

DEPARTMENT OF ENERGY

Bonneville Power Administration

Proposed Wholesale Power Rate Adjustment, Public Hearing, and Opportunities for Public Review and Comment

AGENCY: Bonneville Power Administration (BPA), DOE.

ACTION: Notice and Opportunities for Review and Comment.

SUMMARY: *BPA File No:* WP-95. BPA requests that all comments and documents intended to become part of the Official Record in this process contain the file number designation WP-95.

The Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act) provides that BPA must establish and periodically review and revise its rates so that they are adequate to recover, in accordance with sound business principles, the costs associated with the acquisition, conservation, and transmission of electric power, and to recover the Federal investment in the Federal Columbia River Power System (FCRPS) and other costs incurred by BPA. BPA is proposing wholesale power rate schedules to be effective October 1, 1995, so that the wholesale power rates in total produce revenues that best enable BPA to meet its costs.

The proposal BPA is making at this time is preliminary. While BPA was in the late stages of putting together its proposal, it determined that the proposal as prepared could send an erroneous signal of BPA's commitment to rate stability. Competitive forces are causing fundamental and significant changes in the Pacific Northwest wholesale electric power market on a weekly, and sometimes a daily, basis. The competition is relentless, and BPA can not issue a final rate proposal that does not allow it to meet and beat the competition. Nothing other than that will allow BPA to sustain its statutory responsibilities. As a consequence, BPA has determined that its initial proposal should include a stable, 5-year rate for most, if not all, of its requirements service. BPA anticipates that the work necessary to assemble such a proposal will take until late March or early April of 1995. Since such a rate would cover the bulk of BPA's firm sales, its impact on BPA's overall proposal is fundamental. Thus, the information BPA is releasing now should be considered preliminary. Information in BPA's preliminary proposal concerning rate design, product definition and

pricing, revenue requirement, and other matters should provide parties valuable information that will enable them to better assess BPA's initial proposal when it is released in late March or early April. BPA will propose a rate hearing schedule at the prehearing conference that will take into account changes in the markets and allow review of BPA's initial proposal that it intends to make in late March or early April of 1995. The rate hearing schedule will be published in the **Federal Register** immediately following the prehearing conference.

Opportunities will be available for interested persons to review BPA's rate proposal, to participate in the rate hearing, and to submit oral and written comments. During the development of the final rate proposal, BPA will evaluate all written and oral comments received in the rate proceeding. Consideration of comments and more current data may result in the final rate proposal differing from the rates proposed in this Notice.

DATES: Persons wishing to become a formal "party" to the proceedings must notify BPA in writing of their intention to do so in accordance with requirements stated in this Notice. Petitions to intervene must be received by 9 a.m. February 13, 1995, and should be addressed as follows: Hearing Officer, c/o Francis (Jamie) Troy, Hearing Clerk-LQ, Bonneville Power Administration, 905 NE. 11th Ave., P.O. Box 12999, Portland, Oregon 97212.

In addition, a copy of the petition must be served concurrently on BPA's Office of Legal Services, Janet L. Prewitt, Office of Legal Services-LQ, 905 NE. 11th Ave., P.O. Box 3621, Portland, Oregon 97208.

Persons who have been denied party status in any past BPA rate proceeding shall continue to be denied party status unless they establish a significant change of circumstances.

A prehearing conference will be held before the Hearing Officer at 9:00 a.m. on February 13, 1995, in the BPA Rates Hearing Room, 3rd Level, 2032 Lloyd Center; Portland, Oregon. Registration for the prehearing conference will begin at 8:30 a.m. BPA will prefile preliminary proposal studies at the prehearing conference. The Hearing Officer will act on all intervention petitions and oppositions to intervention petitions, rule on any motions, establish additional procedures, establish a service list, establish a procedural schedule, and consolidate parties with similar interests for purposes of filing jointly sponsored testimony and briefs, and for

expediting any necessary cross-examination. A notice of the dates and times of any hearings will be mailed to all parties of record. Objections to orders made by the Hearing Officer at the prehearing conference must be made in person or through a representative at the prehearing conference.

The following schedule information is provided for informational purposes. A final schedule will be established by the Hearing Officer at the prehearing conference.

On or about February 9, 1995—Rate Schedules and General Rate Schedule Provisions, mailed to customers and 1993 rate case parties and available from BPA's Public Information Center; 905 NE. 11th, 1st Floor, Portland, Oregon.

February 13, 1995—Deadline for interventions to be filed with Hearing Clerk at above address.

On or about February 13, 1995—Preliminary proposal studies available at BPA's Rates Hearing Room; 2032 Lloyd Center; Portland, Oregon and BPA's Public Information Center; 905 NE. 11th, 1st Floor, Portland, Oregon.

February 13, 1995—Prehearing conference to set schedule and act on petitions to intervene.

On or about April 5, 1995—BPA Initial Proposal filed.

October 29, 1995—Final Record of Decision published.

BPA also will be conducting public field hearings. A field hearing schedule will be announced at the prehearing conference. A notice of the dates, times, and locations of the field hearings will be made later through mailings and public advertising.

When BPA holds public field hearings, written transcripts are made and included in the official record. A notice of the dates and times of the field hearings also will be published in the **Federal Register**.

ADDRESSES: The date for written comments by participants must be received by May 15, 1995, to be considered in the Draft Record of Decision (ROD). Written comments should be submitted to the Manager, Corporate Communications-CK; Bonneville Power Administration; P.O. Box 12999; Portland, Oregon 97212.

FOR FURTHER INFORMATION CONTACT: Mr. Michael Hansen, Public Involvement and Information Specialist, at the address listed above, (503) 230-4328 or call toll-free 1-800-622-4519.

Information may also be obtained from: Mr. Steve Hickok; Group Vice President, Sales and Customer Service; P.O. Box

3621; Portland, OR 97232 (503-230-5356)

Mr. George Eskridge; Manager, SE Sales and Customer Service District; 1101 W. River, Suite 250; Boise, ID 83702 (208-334-9137)

Mr. Ken Hustad; Manager, NE Sales and Customer Service District; Crescent Court, Suite 500; 707 Main; Spokane, WA 99201 (509-353-2518)

Ms. Ruth Bennett; Manager, SW Sales and Customer Service District; 703 Broadway; Vancouver, WA 98660 (360-418-8600)

Ms. Marg Nelson; Manager, NW Sales and Customer Service District; 201 Queen Anne Ave. N., Suite 400; Seattle, WA 98109-1030 (206-216-4272).

Responsible Official: Mr. Geoff Moorman, Manager for Pricing, Marginal Cost and Ratemaking, is the official responsible for the development of BPA's rates.

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I. Introduction

After the 1993 rate case, BPA conducted a series of workshops on subjects relevant to its ratemaking. The purpose of the workshops was to identify, simplify, and reduce the number of issues that might become part of the 1995 rate case, and to reduce the amount of discovery normally required during the formal rate proceedings. Opportunity was provided to address the impacts of BPA's "reinvention," transmission issues, risk mitigation, forecasted revenue requirements, and rate design issues. The workshops provided opportunity for informal public comment on issues prior to the formal hearing process.

