purposes” on Page 15 Line 3. BPA needs to follow up with cross references in text.
7. Need to clarify the Sept. 15 vs. Sept. 30 date as the cutoff for establishing Tier 1 System Resources. Page 18 Line 5. – BPA needs to follow up with a consistent date.
8. Page 20 Line 6 add “applicable”. BPA needs to follow up and add this word.
9. Page 21, Lines 4 – 10...Cost/credit associated with non-slice purchases. – Need to elaborate on Slice True-up approach.
10. Page 21 Line 22...needs to be clearer on the Slice True-up. – Would go back to all customers and be charged to Customer Composite Cost pool.
11. Need more clarity about what constitutes an off the top obligation.
12. Section 3.1.1: Need to define standards to be applied to what the Tier 1 system is capable of producing. Planning criteria needs to be articulated.
13. Section 3.1.1: Make Firm Critical Output a defined term
14. Section 3.1.2: planning standard?
15. Section 3.1.2, lines 23-26: “If” sentences need a basis for decision added.
16. Section 3.1.5: Need to define what is inclusion and what is exclusion.
17. “Discretionary BPA Contract Obligations” needs to be a defined term.
18. Section 3.1.6, p. 14: Strike sentence, lines 1-3.
19. Section 3.2, p. 14, line 9 – annual or rate period? Forecast Net Requirement? Revise sentence
20. Section 3.2.1.3, page 16 – Augmentation = addn’l uses; augmentation must match need.
21. Section 3.2.2.3, line 16 – Market prices: don’t want to commit to a particular type of market purchase, but may want a principle that guides this (highest likelihood of minimizing cost?); need more description (Augmentation that has not been purchased yet?).
22. Section 3.3, Page 19, line 4 – What is “any other system obligation?”
23. Section 3.4, Page 19, lines 19 – 22 – Any constraints?
24. Section 3.4, Page 19, line 26 – No example. They either are or are not.

25. Section 3.5, Page 21, line 22 – replace forecast with used.
26. Section 3.6, Page 23, line 19 – marginal vs. market.

TRM Section 4: Eligibility to Purchase Power at Tier 1 Rates

1. BPA may not decrement due to the Centralia resource. Customers are asking is it “will not” or is it “perhaps not.” **Discussed on June 6.**

Centralia

Seattle City Light very concerned what happens if one of the four Centralia owners does not sign a Contract HWM contract. They do not want one utility’s decision not to sign to impact them. – Individual customers to follow up.

2. Customers want to understand the impacts on HWM of the 2007 Conservation Adjustments and they will look at this issue again once they review the 2007 conservation numbers. NRU is reviewing this and will get back to us.
3. Customers have sent a letter to the Administrator on Conservation issues in the contract. They do not want us going into detail on the TRM on things customers will not be buying from us.
4. Re: Conservation Adjustment, would BPA consider adding a look back feature (retroactive recalculation) to the calculation in the event things like heat pumps become eligible? Customers decided that a look back would be too complicated and that they are okay with the proposed treatment.

Bucket 4 - BPA not increasing a customer’s Eligible Load for CHWM to include unrealized CFCT load. CFCT should not get Tier-2 rate treatment, they want a [favorable] rate treatment described. Customers are reserving this issue for the future. – NRU suggestion that concerned parties submit testimony on this and resolve this in the procedural phase of the 7(i).

5. Atypical weather and normalization and use of five year average. People want it flagged for discussion regarding other potential methods of calculation. **Discussed June 6.**
Measured FY 2010 Load Adjustment: Weather Normalization for Irrigation Load
PNGC documenting a scope of work to share with BPA and others. Workshops will then follow with interested parties. This issue will be addressed in time to be included in the July 9 proposal. Goals: accuracy and consistency. **NRU, PNGC, Franklin, Benton and BPA are working on this issue with a goal of resolving it in the next couple of weeks.**
6. The three year binding notice for New Publics should be on a case-by-case basis. The three year lag between infrastructure and CHWM makes new utility formation almost impossible. No policy-driven reason for small utilities to wait; they want to know basis for interim rate until they get Tier 1-priced power. **[Contract issue?] Ray and Margie will work on this issue further. Margie feels treatment should be on a case by case basis where the TRM may have**

guiding principles. Potentially could have a TAC situation to address the need for notification.

