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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