On December 28, 1994, BPA published in the **Federal Register** a Notice of "Intent to Revise Wholesale Power Rates to Become Effective October 1, 1995," 59 F.R. 66947, in order to satisfy contractual provisions between BPA and its customers. Since then, BPA has continued to study the adequacy of its current rates and has concluded that current rates must be adjusted for the FY 1996 and FY 1997 rate period. BPA also is considering setting some rates for periods longer than 2 years.

In order to assess its current rates, BPA first determined the amount of revenues required to meet its financial obligations in FY 1996 and FY 1997. BPA has determined that the revenues it would expect to collect from projected sales under its current rates will not adequately recover these revenue requirements. Therefore, BPA proposes to revise its wholesale power rates. At the conclusion of the rate proceeding, BPA will file its rates with the Federal Energy Regulatory Commission (FERC) for confirmation and approval.

Consistent with the risk mitigation policy adopted in BPA's last rate case, BPA's preliminary proposal contains an Interim Rate Adjustment (IRA) that allows, but does not require, BPA to increase its rates for the second year of the rate period to reverse any serious, unplanned decline in financial reserves that occurs in the first year of the rate period. BPA also is including power rate schedules in this preliminary proposal that are both new and significantly different from BPA's 1993 power rate schedules, as well as including the negotiated rates for the Pacific Northwest Coordination Agreement.

BPA is planning significant changes in the design of its power rates. BPA is proposing to divide its priority firm (PF) and industrial firm power (IP) rates into two tiers, (Tier 1 and Tier 2) and to establish separate rates for each tier. The other services and products that customers may select to complement either firm requirements service provided by BPA, or power acquired from other sources, will be priced separately.

The proposed wholesale power rates were prepared in accordance with BPA's statutory authority to develop rates, including the Bonneville Project Act of 1937, as amended, 16 U.S.C. 832 (1982); the Flood Control Act of 1944, 16 U.S.C. 825s (1982); the Federal Columbia River Transmission System Act (Transmission System Act), 16 U.S.C. 838 (1982); and the Pacific Northwest Electric Power Planning and Conservation Act, 16 U.S.C. 839 (1982). The proposed rate schedules reflect many requirements contained principally in the Northwest Power Act's rate directives (section 7) and the conditions related to classes of customers and services contained in the Northwest Power Act's power sales directives (section 5).

BPA proposes that its wholesale power rate schedules, including the adjustments, charges, and special rate provisions, and the General Rate Schedule Provisions associated with these rate schedules, become effective upon interim approval or upon final

confirmation and approval by FERC. (BPA's proposal combines the General Rate Schedule Provisions for Wholesale Power Rates and Transmission Rates into one document—the GRSPs). BPA currently anticipates that it will request FERC approval of its revised rates effective October 1, 1995.

The 1995 wholesale power rate schedules, and the GRSPs associated with those rate schedules, supersede BPA's 1993 rate schedules (which became effective October 1, 1993) to the extent stated in the Availability section of each 1995 rate schedule. These schedules and GRSPs shall be applicable to BPA power sales contracts, as appropriate, including contracts executed both prior to and subsequent to enactment of the Northwest Power Act. In addition, as stated in the availability section of each schedule, certain of the rates and tiered rate methodology will be effective for extended periods of time.

In developing the proposed wholesale power rates, BPA considered many factors, including revenue requirements, ease of administration, revenue stability, rate continuity, ease of comprehension, and BPA's statutory obligations. The studies that have been prepared to support the proposed preliminary rates will be mailed to all parties to BPA's 1993 rate case and will be available for examination on February 13, 1995, at BPA's public Information Center, BPA Headquarters Building, 1st Floor; 905 NE. 11th; Portland, and will be available at the prehearing conference, to the extent they are available. The preliminary studies and documents are:

1. Loads and Resources Study and Documentation
2. Revenue Requirement Study and Documentation
3. Segmentation Study
4. Marginal Cost Analysis Study and Documentation
5. Wholesale Power Rate Development Study and Documentation
6. Wholesale Power and Transmission Rate Schedules.

BPA's proposed Wholesale Power and Transmission Rate Schedules and General Rate Schedule Provisions will be published in a separate **Federal Register** Notice on or about February 13, 1995. In addition, the documents described above will be mailed to BPA's customers, 1993 rate case parties, and other interested persons, and will be available from BPA's Public Information Center on or about February 9, 1995.

To request any of the above documents by telephone, call BPA's document request line: (503) 230-3478 or call toll-free 1-800-622-4520. Please

request the document by its above-listed title. Also state whether you require the accompanying documentation (these can be quite lengthy); otherwise, the study alone will be provided. (For example, ask for the "Revenue Requirement Study and Documentation.")

Because of the complexity of the issues in this rate case, in part occasioned by continuing contract negotiations between BPA and its customers, as well as BPA's "reinvention" and Competitiveness Project, BPA anticipates that it will need to meet with customers and other interested third parties during the rate case on a very frequent, and possibly extended, basis. To comport with the rate case procedural rule prohibiting ex parte communications, BPA will provide necessary notice of meetings involving rate case issues for participation by all rate case parties. Parties should be aware, however, that such meetings may be held on very short notice and they should be prepared to devote the necessary resources to participate fully in every aspect of the rate proceeding. Consequently, parties should be prepared to attend meetings every day during the course of the rate case.

II. Purpose and Scope of Hearing

BPA's proposal to revise its wholesale power rates is needed in order for BPA to continue to recover all costs and expenses allocated to the Federal power system, including amortization of the Federal investment in the FCRPS over a reasonable period of time, and to recover the costs in a way that achieves the goals of BPA's Competitiveness Project. BPA has found that substantial changes must be made in the ways in which it sets its rates if it is to remain competitive. If BPA is not competitive, it will not recover its costs, and it then will be unable to satisfy its statutory responsibilities.

BPA began its Competitiveness Project in early 1993 in response to market forces and deregulation of the electric utility industry. The project, a re-invention of the agency to make it more competitive in the new marketplace, included the development of a new business concept, a marketing plan, a review of all of BPA's activities leading to structural reorganization, strategic action plans for each of BPA's major activities, an internal effort to promote leadership and employee empowerment, and proposals to eliminate unnecessary administrative and regulatory requirements.

BPA's Draft Strategic Business Plan and the Draft Business Plan EIS were

released to the public in June 1994. The Draft Strategic Business Plan sets the overall strategic direction for both serving BPA's customers and meeting BPA's legislated responsibilities, including new statements of BPA's mission, values, and strategic business objectives to guide its activities. The Draft Strategic Business Plan also describes the conceptual framework for the products BPA is offering. As stated in the Draft Strategic Business Plan, BPA's pricing policies are designed to meet many objectives, including (1) providing maximum customer choice and encouraging optimal use of the FCRPS; (2) contributing to BPA's continued viability in an increasingly competitive energy market environment; and (3) allowing BPA to take full advantage of its responsibility and authority to manage the FCRPS, consistent with all statutory requirements.

The Draft Strategic Business Plan envisions BPA as having three separate and distinct business lines—power, transmission, and energy services (conservation)—which will be self-supporting and serve customers according to their unique needs. The Draft Strategic Business Plan also outlines a number of initiatives to improve BPA's competitiveness, including strategies to close the projected gap between BPA's costs and revenues, a financial strategy, and proposals to change BPA's power rate structures to give customers more choice, to more accurately reflect BPA's costs associated with providing the discrete components of electric service selected by customers, and thereby to encourage investment in cost-effective conservation. BPA proposes to close the revenue gap by exerting strict cost management and becoming market-driven.