7. Clarify language regarding CHWM for a New Public formed from an Existing Public Utility to see if it captures intent, particularly with non-Federal resources involved. **Ray and Margie will work on this issue further. Suggest letting the resource following the contract negotiations with the caveat that it not affect anyone else's CHWM and no utility gets more than their Net Requirement.**
8. Clarify language concerning the calculation that would occur in RHWM Process for rate period for which delivery would begin to a New Public formed from an existing Public. BPA needs to add clarifying language.

TRM Section 5: Tier 1 Rate Design

1. 5.1.1. Shaping of Customer Charges during Fiscal Year

BPA will clarify several aspects of this section (shape customer charges by taking into account the customer's whole bill, including load shaping charges and demand charges. Page 46 line 2, clarify the sentence: Absent agreement [to shape the customer charge(s)], the customer must pay the customer charge without it being shaped. Could requests and shaping happen on a rate period basis rather than annually?)

2. 5.1.2. Customer Charge Billing Determinants – Tier 1 Cost Allocator

BPA will clarify several aspects of this section. Clarify a change of TOCA 1) would occur after the rates are set; 2) would occur only if the customer is below its RHWM; 3) would affect only the individual customer, not other customers. Attempt to define “excessive”?

3. 5.1.5. Non-Slice Customer Rate

Party request: Make explicit that the non-Slice rate will get the full benefit of secondary. Make it as clear for non-Slice as it is for Slice (getting power rather than revenues).

4. 5.2 (and throughout). “monthly/diurnal” should be defined term.

5. 5.2.1. Include separate definitions for “forecast Tier 1 Load” and “actual Tier 1 Load.”

BPA to provide example of different TISR shapes and how different resource shapes will not change the aggregate bill of an individual customer.

- BPA provided an analysis at June 18 meeting—customers ok

Clarify that the steps in determining Load Shaping Billing Determinants occur in a rate case.

6. 5.2.4.3. page 57 line 16 (formula). Move “expressed in dollars” to after “revenue.” BPA to revise.

7. 5.3. Demand Charge

Should CDQ instead be called GDQ (grandfathered demand quantity)?

Clarify that CDQ will be subject to comment, possibly in development of CHWMs.

8. 5.3.3. Demand Rate
Reiteration that some parties want a flat demand rate. This is a Bucket 3 (policy) issue.
9. Concern about allocating all capacity costs (esp. those incurred for other than T1 service) to Tier 1.
10. Demand Charge *[from June 17 customer-only meeting]*
Percentage Grandfathered
 - 91.5% now, this could be a toggle for providing rate mitigation later
11. Need updated rate impact models.
12. Cliff issue in 2028???
13. Effect of T1SR shape on annual customer bill – reviewed BPA analysis (June 18), parties ok

TRM Section 6: Tier 2 Rate Design

1. Clarify rules for less than 1 MW above-RHWM load through time. *[may be a contract issue] – BPA will provide clarifying language.*
2. Treatment of RECs (environmental attributes) from T1SR – credited to T1 (i.e., PF-Exchange, non-CHWM contract customers). *[may be a contract issue] Issue to be addressed in contracts. RECs are supposed to be a benefit of signing CHWM contracts. Concern about the effect of this treatment of RECs on IOUs that are receiving exchange benefits.*
3. p. 70 Tier 2 RECs treatment comparable to T1 RECs? Allocation of RECs to customer and credits if BPA sells RECs. Parties would like both options available so that if they need the RECs they can acquire them and if they don't need them they are not just setting on them. NRU proposes that Tier 2 RECs be treated the same as Tier 1 RECs and that customers have an option to request that BPA act as an agent to remarket and pass back the revenue. BPA ok with this approach. Also, question raised about the treatment of carbon attributes in Exhibit H. They are not included. Will they be? Megan Stratman will send in a draft proposal for this issue.
4. Overhead Cost Adder for Tier 2 *[from June 17 customer-only meeting]*
 - **Our proposal, strike sentence tying it to comparable typical electricity broker fees; Start with T1 and T2 percentages of MW as a place for allocating costs.**
5. Tier 2 Rate Options (contract issues)
Need the ability to leave a short-term rate in the instance that a customer wants to move to a vintage rate before the end of the rate period. (NRU List of issues)

