

The Administrator will develop 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 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 wholesale power and transmission rates together with the record with FERC for confirmation and approval.

IV. Major Studies

A. Major Studies

1. Loads and Resources Study

BPA's forecast 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's resource acquisition plans are based on work by BPA and the Northwest Power Planning Council 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.

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 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 determines whether current rates will produce enough revenues to recover all BPA costs and expenses, including BPA's repayment obligations 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 revenues and cost 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 they provide. 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 3 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 for equitable allocation of transmission costs between Federal and non-Federal customers based on their usage of the segments.

4. Wholesale Power Rate Development Study (WPRDS)

BPA is proposing substantial changes in the method used to develop its wholesale power rates. The cost of service analysis (COSA) and rate design adjustments are the two central parts of the rate development process. The COSA apportions BPA's test year generation and transmission revenue requirements 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. Costs are allocated to classes of service on the basis of the relative use of services. The coincidental peak (CP) allocation of network transmission costs to customer classes uses an average of a 12-CP and 3-CP (December, January, and February) method to reflect transmission cost causation. The transmission costs allocated to the Federal power uses of the transmission system form the basis for the power rates' demand charge; the transmission costs allocated to non-Federal uses form the basis for the transmission, or wheeling, rates that are calculated in the Transmission Rate Design Study (discussed below).

The rate design adjustment portion of the WPRDS modifies the allocated costs developed in the COSA 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