To provide customers with a price signal that encourages efficient resource investment decisions, including conservation resources, and appropriately shares the benefits of the relatively low-cost Federal power and transmission systems, BPA is proposing to tier its power rates for requirements service and for the residential exchange. The rate for requirements service would be divided into two parts: a Tier 1 rate, and one or several alternative Tier 2 rates. BPA expects that the Tier 1 rate will be available to serve most of the existing customers' firm loads. The Tier 1 rate is expected to be a lower rate than Tier 2 because it will be based primarily on the costs associated with the existing Federal system. The Tier 2 rates will be available to serve regional firm requirements in excess of Tier 1,

including future load growth, and will be based on the costs associated with supplying power to meet these loads.

To address the increasingly competitive market for power, transmission, and energy services, BPA is proposing to offer a menu of unbundled products in the 1995 rate case. BPA expects that the products offered will be available both under the current power sales contracts and under new power sales contracts. BPA expects to offer additional unbundled products in future rate cases and to price these products to meet market conditions and its cost recovery obligations. In some cases, BPA expects the market will require flexible pricing. BPA is planning to "unbundle" what it offers so customers can choose among products and services based on what they need to meet their loads and support their own resources, if any.

BPA is assessing the potential environmental effects of its rate proposal, as required by the National Environmental Policy Act (NEPA), as part of the Business Plan Environmental Impact Statement (EIS). Beginning in June 1994, BPA solicited input to the Draft Strategic Business Plan and the Business Plan EIS from customers throughout the region. From August 3–August 9, BPA held numerous public comment meetings throughout the region. Additionally BPA held a Draft Business Plan EIS workshop where participants were invited to design their own alternatives and consider the environmental and fiscal result. BPA field staff also were available to brief groups on the Draft Business Plan upon request. A supplemental Draft EIS, revised in response to comments received, will be available for public comment in February. The Draft EIS evaluates BPA's Business Plan proposal and a range of alternatives, including the impacts of the range of potential rate designs for BPA's power and transmission services. It also documents the impact of the current rate proposal for purposes of the National Environmental Policy Act. Comments on the Business Plan EIS will be received outside the formal rate hearing process, but will be included in the rate case record and considered by the Administrator in making a final decision establishing BPA's 1995 rates. The Final Business Plan and the Business Plan EIS that elaborates BPA's strategic action plans will be released in late 1995.

BPA's spending levels are developed as a part of its Strategic Business Plan, with the benefit of a public comment process. They also are determined as a part of the Federal budget process.

Consistent with the Draft Strategic Business Plan, the Administrator formally announced spending levels for FYs 1996–2001 to the public on January 12, 1995. BPA will continue to refine its strategic business objectives, goals, and spending levels, and inform the public accordingly, as part of its Strategic Business Plan development process. That process is expected to culminate in a final Strategic Business Plan published in June 1995. Therefore, except for the limited exceptions hereafter noted, spending level decisions will not be addressed in this rate case. Accordingly, pursuant to section 1010.3(f) of the "Procedures, Governing Bonneville Power Administration Rate Hearings," 51 FR 7611 (March 5, 1986) (hereinafter "Procedures"), the Administrator directs the Hearing Officer to exclude from the record any material attempted to be submitted or arguments attempted to be made in the hearing which seek to in any way visit the appropriateness or reasonableness of BPA's decisions on spending levels, as included in BPA's cost evaluation period of FY 1995 through FY 2000 and its test period revenue requirement for FYs 1996 through 2000. If, and to the extent, any re-examination of spending levels is necessary, that re-examination will occur outside of the rate case. BPA's Revenue Requirement Study will incorporate spending levels and reflect BPA's risk mitigation, capital funding, and other financial goals in the rates. Excepted from this direction on account of their variable nature, dependency on BPA's rate case models, or timing, are: (1) Forecasts of residential exchange benefits; (2) forecasts of short-term purchase power costs; (3) provision in BPA's revenue requirement for cash working capital or cash lag needs; (4) repayment matters such as interest rate forecasts, scheduled amortization, depreciation, replacements, and interest expense; and (5) updates to forecasts by BPA which may occur in the spring of 1995 and for which no other review forum has been provided.

III. Procedures Governing Rate Adjustments and Public Participation

Section 7(i) of the Northwest Power Act, 16 U.S.C. 839e(i), requires that BPA's rates be established according to certain procedures. These procedures include, among other things, issuance of a **Federal Register** Notice announcing the proposed rates; one or more hearings; the opportunity to submit written views, supporting information, questions, and arguments; and a decision by the Administrator based on the record. The proceedings for BPA's

proposal to adjust wholesale power rates will be combined with the proceedings for BPA's proposal to adjust transmission rates. This proceeding will be governed by BPA's rules for general rate proceedings, § 1010.9 of BPA's Procedures, due to the importance and complexity of the issues involved. These Procedures implement the statutory section 7(i) requirements. Section 1010.7 of the Procedures prohibits *ex parte* communications.

BPA's Procedures distinguish between "participants in" and "parties to" the hearings. Apart from the formal hearing process, BPA will receive comments, views, opinions, and information from "participants," who are defined in the Procedures as any person who may express views, but who does not petition successfully to intervene as a party. Participants' written comments will be made part of the official record of the case and considered by the Administrator. The participant category gives the public the opportunity to participate and have its views considered without assuming the obligations incumbent upon "parties." Participants are not entitled to participate in the prehearing conference, cross-examine parties' witnesses, seek discovery, or serve or be served with documents, and are not subject to the same procedural requirements as parties.

Written comments by participants will be included in the record if they are received by May 15, 1995. This date is anticipated to follow the submission of BPA's and all other parties' direct cases. Written views, supporting information, questions, and arguments should be submitted to BPA's Manager of Corporate Communications, at the address listed in the Summary section of this Notice, above. In addition, BPA will hold several field hearings in the Pacific Northwest region. Participants may appear at the field hearings and present oral testimony. The transcripts of these hearings will be a part of the record upon which the Administrator makes the rate decision.

The second category of interest is that of a "party" as defined in §§ 1010.2 and 1010.4 of BPA's Procedures. Parties may participate in any aspect of the hearing process.

Persons wishing to become a formal "party" to BPA's rate proceeding must notify the Hearing Officer and BPA in writing of their request. Petitions to intervene shall state the name and address of the person and the person's interests in the outcome of the hearing. Petitioners may designate no more than two representatives upon whom service of documents will be made. BPA

customers and customer groups whose rates are subject to revision in the hearing will be granted intervention based on a petition filed in conformance with this section. Other petitioners must explain their interests in sufficient detail to permit the Hearing Officer to determine whether they have a relevant interest in the hearing. Intervention petitions will be available for inspection in BPA's Public Information Center; 1st Floor; 905 NE. 11th; Portland, Oregon. Any opposition to a petition to intervene must be raised at the February 13, 1995, prehearing conference. All timely applications will be ruled on by the Hearing Officer. Opposition to an untimely petition to intervene shall be filed and served within 2 days after service of the petition. Interventions are subject to § 1010.4 of BPA's Procedures.

