

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.