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I. Introduction

Prior to the March 15, 1995, prehearing conference, BPA determined that its initial proposal should include new 2-year and 5-year rates. On February 14, 1995, BPA published a preliminary rate proposal in the **Federal Register**, 60 FR 8496. In that proposal, BPA noted that competitive forces are causing a fundamental and significant change in the Pacific Northwest wholesale power market. In light of these competitive forces, BPA determined that its initial proposal should include a 5-year rate as well as a 2-year rate. BPA anticipated that the work necessary to develop such a proposal would take until July of 1995. As part of the settlement discussions, the parties expressed a need for additional time to respond to BPA's new rate designs. BPA believes that without an adjustment to its wholesale and transmission rates for the period October 1, 1995, through September 30, 1996, BPA's ability to satisfy its statutory obligations could be impaired. The rate case schedule adopted by the Hearing Officers on March 22, 1995, meets both BPA's and the parties' needs. The schedule affords the parties a

hearing process that encompasses a period of eight months for establishment of BPA new rate designs including new 2- and 5-year rates. The effective date for the establishment of new 2- and 5-year rates is October 1, 1996.

In order to have sufficient time to conduct a full rate proceeding for new 2- and 5-year rate proposals, BPA and most parties to the 1995 rate proceeding agreed that BPA would propose to extend BPA's current adjustable rates with a 4 percent surcharge for a 1-year period, October 1, 1995, through September 30, 1996. The extension of rates requires a separate expedited proceeding and procedural schedule.

After the March 22, 1995, Scheduling Conference, the Hearing Officers issued an Order (the March 22 order) that divided the proceedings previously designated as WP-95, TR-95, and TC-95 into three separate dockets as follows:

(1) The 1995 Wholesale Power and Transmission Rates Proceeding is designated WP-95/TR-95, and will be a 90-day expedited rate proceeding conducted pursuant to section 1010.10 of the Procedures Governing Bonneville Power Administration Rate Hearings, 51 FR 7611 (1986) (hereinafter Procedures). This proceeding will extend current rates with a surcharge and establish the 3rd AC, annual cost rate, and the Pacific Northwest Coordination Agreement (PNCA) rate.

(2) The March 22 Order also established a subsequent 8 month procedural schedule beginning July 10, 1995, to establish BPA's power and transmission rates for the period beginning October 1, 1996, and new transmission services terms and conditions. The 1996 Wholesale Power Proceeding is designated WP-96, and Transmission Rates Proceeding is designated TR-96 and both will be conducted pursuant to section 1010.9 of the Procedures.

(3) The 1996 Transmission Services Terms and Conditions Proceeding is designated TC-96 and will be conducted pursuant to section 1010.9 of the Procedures concurrently with WP-96/TR-96.

In the March 22 Order, the Hearing Officers ruled that after March 22, 1995, separate official records will be maintained and separate decisions will be issued for each of the three proceedings designated above. In addition, the Hearing Officers ruled that intervenors who intervened in the dockets designated WP-95/TR-95 and TC-95 on or before March 15, 1995, were admitted as parties for all proceedings noted above.

Finally, the Hearing Officers established the final rate case schedules for Docket Numbers WP-95/TR-95, WP-96/TR-96, and TC-96. The schedule established by the Hearing Officers for Docket Number WP-95/TR-95 provides an opportunity for interested persons to review BPA proposed rates, to participate in the rate hearing, and to submit oral and written comments. All comments and documents intended to become part of the Official Record in this process should contain the file number designation WP-95/TR-95. Consideration of comments may result in a final rate proposal differing from the rates proposed in this Notice.

II. Background

The Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act) provides that BPA must establish and periodically review 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.

On March 9, 1995, BPA published in the **Federal Register** a notice of availability of BPA's preliminary proposed Wholesale Power and Transmission Rate schedules, 60 FR 12915. Since that time, BPA has continued to study the adequacy of its preliminary rate proposal, including its proposal to tier rates for requirements service. On March 17, 1995, BPA and most parties to the 1995 rate proceedings agreed to a settlement whereby BPA would propose that current rates be extended for 1 year and surcharged 4 percent to meet BPA revenue requirements. The Settlement Agreement was an attempt to balance a number of interests, including concerns expressed by customer representatives to BPA's Power Sale Contract renegotiations. These representatives suggested that BPA's new Power Sales Contracts and new rate structures should be coordinated to allow customers to carefully consider the new rates and contracts package in detail before making any long-term commitments.

BPA's initial proposal for the 1995 rate case proposes to surcharge by 4 percent each component of its current adjustable rates, including a Variable Industrial Power (VI) rate extended through September 30, 1996, for 1 year, from October 1, 1995, through September 30, 1996.