The record will include, among other things, the transcripts of any hearings, any written material submitted by the parties and participants, documents developed by BPA staff, BPA's environmental impact statement and comments accepted on it, and other material accepted into the record by the Hearing Officer. The Hearing Officer then will review the record, supplement it if necessary, and certify the record to the Administrator for decision.

The Administrator will develop the final proposed rates based on the entire record, including the record certified by the Hearing Officer, comments received from participants, other material and information submitted to or developed by the Administrator, and any other comments received during the rate development process. The basis for the final proposed rates first will be expressed in the Administrator's Draft Record of Decision (ROD). Parties will have an opportunity to comment on the Draft ROD as provided in BPA's hearing procedures. The Administrator will serve copies of the Final ROD on all parties and will file the final proposed rates together with the record with FERC for confirmation and approval.

IV. Major Studies

1. Loads and Resources Study

BPA's forecasts of regional loads by customer group are the basis from which public utility and direct service industry (DSI) customer purchases from BPA (Federal system firm loads) are projected. BPA also projects Federal transmission losses, obligations to regional investor-owned utilities (IOUs) under their power sales contracts, and other inter- and intraregional contractual obligations.

BPA develops forecasts of regional non- and small-generating public utility

(NSGPU) and generating public utility (GPU) loads using standard econometric techniques. Regional NSGPU and GPU loads are forecasted as a function of average retail electricity prices, weather-related variables, and nonagricultural employment. The regional load forecasts then are adjusted to account for factors such as effects from proposed wholesale tiered rate implementation and conservation programs to derive a projection of NSGPU and GPU purchases from BPA. The IOU load forecast was produced by updating the economic assumptions from the 1991 joint BPA/Northwest Power Planning Council (NPPC) forecast.

Forecasts of aluminum DSI purchases from BPA are prepared by analyzing smelter production costs relative to aluminum prices, and by considering other factors affecting smelter loads, including BPA's proposed tiered rate implementation. Forecasted non-aluminum DSI purchases from BPA are prepared by analyzing historical and technical plant information and forecasted market conditions. Adjustments also are made to incorporate the effects of BPA's tiered rate implementation.

BPA's resource acquisition plans are based on work by BPA and the NPPC staff and reflect extensive input and review by the general public and the region's utilities. The specific resource acquisitions and associated costs included in this proposal are based on BPA's 1994 Draft Strategic Business Plan. Besides emphasizing a diverse resource portfolio, including both conservation and generating resources, BPA is committed to moving toward a blend of acquisition methods, including BPA-designed, utility-designed, and developer-initiated programs. This combination of resource diversity and acquisition approaches allows BPA to better deal with varying circumstances and uncertainties.

The load/resource balance determines BPA's obligation to serve firm loads during the test years under 1930 water conditions. It also contributes to the determination of the supply of surplus firm power in the region and on the Federal system. A related hydro regulation study incorporates the operation of thermal plants, exports and imports of power, projected resource acquisitions, and system constraints such as the Columbia River flow augmentation project, "spill," and the water budget for fish migration. For this preliminary proposal, a 50-year hydro study was completed, which includes assumptions regarding the Columbia River flow augmentation. The hydro study starts in August 1995. The 50-year

study determines nonfirm energy availability for the region.

2. Revenue Requirement Study

The Bonneville Project Act, the Flood Control Act of 1944, the Transmission System Act, and the Northwest Power Act require BPA to set rates that are projected to collect revenues sufficient to recover the cost of acquiring, conserving, and transmitting the electric power that BPA markets, including amortization of the Federal investment in the FCRPS over a reasonable period, and to recover BPA's other costs and expenses. The Revenue Requirement Study includes a demonstration as to whether current rates will produce enough revenues to recover all BPA costs and expenses, including BPA's repayment requirements to the U.S. Treasury. Revenue requirements are the major factor in determining the overall level of BPA's proposed power and transmission rates.

The Transmission System Act and the Northwest Power Act require that transmission rates be based on an equitable allocation of the costs of the Federal transmission system between Federal and non-Federal power using the system. In compliance with a FERC order dated January 27, 1984, 26 FERC ¶ 61,096, the Revenue Requirement Study incorporates the results of separate repayment studies for the generation and transmission components of the FCRPS. The repayment studies for generation and transmission demonstrate the adequacy of the projected revenues to recover all of the Federal investment in the FCRPS over the allowable repayment period. Separate generation and transmission revenue requirements are developed in the Revenue Requirement Study. The adequacy of projected revenues to recover test period revenue requirements and to meet repayment period recovery of the Federal investment is tested and demonstrated separately for the generation and transmission functions.

The Revenue Requirement Study for the 1995 preliminary rate proposal is based on cost and revenue estimates for FY 1996 and FY 1997. BPA's Revenue Requirement Study reflects actual amortization and interest payments paid through September 30, 1994. In addition, it reflects all FCRPS obligations incurred pursuant to the Northwest Power Act, including residential exchange costs.

3. Segmentation Study

BPA operates and maintains the Federal Columbia River Transmission System (FCRTS) to provide transmission

services throughout the region. Because most services do not require the use of the entire system, the FCRTS is divided into nine segments, each providing a distinct type of service. The nine segments are: integrated network; Pacific Northwest-Pacific Southwest (Southern) Intertie; Northern Intertie; Eastern Intertie; generation integration; fringe area; and delivery segments for public agency, DSI, and IOU customers.

The Segmentation Study categorizes the facilities of the FCRTS according to the types of services it provides. This provides the basis for segmenting the projected transmission revenue requirements used in BPA's rate proposals. The results of the Study include the historical investment and the average of the last three years' operations and maintenance expenses. In addition, the facilities of the integrated network similarly are divided among distinct services. This division of the FCRTS into segments provides the basis for the equitable allocation of transmission costs between Federal and non-Federal customers based on their usage of the segments.

4. Marginal Cost Analysis

The Marginal Cost Analysis (MCA) estimates the marginal cost that BPA incurs to supply energy on a seasonal, daily, and hourly basis to meet customers' loads.

The conditions and terms under which BPA supplies energy necessitate that BPA take actions that impose a cost. The MCA measures the costs that BPA incurs in taking actions to provide energy under different terms. BPA proposes to measure the marginal costs of actions it takes to (1) guarantee availability of energy, (2) provide energy at guaranteed prices, and (3) actually deliver energy. The results of the MCA are used to develop wholesale power rates that promote efficient development and operation of generation and conservation resources.

BPA proposes to measure marginal costs based on the supply and demand conditions BPA faces in the interconnected West Coast wholesale power market. Estimated marginal costs are based on the results from a model that was developed to simulate future wholesale market transactions to aid in BPA's long-term power marketing and resource strategy decisions—the Power Marketing Decision Analysis Model (PMDAM). PMDAM projects the opportunity costs that BPA will face when taking actions to serve its Pacific Northwest customers, at the least cost, under conditions of uncertainty. PMDAM uses information on the costs associated with acquiring and operating

resources to meet load in conjunction with the costs associated with purchasing and/or selling power in the West Coast bulk power market.

