

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

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

- i. Calculate a 5-year average total system loss factor, using data from the Base Period plus the preceding 4 years. IOUs will use data from the FERC Form 1. COUs will use a comparable data source.
- ii. From this 5-year total system loss factor, subtract the loss factor for BPA's transmission system.
- iii. The resulting loss factor will be deemed to be the exchanging Utility's distribution loss factor for calculating Contract System Load and exchange loads under the REP.

f/ Cash working capital (CWC) is a ratemaking convention that is not included in the Form 1, but a part of all electric utility rate filings as a component of rate base. For determining the allowable amount of cash working capital in rate base for a Utility, BPA will allow no more than 1/8 of the functionalized costs of total production expenses, transmission expenses and Administrative and General expenses less purchased power, fuel costs, and Public Purpose Charge.

g/ Conservation costs are costs of energy audits and actual or planned load reduction resulting from direct application of a conservation measure (Northwest Power Act, section 3(19)(B)) by means of physical improvements, alterations, devices, or other installations which are measurable in units. Conservation costs funded by the Utility will be functionalized to Production in the Utility's Average System Cost. Conservation costs incurred to promote changes in consumer behavior including costs attributable to brochures, advertising, pamphlets, leaflets, and similar items will be functionalized by Direct Analysis with a default to Distribution/Other. Conservation surcharges imposed pursuant to section 4(f)(2) of the Northwest Power Act or other similar surcharges or penalties imposed on a Utility for failure to meet required conservation efforts will also be functionalized to Distribution/Other. Conservation and associated costs must be generally consistent with the Council's resource plan as determined by the Administrator.

h/ Public Purpose Charges collected by Utilities and distributed to independent third party non-profit organizations or state and local entities (recipient organizations) for the purposes of acquiring conservation and renewable resources shall be determined on a utility-by-utility basis through Direct Analysis. The ASCM will only allow the costs of conservation and renewable