

3. Changes in Rate Design

A major change that BPA is proposing is the introduction of separate 5-year duration rate schedules for PF, IP, and NR rates. Other rate design changes include the elimination of an Interim Rate Adjustment, changes to demand charges, development of a composite rate for some small customers, changes to the Low Density Discount, elimination of the Irrigation Discount, changes to the unauthorized increase charge, changes to the NF contract rate, and development of a rate phase-in adjustment for full or metered requirements customers.

a. 5-Year Rate

BPA is proposing to introduce a 5-year rate, available by subscription for all purchasers under the PF, IP, and NR rate schedules. The 5-year duration is available for power purchases, as well as related unbundled products, to purchasers under both the current and new power sales contracts. The longer-term rate is intended to provide customers with price certainty for the products needed to supply their entire electricity portfolio. BPA will continue to offer a 2-year rate for products and services. The 5-year rate will have the same seasonal and diurnal shape as the 2-year rate, and will be constant over the 5-year period. In most cases, customers will be able to choose to place a portion of their load on the 2-year rate and a portion on the 5-year rate. Utilities serving New Large Single Loads (NLSLs) must elect to have their NLSLs served at either the 2-year or the 5-year rate. The 5-year rate will not be available to utilities participating in the exchange under section 5(c) of the Northwest Power Act.

b. Power Demand Charges

BPA is proposing a number of changes to the demand charge. Customers will be billed for transmission service for their Federal power deliveries, assessed under the appropriate transmission rate schedules. Further discussion of the proposed transmission rates is in Section E, below. There also will be a "generation" demand charge in the PF, IP, NR, and FPS rate schedules. This charge will be assessed to power purchases that occur during the same hour as the transmission system peak. BPA has proposed to eliminate the Demand Ratchet included in previous rate cases. It has not proved to be effective, and with the other demand rate design changes, is unnecessary.

c. The Composite Rate

A composite rate is being proposed for utility purchasers who choose to purchase their entire power requirements from BPA at the composite rate under the PF-96.5 rate schedule. Only customers whose forecasted average annual energy loads during the 5-year purchase period are 25 average annual megawatts or less are eligible to purchase at this rate. The composite rate is a weighted average rate based on the relative cost of generation demand, energy, load shaping and load regulation. Customers will be billed for transmission service for their Federal power deliveries, assessed under the appropriate transmission rate schedules.

d. Low Density Discount

BPA is proposing to change the eligibility criteria and calculation of the Low Density Discount. In determining eligibility, the total electric energy requirement now will include nonfirm sales to firm retail and nonfirm loads. The calculation proposes using a sliding scale of percentage discounts based on both (1) the utility's number of customers per pole-mile and (2) the utility's ratio of total electric energy requirements to investment. Separate discounts resulting from each of the two ratios will be added to result in the utility's total discount, which is capped at 7 percent. The proposed discount will apply to total power purchases under both current and new power sales contracts, and will not apply to transmission-related charges.

e. Unauthorized Increase for Power Sales

BPA proposes to change the unauthorized increase charge to eliminate seasonal differentiation. This reflects treating the charge as a penalty rate, applicable to purchasers taking demand and energy in excess of their contractual entitlement, rather than a cost-based rate. This unauthorized increase charge will apply both to current and new power sales contracts. In addition, there is an unauthorized deviation charge for partial requirements purchases purchasing under the new power sales contract. This rate is the same as the unauthorized increase charge.

f. Nonfirm Rate Schedule Contract Rate

BPA also is proposing to modify the contract rate in the NF rate schedule. The contract rate will be equal to the average cost of nonfirm energy.

g. Rate Phase-in Adjustment

BPA is proposing a rate phase-in mitigation for full or metered

requirements preference customers, who, as a result of all of BPA's rate design changes, will see a rate increase greater than 9 percent. This phase-in adjustment is available only to customers who choose to purchase all of their power from BPA at the 5-year rate, and meet other eligibility requirements.

4. Unbundled Products

For service under both the 1981 and 1996 power sales contracts, BPA is proposing separate charges under the PF, IP, and NR rate schedules for firm energy demand, load shaping, partial load shaping, and load regulation. Load shaping allows BPA to meet customer load variations from forecasts. Load regulation follows variations in the customers' loads on an instantaneous basis. BPA is unbundling, i.e., separately pricing, many products, generally available under two new rate schedules.

5. Ancillary Services

BPA is proposing the Ancillary Products and Services (APS) rate schedule for those services necessary to support the transmission of electric power from resources to load on the FCRTS. These services are: control area reserves for resources; control area reserves for interruptible purchases; scheduling and dispatch; load regulation, and transmission losses.

6. Firm Power Products and Services

BPA also has developed the Firm Power Products and Services (FPS) rate schedule. 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 various unbundled products. 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.

F. 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 4 years, are no higher than the costs of power to those customers would be 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