The MCA provides estimates of BPA's marginal costs of supplying energy at different times. These estimates provide the basis for classifying BPA's costs. All of BPA's generation costs were classified to hourly energy; no generation costs were classified to demand. The estimates also provide the basis for the seasonal and hourly time-differentiation of rates, including the identification of time-periods in which different rates may apply and appropriate levels for rates in each time period relative to the others. These time periods consist of hours of the week when the marginal cost of power is high and those when it is relatively low, as well as seasons of the year when different marginal costs prevail. The results of the analysis suggested more seasonality in BPA rates, three annual periods instead of the two previous seasons. The results also suggested that BPA energy rates be diurnally differentiated, which was not a feature of previous rate designs. This analysis does not include any quantitative estimate of marginal costs incurred on the transmission system.

5. Wholesale Power Rate Development Study (WPRDS)

BPA is proposing substantial changes in the method used to develop its wholesale power rates. BPA's wholesale power rate develop is a two step process. First, BPA performs a Cost of Service Analysis (COSA) and then adjusts these results to reflect various rate design objectives and statutory requirements.

A. Cost of Service Analysis

The Cost of Service Analysis (COSA) apportions BPA's test year revenue requirement to customer classes based on the use of specific types of service by each customer class and in accord with the rate directives of the Northwest Power Act. BPA's revenue requirement is functionalized to transmission and generation in the Revenue Requirement Study. Transmission costs are identified with segments of the transmission system in BPA's Segmentation Study. The results of these studies are used in the COSA to determine the costs of providing generation and transmission services to BPA's customers.

The COSA further identifies costs of specific types of service by performing the following steps:

1. *Classification.* BPA classified transmission costs entirely to capacity, and the transmission costs allocated to

the power uses of the transmission system form the basis for the power rates demand charge. As described above in the Section concerning the Marginal Cost Analysis, in this rate proposal BPA proposes to classify generation costs to two components of electric power, delivered energy and rights to energy.

2. *Allocation.* The final major step in the COSA is to allocate the functionalized, segmented, and classified costs to customer classes. BPA's proposed tiered rate design necessitates a change in cost allocation approach. BPA is proposing to allocate costs to reflect the difference in costs associated with existing loads and future loads. Costs are allocated to classes of service on the basis of the relative use of services, and on the basis of priorities of service by resource pools provided in the Northwest Power Act. The COSA also determines and allocates the net costs incurred under the Residential Exchange Program prescribed in Section 5(c) of the Northwest Power Act. Costs that cannot be attributed to a particular resource pool or customer are allocated on a uniform basis to all customers.

a. *Resource pools:* For cost allocation purposes, BPA is proposing to separate resources into two categories: FBS resources and new resources. FBS resources are defined as (1) the Federal Columbia River Power System hydroelectric projects; (2) resources acquired by the Administrator under long-term contracts in force on the effective date of the Pacific Northwest Power Act; and (3) the resources acquired by the Administrator in an amount necessary to replace reductions in capabilities of resources in (1) and (2). Since enactment of the Northwest power Act in 1980, a number of events have occurred that have reduced FBS resources capability. BPA has initiated a consultation process with its customers in which BPA is considering replacing a portion of this lost capability with approximately 450 average megawatts from ten generating resources that BPA has acquired or contracted for since 1980. For the preliminary proposal, these FBS replacement resources are included in the FBS resource pool. Remaining resources are included in the new resource pool.

For the test period, BPA is proposing to allocate the payments BPA makes under the residential exchange program. Under the residential exchange program, BPA purchases power offered by an exchanging utility at its "average system cost." BPA then sells an equivalent amount of power back to the exchanging utility at the applicable PF

rate. The residential exchange transaction, however, is only a "paper transaction" and does not result in actual power deliveries. The program provides for BPA to pay exchanging utilities the difference between the cost of power "purchased" by BPA and the cost of power "sold" by BPA. These cash payments by BPA are referred to as the net cost of the exchange. For the test period, BPA is proposing to allocate the net cost of the exchange to all firm loads except preference customer general requirement loads.

b. *Tier 1 and Tier 2 Loads:* Within each customer class, BPA is proposing to allocate resource costs separately to Tier 1 and Tier 2 loads, instead of allocating costs to the total customer class load. To accomplish this, the resources within the FBS resource pool are separated further into Tier 1 resources and Tier 2 resources. BPA is proposing to identify a set of FBS resources whose costs then will be allocated to Tier 1 loads. All other resource costs, including future FBS replacements or new resources, will be allocated to Tier 2 loads. For the test period, BPA is proposing to include all FBS resources, both existing and replacements, in the specified set of FBS resource costs allocated to Tier 1 loads.

BPA is proposing to allocate the majority of its short-term purchase power costs associated with meeting operational deficits to Tier 2 loads. In the months in which short-term operational purchases are required, these costs are allocated first to Tier 2 loads, new resources loads, and long term surplus firm power contract loads. Any remaining short-term purchase power costs then are allocated to Tier 1 loads.

B. Adjustments to Allocated Costs

The remaining steps in the rate design process use the allocated costs developed in the COSA and modify them to: (1) reflect BPA's rate design objectives; (2) conform with contractual requirements; (3) reflect the results of other BPA studies and commitments made in other public involvement processes under section 7(i) of the Northwest Power Act; and (4) conform with requirements of applicable legislation. BPA's rate design objectives include recovery of BPA's revenue requirement, rate and revenue stability, practicality, fairness, and efficiency.

Major rate design adjustments to the allocated COSA costs include the following:

1. *Excess Revenue Adjustment.* In the initial cost allocation, BPA allocates its entire test period revenue requirement to firm power loads on the basis of

resources available under critical water conditions. However, rates are set assuming BPA recovers nonfirm sales revenues equal to the expected value of revenues under 50 years of streamflows in the historical record. Since no generation costs are allocated to NF service, forecasted NF revenues are credited against costs allocated to firm loads. Similarly, revenues from nonfirm wheeling under the Energy Transmission (ET) rate schedule are credited to firm transmission loads.

2. Nonfirm Energy Use Adjustment. The Nonfirm Energy Use adjustment is a new adjustment that accounts for the costs and benefits derived from the use of nonfirm power to displace planned power purchases. The adjustment, in effect, results in loads served by balancing purchases (i.e., purchases necessary to balance loads and resources) "buying" the nonfirm energy used to displace some of those purchases, and loads served by the Federal Base System resources receiving a credit for this use of the nonfirm energy produced by those resources. The cost of purchase power is increased to reflect the average revenues received from other sales of nonfirm energy in the same months when power purchases are displaced. Loads served by Federal Base System resources then are credited by the same amount for this use of nonfirm energy.

3. Surplus Firm Power Excess Revenue Adjustment. BPA has sold and expects to continue to sell surplus power under long term contracts. Expected revenues from the sale of such power are compared to allocated costs. BPA expects revenues to exceed costs of this power, resulting in a credit to other customers.

4. 7(c)(2) Adjustment. The rates applicable to the DSIs are set at a level that is equitable in relation to BPA preference customers' industrial rates. The costs allocated to the DSIs are higher than revenues from the "equitable" rate. The difference is a revenue deficiency called the "7(c)(2) delta," which is allocated to other customers.

