

resource development, acquisition and implementation. Allowable costs include costs associated with energy audits and advertising and promotion of conservation and renewable resources.

In order to be included in Contract System Costs, the renewable resources acquired by the recipient must be included in the Utility's Integrated Resource Plan or similar document and, in the case of dispatchable resources, must be included in the Utility's resource stack. BPA will treat expenditures of Public Purchase Charge funds similar to Utility conservation costs.

i/ If a Utility has a ruling from its Regulatory Body that separates its transmission and distribution lines using FERC's seven factor test contained in Order 888, and its Form 1 filing is consistent with the Regulatory Body's order, the Utility will include the transmission-related costs and wheeling revenues directly from its Form 1 filing. However, if a Utility is not required to file a Form 1, or it has not received an order from its Regulatory Body separating its lines between transmission and distribution, then it must perform a Direct Analysis on its transmission costs and wheeling revenues. The Direct Analysis must allocate transmission costs and wheeling revenues so that only the costs and revenues of transmission lines rated at 115kV or above are included as transmission. Alternatively, the Direct Analysis may use FERC's seven factor test for separating transmission and distribution lines to determine the costs attributable to transmission.

j/ All revenues associated with the production and transmission function of a Utility will be functionalized to production or transmission respectively.