

2. Seasonal and Irrigation Mitigation Contracts; or
3. Slice Purchases.

#### D. Summary of Supporting Study

There will be one study with seven chapters supporting BPA's SN CRAC proposal. Chapter 1 describes PBL's financial conditions and an overview of BPA's SN CRAC proposal. Chapter 2 describes the methodology for PBL's loads and sales forecasts. It also includes the assumptions used in the development of the hydro regulation study and other resources. Chapter 3 contains BPA's generation revenue requirement including a forecast of generation expenses. Chapter 4 describes the analysis that quantifies PBL's net revenue risk. Chapter 5 describes the methodology and resulting forecast of PBL's secondary revenues. Chapter 6 contains PBL's revenue forecast at current and proposed rates, and chapter 7 describes the Tool Kit model, the SN CRAC proposed design and the associated GRSPs.

#### Part V—The Amended 2002 GRSPs

##### *Safety-Net Cost Recovery Adjustment Clause (SN CRAC)*

The SN CRAC applies to power purchases under the following firm power rate schedules: PF [Preference (excluding Slice), Exchange Program and Exchange Subscription]; Industrial Firm Power (IP-02), including purchases under the Industrial Firm Power Targeted Adjustment Charge (IPTAC) and Cost-Based Index Rate; Residential Load (RL-02) (including both actual power deliveries and the 900 aMW of monetary benefits under the financial portion of any REP Settlement, buy-downs and load reduction agreements); New Resource Firm Power (NR-02); and subscription purchases under Firm Power Products and Services (FPS). The SN CRAC does not apply to power purchases under Pre-Subscription contracts to the extent prohibited by such contracts, to BPA's current contractual obligations for Seasonal and Irrigation Mitigation sales including for any eligible customer that converts from Slice to another BPA product, or to purchases under the PF Slice Rate.

##### *A. Formula for Calculation of the Safety-Net Cost Recovery Adjustment Clause*

By August of each fiscal year (FY 2003–2005) immediately prior to each fiscal year of the remainder of the rate period (*i.e.*, FY 2004–2006), a forecast of that end-of-year Accumulated Net Revenue (ANR) will be completed. BPA

will compare the forecasted ANR to the SN CRAC Threshold applicable to that year to determine the SN CRAC to be implemented. If the ANR at the end of the forecast year falls below the SN CRAC Threshold applicable to that fiscal year, an SN CRAC rate adjustment will be implemented. That SN CRAC rate adjustment will go into effect beginning in October of the upcoming fiscal year (FY 2004–2006).

The Revenue Amount will be determined by the following formula:

Revenue Amount is the lower of:

SN CRAC Threshold minus forecasted ANR; or

The annual Maximum Planned Recovery Amount, shown in Table A below.

Where Revenue Amount is the amount of additional revenue that an adjustment in rates under SN CRAC is intended to generate during the one year period that the rate adjustment is effective.

Where SN CRAC Threshold is the ANR level below which a rate adjustment is determined. The thresholds specified for the end of FY 2003, 2004, and 2005 are shown in Table A.

Where ANR is generation function net revenues, as accumulated since 1999, at the end of each of the fiscal years 2003–2005. The forecast of ANR through the end of each fiscal year will be calculated and used to determine if the threshold has been reached and the Revenue Amount needed. Net revenues for any given fiscal year are accrued revenues less accrued expenses, in accordance with Generally Accepted Accounting Principles, with the following two exceptions. First, for purposes of determining if the SN CRAC threshold has been reached, actual and forecasted expenses will include BPA expenses associated with Energy Northwest debt service as forecasted in the WP-02 Final Studies. Second, the impact of adopting Financial Accounting Standard 133, Accounting for Derivative Instruments and Hedging Activities, will not be considered in determining if the SN CRAC threshold has been reached. Only generation function actual and forecasted revenues and expenses that are associated with the production, acquisition, marketing, and conservation of electric power, will be included in determinations under the SN CRAC. Accrued revenues and expenses of the transmission function are excluded. Impacts of forecasted revenues, positive or negative, from contractual true-up pursuant to the Slice Agreement shall be included in the

revenue forecast when determining the SN CRAC.

Where Maximum Planned Recovery Amount is the maximum annual amount planned to be recovered through the SN CRAC.

TABLE A  
[DOLLARS IN MILLIONS]

End of fiscal year	SN CRAC threshold (ANR)	Maximum Planned Recovery Amount (Beginning October)
2003 .....	\$ – 400	\$470
2004 .....	– 140	470
2005 .....	5	470

Once the Revenue Amount is determined, that amount will be converted to the SN CRAC Percentage. The SN CRAC Percentage is the percentage adjustment in customers' rates (not including LB CRAC or FB CRAC) in each of the firm power rate schedules listed above. This percentage will be applied to generate the additional SN CRAC revenue.

The SN CRAC Percentage will be determined by the following formula:

SN CRAC Percentage =  
Revenue Amount

Divided by SN CRAC Revenue Basis

SN CRAC Revenue Basis is the total generation revenue (not including LB CRAC or FB CRAC) for the loads subject to SN CRAC for the fiscal year in which the SN CRAC implementation begins, based on the then most current revenue forecast. Each non-Slice product's total charge for energy, demand, and load variance will be adjusted by this CRAC percentage amount.

Payment under the SN CRAC rate adjustment will be due monthly from November (for the October billing period) through October of the following year.

In August prior to the beginning of each fiscal year of the rate period (FY 2004–2006), the Administrator will compare the ANR forecast at the end of that current fiscal year to that year SN CRAC Threshold. The customers will be billed in accordance with the SN CRAC adjustment.

Each customer will be notified, on or about September 1st, of the percentage adjustment in rates due to the SN CRAC. The rates used to calculate the customers' bills for the following October through September for FY 2004–2006, will reflect the SN CRAC adjustment.