The foregoing list of adjustments identifies some of the major cost adjustments and is not intended to be all-inclusive. All of the above adjustments are functionalized and segmented where appropriate. As a final step in rate design, BPA will develop seasonal and diurnally differentiated delivered energy charges based on the results of the MCA. At this final stage in the rate development process, annual energy costs have been allocated in COSA, and a series of rate design adjustments have reallocated and

adjusted the costs by class of service. An average annual energy rate for each class of service then is developed by dividing the adjusted allocated costs by the billing determinants for the class of service. A set of seasonal and diurnally differentiated energy rates which recover an equivalent amount of adjusted costs then is developed.

5. Unbundled Products

For service under the 1981 and 1995 power sales contracts, BPA is unbundling the PF, NR, IP, and VI rates into Tier 1, Tier 2, load shaping and load regulation. Load shaping allows BPA to meet customer load variations from forecast. Load regulation, sometimes called load following, follows variations in the customers' loads on an instantaneous basis. BPA also will be adding unbundled charges for changes from preschedules and for reactive power deliveries. Outside of the PF, NR, and IP rates, BPA has developed the Firm Power Products and Services (FPS) rate schedule, which is the primary vehicle for BPA's marketing of unbundled products described in the Draft Marketing Plan and Draft Strategic Business Plan. The FPS rate schedule will allow BPA to sell firm energy, capacity, or power using a variety of sources of supply, and will specify charges or specifically authorize negotiated charges for control area services and other resource support services. The Control Area Services part of the FPS rate schedule also will specify a charge for the generation control services provided pursuant to section 13(d) of the 1981 utility power sales contracts. Firm power products and services to be marketed by BPA under the FPS rate schedule are intended to be flexible so that BPA can respond to market conditions. Power products and services also are available for ancillary services for transmission of non-Federal resources.

6. Other Rate Design Changes

BPA is proposing other rate design changes. These include, among others, changes to demand charges, the development of a Long-Term Firm Requirements Service option for some customers, elimination of the Irrigation Discount, and development of a charge for reactive power. BPA also is proposing to modify the contract rate in the NF rate schedule.

a. Demand Charges. Only transmission costs are allocated to demand. Demand charges are proposed to be billed based on each customer's coincident peak, rather than on peaks at individual Points of Delivery. Demand charges are seasonally differentiated

into two seasons, with charges higher in the months of December through February. The proposed demand billing factors have been designed to be take-or-pay, relieved to a certain extent by the purchase of the Load Shaping product. The Demand Ratchet included in previous rates has been eliminated.

b. Long-Term Firm Requirements Service. Long-Term Firm Requirements Service is a package of services available to purchasers who sign new ("1995") power sales contracts and make a 6-year commitment to purchase from BPA. It includes an adjustment to the customer's power bill to reflect the value to BPA of a long-term commitment and for customers whose loads are 25 aMW or less, a composite rate.

c. Low Density Discount. The calculation of the proposed Low Density Discount is revised from previous rate proposals. The calculation uses a sliding scale of percentage discounts based on the utility's number of customers per pole mile and the utility's ratio of total electric energy requirements to investment. The two discounts from the two ratios are added to result in the utility's total discount, which is capped at 7 percent.

d. Irrigation Discount. The irrigation discount has been eliminated in the 1995 rate proposal.

e. Reactive Power. Instead of charging a power factor penalty for customers who take excessive quantities of reactive power, BPA proposes to bill the customer directly for measured quantities of reactive demand and reactive energy.

f. Unauthorized Increase. The proposed unauthorized increase charge reflects a penalty rate without seasonal differentiation, and includes a demand component to reflect transmission system usage. In addition, there is an unauthorized deviation charge for partial requirements purchases purchasing under the new ("1995") power sales contract.

7. Section 7(b)(2) Rate Test Study

Section 7(b)(2) of the Northwest Power Act directs BPA to assure that the wholesale power rates effective after July 1, 1985, to be charged its public body, cooperative, and Federal agency customers (the 7(b)(2) customers) for their general requirements for the rate test period plus the ensuing four years, are no higher than the costs of power to those customers for the same time period if specified assumptions are made. The effect of the rate test is to protect the 7(b)(2) customers' wholesale firm power rates from certain costs resulting from provisions of the

Northwest Power Act. The rate test can result in a reallocation of costs from the 7(b)(2) customers to other rate classes. The section 7(b)(2) Rate Test Study describes the application and results of the section 7(b)(2) rate test implementation methodology.

The rate projections and the actual rate test itself are performed using BPA's Supply Pricing Model (SPM). The SPM simulates BPA's rate development process, using load, resource, and cost data consistent with that used in this rate proposal. The assumptions and rate development processes such as load/resource balancing, cost allocation, and rate design also are consistent with this rate proposal. The SPM calculates two sets of wholesale power rates for BPA's preference customers: (1) a set of rates for the test period and the ensuing four years, assuming that section 7(b)(2) is not in effect (program case rates); and (2) a set for the same period considering the five assumptions listed in section 7(b)(2) (7(b)(2) case rates). Certain costs specified in section 7(g) of the Northwest Power Act (7(g) costs) are subtracted from the program case rates.

The SPM then discounts each year's rates to the test year of the relevant rate case, averages each set of discounted rates, and compares the two resulting averages rounded to the nearest tenth of a mill. If the average of the discounted program case rates, less the 7(g) costs, is larger than the average discounted 7(b)(2) case rates, the rate test triggers. If the rate test triggers, the amount of dollars to be reallocated in the test period (7(b)(2) amount) is calculated by multiplying the difference between the discounted program case and 7(b)(2) case rates by the general requirements loads of the preference customers. The 7(b)(2) amount is used as an adjustment to the allocated costs in the rate case test period. For the preliminary proposal, the 7(b)(2) rate test will not be performed.

V. Tiered Rates Methodology

In this rate period, BPA is proposing to tier its rates for sales to public bodies, cooperatives, and Federal agencies under the Priority Firm Power (PF-95) rate schedule and for sales to its Direct Service Industrial (DSI) customers under the Industrial Firm Power (IP-95) rate schedule. For utilities participating in the residential exchange, BPA is also proposing to tier the PF rate applicable to such exchanges.

Under the proposed tiered rate design, firm power purchases will be divided into two blocks of power. Separate rates will be developed for each block of power for each customer class. The size of the first block of power (Tier 1 power)

is set so that most forecasted purchases will be at the Tier 1 rate. BPA is proposing a somewhat higher rate that would apply to Tier 2 power. The forecasted sales of Tier 2 power will be based on the forecasted load above the Tier 1 amount. The proposed Tier 1 and Tier 2 rates will be determined as part of BPA's Wholesale Power Rates Development Study.

BPA is proposing to establish the amounts of Tier 1 power each customer will be able to purchase, based in large part on information submitted by the customers during the course of these rate proceedings. BPA is proposing a nomination process where customers indicate the amount of power they will purchase at the Tier 1 rate for each month during the rate period within boundaries set in this rate proceeding. Customer input will establish the billing factors for the Tier 1 rate, by month, for that purchaser. The boundaries on the customers' nominations also will be established based on information submitted by the customers. The deadlines for customer submittals will be established in BPA's initial proposal and after consultation with parties and customers. BPA encourages all customers to devote the necessary resources to provide the information needed to establish the amounts of power they will be able to purchase at a Tier 1 rate. If a customer is unable to provide the necessary information, BPA is proposing to establish that customer's Tier 1 power amounts using the same approach proposed in this preliminary proposal.