Eligibility to the vintage rate should be broader and not just limited to moving from the short term rate. (NRU List of issues)

- Provide first dibs to those in the short-term rate and then allow others access to excess.

Suggested adding a bandwidth to the partial PF tier 2 Load Growth rate for changes in election of amount taken.

TRM Section 7: Shared Rate Plan

1. Shared Rate Plan limit increased – Parties will provide more information/rationale re. request for an increased MW limit.
2. Rate design. What is the outcome, and what is the method of getting there? Why couldn't it be a billing process instead of a ratemaking process?
3. Flexibility for new utilities for being included in the limit? [contract issue]
4. Need an escape clause—terms of withdrawing. Parties ok with current BPA proposal. BPA to reflect this in the TRM.
5. Question raised on the treatment of PURPA resources. [contract issue]
6. **Concern about excess revenues from HWM being spread among participants.**

TRM Section 8: Resource Support Services

1. NRU wants to keep this TRM section at high level to allow development in up-coming process; however, other parties would rather have more information sooner
2. Page 76 line 3. Confusion re dedicated vs. specified. Ensure definitions are the same as used in contracts.
3. Need to true up the contract and TRM definitions.
4. Page 77 lines 8-10, DFS: Grouping resources for multiple customers—supplement with passage from testimony?
5. *RSS[from June 17 customer-only meeting]*
Deducted from T1, used for T1 and T2 purposes – the use for T2 could be detrimental; proposal – forecast the costs, if they turn out wrong, make people taking the service make up the difference;
 - P. 12 lists RSS as a “designated contract obligation” of BPA, for purposes of determining the size of Tier 1 resource pool;
 - **Our proposal – Discuss with BPA: to extent BPA providing RSS as a Tier 2 service, it should be priced at market, and if they miss the market, true it up; (option = build something in to the cost)**

6. Need flexibility in notice provisions for RSS. (contract issue)
7. Need more discussion of within-hour services.

TRM Section 9: Risk Mitigation

1. Customer representative commented that this issue is being taken up with the Slice CEO group. Cost shift and possible CRACs for Slice; may be rate case issue given the 7(i) solution re: risk mitigation for non-Slice issues
2. Verification process – a product will be developed and brought in from the Slice contract group.

TRM Section 10: Other Rate Design

1. Irrigation rate mitigation – IRM for the Slice portion of the block product. There will be a write-up with numbers re: irrigation loads. – Parties will review the proposal (from Boomer/Gregg/Brawley) uploaded on the secure web site (June 9). Parties/BPA agreed-upon language incorporated into TRM.

Bucket 3 – DSI issue is not being resolved in this forum. No comments re: allocation of costs (if they appear). – Cannot be addressed in this forum.

2. 7(b)(2) Rate Test – Whether test loads include preference loads served by non-federal power as well as Tier 2? Parties would need to submit a legal assessment to BPA on this issue.

PF Exchange

- **Whether you include non-federal Tier 2 in the PF Exchange Rate;**

TRM Section 12-13: Dispute Resolution

Parties want BPA's contractual assurance that it will adhere to the TRM. Randy Roach agreed to work with parties on the contract language on the bottom of page 24 of the contract template (contract sections 6.3 and 6.4, regarding the TRM). Terry Mundorf and Paul Murphy will draft language and send it to Randy Roach.

Based on today's (June 13) clarification/discussion, a customer group will meet June 19-20 to redline TRM sections 12 and 13.

Other issues:

Definitions need to be synched up with the definitions in contracts.