1. **Utility Customers' Tier 1 Power:** BPA proposes the following process to determine each utility customers share of Tier 1 power. BPA will establish an aggregate annual amount of Tier 1 power for all preference customers based on a percentage share of the Pacific Northwest Loads and Resources Study FY 1996-97 loads forecast. BPA will base each preference customer's annual share of the total FY 1996-97 load forecast on historical sales during the period FY 1986 through FY 1993. Each customer may choose a 12-month historical period for purposes of distributing the forecasted FY 1996-97 load between it and the other customers. This chosen subperiod also will be used to shape the given customer's annual load into monthly amounts. Since customers will submit their choice of historical period during the course of this proceeding, for the preliminary proposal, BPA has selected a historical period for each customer for the historical 12-month period for which BPA sales to that customer were the highest. BPA will shape the load based

on sales during the selected historical period. BPA proposes that each utility's Tier 1 amount will be 90% of their shaped monthly Tier 1 energy amounts in August through March, and 100% of their shaped monthly Tier 1 energy amounts in April through July.

Because BPA proposes to establish separate rates for Heavy Load Hours (HLH) and Light Load Hours (LLH), BPA also will establish a separate Tier 1 amount of power for HLH and LLH. Customers will be able to choose how to shape their monthly Tier 1 amount of power into the HLH and LLH. However, for the preliminary proposal, BPA split each customer's monthly amount of Tier 1 power into HLH and LLH based on relative percentage of HLH sales and LLH sales during the selected historical period.

2. **DSI's Tier 1 Power:** BPA proposes to establish an amount of Tier 1 power for each individual DSI. For the DSI's, however, the aggregate amount of Tier 1 power for the DSI class will be set at 2,450 aMW, in each month. Like utilities, each DSI will select a contiguous 12-month period of sales over the FY1986-93 historical period. An individual DSI's monthly share of the 2,450 aMW will be based on its percentage of historical load compared to the total DSI's historical load. For the preliminary proposal, BPA selected a historical period for each DSI based on the same criteria used to select each utility's historical period. Similarly, BPA will split each DSI's monthly amount of Tier 1 power between HLH and LLH. Although BPA is proposing that a DSI may elect to shape its monthly amounts of Tier 1 power so that its the same in each hour of the month, for the preliminary proposal BPA calculated the monthly amount of Tier 1 power in HLH and LLH based on relative percentage of HLH sales and LLH sales during the selected historical period.

3. **Residential Exchange Customers' Tier 1 power:** BPA is proposing to establish an amount of Tier 1 power for residential exchange utilities using an approach similar to the approach for establishing utility customers' Tier 1 power. For exchanging utilities, however, BPA will set an exchanging utility's amount of Tier 1 power proportional to the amount of DSI and utility customers' Tier 1 power. The percentage of DSI and preference customer Tier 1 load relative to their total load will be applied to the forecasted exchange load for all utilities in the residential exchange, both active and inactive, to determine the exchange load amount of Tier 1 power.

As part of this rate proceeding, BPA will propose a Long-term Tiered Rate Methodology that will guide the implementation of a tiered rate structure in subsequent rate cases. BPA expects that this Methodology will resolve some of the basic questions associated with developing a tiered rate. The Long-term Tiered Rate Methodology will be published in a separate **Federal Register** Notice.

VI. Wholesale Power Rate Schedules

The wholesale power rates developed in the cost of service analysis and rate design adjustment process are incorporated in the Wholesale Power and Transmission Rate Schedules. The rate schedule document includes three sections. The first section contains the wholesale power and transmission rate schedules. Each schedule is comprised of sections stating to whom the rate schedule is available, rates for the products offered under the schedule, billing factors, and the cost basis of the rates in the schedule (resource contribution). Each rate schedule also lists the adjustments, charges, and special provisions that apply to that rate schedule.

The second section contains detailed descriptions of the adjustments, charges, and special provisions that apply to the various rate schedules. The third section contains the General Rate Schedule Provisions (GRSPs) for power and transmission rates. The GRSPs include a lengthy list of definitions, both of products and services and of rate schedule terms.

The Wholesale Power and Transmission Rate Schedules and the GRSPs will be published in a separate **Federal Register** Notice as described in Section I of this Notice. Following is a description of each wholesale power rate schedule.

Priority Firm Power Rate, PF-95

The proposed PF-95 rate schedule would replace the PF-93 rate schedule. Power is available under the PF-95 rate schedule to public bodies, cooperatives, Federal agencies, and utilities participating in the residential exchange under section 5(c) of the Northwest Power Act. Priority Firm power must be used to meet firm loads within the Pacific Northwest.

The PF rate schedule is available for power purchased both under the 1981 power sales contracts and under the new contracts BPA expects to offer in 1995 (1995 contracts). Rates have been developed for sales under each contract and for the various products available: Tier 1 demand and energy; Standard Tier 2 demand and energy; Enhanced

Tier 2 demand and energy; and Load Shaping and Load Regulation. The PF-95 rate schedule also contains a "composite" rate, for these products for small full requirement customers (25 aMW) purchasing power under the 1995 contracts. Also available is capacity without energy for computed requirements purchasers under "1981" contracts. The PF-95 rate schedule includes demand charges that are seasonally and diurnally differentiated. There is no demand charge for Light Load Hours in any month of the year. The energy charges also are seasonally and diurnally differentiated.

The energy billing factors under the proposed PF-95 rate schedule for Computed Requirements customers purchasing under existing ("1981") contracts have been changed from those in previous rate proposals (the Availability Charge). The proposed billing factors are now based entirely on contractual entitlements.

New Resource Firm Power Rate, NR-95

The proposed NR-95 rate schedule would replace the NR-93 rate schedule. The NR-95 rate schedule is available to investor-owned utilities under net requirements contracts for resale to consumers, and to publicly owned utilities for New Large Single Loads. Products available under the NR-95 rate schedule include New Resource Firm Power, Load Shaping, and Load Regulation. Demand and energy charges are seasonally and diurnally differentiated.

Industrial Firm Power Rate, IP-95

The proposed IP-95 rate would replace the IP-93 rate. The IP-95 rate schedule is available to BPA's direct-service industrial customers for firm power to be used in their industrial operations. Products available under the IP-95 rate include Tier 1 demand and energy, Standard Tier 2 demand and energy, Enhanced Tier 2 demand and energy, Load Shaping, and Load Regulation. The IP-95 rate schedule includes a composite rate for DSI purchasers under 1995 or later power sales contracts who are qualified and choose to purchase under the composite rate. Demand and energy charges are seasonally and diurnally differentiated.

Variable Industrial Power Rate

The VI-91 rate schedule is available to DSIs purchasing from BPA under both the power sales contracts signed prior to 1995 and the 1986 Variable Rate Contract. The VI-91 rate schedule terminates on June 30, 1996, at the termination of the Variable Rate Contracts, at which time sales to

purchasers under the VI rate will be made at the IP-95 rate. The VI-91 rate schedule is unchanged from prior years other than to update the rates and rate parameters based on the rate adjustment criteria established in 1991. Service under the VI rate is not tiered (i.e., there is not Tier 1 and Tier 2 service under this rate). For the preliminary rate proposal, BPA assumed no sales under the VI rate schedule during the rate period.

Firm Power and Services Rate, FPS-95

The proposed FPS-95 rate schedule is available for purchase of firm power products inside and outside the United States, and control area services, until its termination date, September 30, 2000. The FPS-95 rate schedule would supersede both the SP-93 (Surplus Firm Power Rate) and the CE-93 (Emergency Capacity) rate schedules, and also includes products formerly available under other rate schedules, such as construction, test and startup, and station service. Sales under FPS-95 may be made at fixed rates, as specified in the rate schedule, or at flexible rates as established by BPA or mutually agreed to by BPA and the purchaser. Fixed demand charges are diurnally but not seasonally differentiated, and fixed energy charges do not change diurnally or seasonally.

Nonfirm Energy Rate, NF-95

The proposed NF-95 rate schedule replaces the NF-93 rate. The NF-95 rate schedule is available for purchases of nonfirm energy inside and outside the Pacific Northwest for resale to consumers, direct consumption, and resale under Western Systems Power Pool agreements. The form of the NF-95 rate has not changed from previous years, with the schedule including a Standard rate, a Market Expansion rate, an Incremental rate, a Western Systems Power Pool rate, an End-User rate, and a Contract rate. However, the cost basis for the Contract rate has changed to reflect the average cost of nonfirm energy.

The NF Rate Cap, described in the Adjustments, Charges, and Special Rate Provisions section of the rate schedule document, continues to apply to all sales under NF-95 rate schedule. The NF Rate Cap defines the maximum nonfirm energy price for general application. The level of the NF Rate Cap is based on a formula tied to BPA's system cost and California fuel costs.

Reserve Power Rate, RP-95

The RP-95 rate schedule replaces the RP-93 rate schedule. The RP rate is available in cases where a purchaser's

power sales contract states that the rate for Reserve Power shall be applied; when BPA determines no other rate schedule is applicable; or to serve a purchaser's firm power load when BPA does not have a power sales contract in force with such a purchaser, and BPA determines that this rate should be applied. The demand and energy charges are seasonally and diurnally differentiated, with no demand charge during light load hours during any month of the year.

Power Shortage Rate, PS-95

The PS-95 rate schedule is available for sales under the Share-the-Shortage agreement or a similar substitute agreement. BPA is not obligated to make Shortage Power available or broker power under the PF-95 rate schedule unless specified by contract.

VII. Charges Under the Amended and Integrated Pacific Northwest Coordination Agreement

The Pacific Northwest Coordination Agreement (PNCA) is an agreement for planned operations among the utilities and other entities that operate the major electric generating facilities and systems in the Pacific Northwest. The parties jointly and cooperatively plan and coordinate their combined generation facilities so as to produce the optimum firm load carrying capability (FLCC) of the coordinated system. FLCC is the firm load that could be carried under coordinated operation with critical streamflow conditions and with the use of all reservoir storage.

In order to coordinate operations, and so that each party can meet its individual FLCC, the PNCA provides for exchanges of energy and capacity among the parties. The agreement sets up charges for each form of exchange. The parties are negotiating a successor agreement to the PNCA, and have agreed on charges to apply under the new agreement.

The PNCA Rate Schedules will be published in a separate **Federal Register** Notice as described in Section I of this notice.

Issued in Portland, Oregon, on February 7, 1995.

J.H. Curtis,

Acting Administrator.

[FR Doc. 95-3534 Filed 2-13-95; 8:45 am]

BILLING CODE 6450-01-P

Proposed Transmission Rate Adjustment, Public Hearing, and Opportunities for Public Review and Comment

AGENCY: Bonneville Power Administration (BPA), DOE.

ACTION: Notice and Opportunities for Review and Comment.

SUMMARY: *BPA File No:* TR-95. BPA requests that all comments and documents intended to become part of the Official Record in this process contain the file number designation TR-95.

The Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act) provides that BPA must establish and periodically review and revise its rates so that they are adequate to recover, in accordance with sound business principles, the costs associated with the acquisition, conservation, and transmission of electric power, and to recover the Federal investment in the Federal Columbia River Power System (FCRPS) and other costs incurred by BPA. BPA is proposing to revise its transmission rate schedules to be effective October 1, 1995, through September 30, 1997, to produce sufficient revenues for BPA to meet its costs for Fiscal Year (FY) 1996 and FY 1997.

Opportunities will be available for interested persons to review BPA's rate proposal, to participate in the rate hearing, and to submit oral and written comments. During the development of the final rate proposal, BPA will evaluate all written and oral comments received in the rate proceeding. Consideration of comments and more current data may result in the final rate proposal differing from the rates proposed in this Notice.

DATES: Persons wishing to become a formal "party" to the proceedings must notify BPA in writing of their intention to do so in accordance with requirements stated in this Notice. Petitions to intervene must be received by 9 a.m. February 13, 1995, and should be addressed as follows: Hearing Officer, c/o Francis (Jamie) Troy, Hearing Clerk—LQ, Bonneville Power Administration, NE. 11th Ave., Box 12999, Portland, Oregon 97212.

In addition, a copy of the petition must be served concurrently on BPA's Office of Legal Services: Janet L. Prewitt, Office of Legal Services—LQ, Bonneville Power Administration, Box 3621, Portland, Oregon 97208.

Persons who have been denied party status in any past BPA rate proceeding shall continue to be denied party status

unless they establish a significant change of circumstances.

A prehearing conference will be held before the Hearing Officer at 9 a.m. on February 13, 1995, in the BPA Rates Hearing Room, 3rd Level, 2032 Lloyd Center, Portland, Oregon. Registration for the prehearing conference will begin at 8:30 a.m. BPA will prefile preliminary proposal studies at the prehearing conference. The Hearing Officer will act on all intervention petitions and oppositions to intervention petitions, rule on any motions, establish additional procedures, establish a service list, establish a procedural schedule, and consolidate parties with similar interests for purposes of filing jointly sponsored testimony and briefs, and for expediting any necessary cross-examination. A notice of the dates and times of any hearings will be mailed to all parties of record. Objections to orders made by the Hearing Officer at the prehearing conference must be made in person or through a representative at the prehearing conference. The rate hearing schedule will be published in the **Federal Register** immediately following the prehearing conference.

The following schedule information is provided for informational purposes.

On or about February 9, 1995

Rate Schedules, General Rate Schedule Provisions, and Transmission Tariffs mailed to customers and 1993 rate case Parties, and available from BPA's Public Information Center; 905 NE. 11th, 1st Floor, Portland, Oregon.

February 13, 1995

Deadline for interventions to be filed with Hearing Clerk at above address.

On or about February 13, 1995

Preliminary proposal studies available at BPA's Rates Hearing Room, 2032 Lloyd Center, Portland, Oregon and BPA's Public Information Center, 905 NE. 11th, 1st Floor, Portland, Oregon.

February 13, 1995

Prehearing conference to set schedule and act on petitions to intervene.

On or about April 5, 1995

BPA Initial Proposal filed.

October 29, 1995

Final Record of Decision published.

BPA also will be conducting public field hearings. A field hearing schedule will be announced at the prehearing conference. A notice of the dates, times, and locations of the field hearings will be made later through mailings and public advertising.