

HOP = same as HGP, except the data is for the petroleum price (as opposed to the gas price).

10 = the same conversion factor as used for converting the gas data.

d. Determination of WOU, Historical Petroleum Use in California.

$WOU = COU * HOU$

where:

COU = the same as CGU except the data for monthly net petroleum-fired generation is used instead of the gas data.

HOU = the same as HGU, except the data for petroleum consumption is used instead of the gas data.

6. Changes in Data Sources

In the event that the data used to compute the NF Rate Cap become unavailable, BPA may identify and substitute other data sources for the purpose of calculating the monthly NF Rate Cap. As a result of this data substitution, it may also be necessary to modify the NF Rate Cap methodology to achieve an NF Rate Cap that is substantially equivalent in rate level to that which would have resulted from continued use of the data described in section 5, above.

BPA shall notify interested parties of its intent to substitute data sources or to substitute data sources and change the NF Rate Cap methodology at least 120 days prior to the billing month in which the change would become effective. In this notification, BPA shall explain the reason(s) for the proposed changes and describe its proposed alternative. Interested persons will have until close of business 3 weeks from the date of the notification to provide comments. Consideration of comments and more current information may cause the final data sources and the final NF Rate Cap methodology to differ from BPA's initial proposal. BPA shall notify all affected parties, and those parties that submitted comments, of its final determination 90 days prior to the billing month in which the new NF Rate Cap parameters (data sources/methodology) become effective.

K. Operating Reserves Adjustment (IP only)

The energy charges stated in the IP-96 rate schedules reflect a 3.05 mills per kilowatt-hour credit for the operating reserves a DSI provides to BPA pursuant to its power sales contract. If a DSI chooses not to provide operating reserves, a billing adjustment will be made to remove the credit.

L. Phase-In Mitigation

The phase-in mitigation is available for Full or Metered Requirements Preference customers. Phase-in

mitigation does not apply to PF purchased under a Residential Purchase and Sale Agreement or an Exchange Transmission Credit Agreement.

1. Eligibility Criteria

To qualify for the phase-in mitigation a purchaser must:

a. be a Full Requirements customer of BPA as designated in the 1996 Contract, or a Metered Requirements customer of BPA as designated in the 1981 Contract;

b. agree to purchase all power from BPA for 5 years under one or more of BPA's 5-year rate schedules; and

c. have a rate increase greater than 9 percent for all BPA power purchases, rounded to the nearest one-tenth of a percent, based on the determination in section 2 below.

2. Determination of Rate Increase for Phase-In Mitigation

The percentage rate increase faced by a Full or Metered Requirements purchaser will be calculated as follows:

a. Apply all applicable 1993 rate schedule (PF, NR, etc.) charges to the individual customer's FY 1996 expected BPA purchases, as forecasted in the 1996 rate case by BPA.

b. Apply all applicable 1996 rate schedule (PF, NR, transmission, etc.) charges to the individual customer's FY 1996 expected BPA purchases, as forecasted in the 1996 rate case by BPA.

c. If the value of 2.a minus the value of 2.b, divided by 2.a, is greater than 9 percent, rounded to the nearest tenth of a percent, the customer may notify BPA by letter to their Account Executive to phase in the 1996 rate increase. Such notice must be received by BPA by September 1, 1996. Purchasers may not apply for mitigation after this time

3. Rate Adjustment

If the purchaser meets the eligibility criteria and requests BPA to phase in its 1996 rate increase, beginning each October 1 of each year BPA will limit the monthly increase in the customer's bill to 9 percent in the first year, with additional 9-percent increments in each subsequent year over the effective period of the 1996 5-year rates.

The adjustment will be based on the difference between: (1) the purchaser's total monthly payment assuming the 1993 rates for the billing month were applied to power purchases for that month; and (2) the purchaser's total monthly payment under the 1996 rates for that month. In the first year, if the difference between the two is equal to or less than 9 percent, no adjustment will be made to the purchaser's monthly bill. If the difference between the two is greater than 9 percent, an adjustment

will be made such that the monthly bill to that customer will reflect an increase equal to 9 percent. In subsequent years, no adjustment shall be made if the difference between (1) and (2) above is less than or equal to 18 percent in the second year, 27 percent in the third year, 36 percent in the fourth year, and 45 percent in the fifth year.

M. Preschedule Change Charge

As specified in the APS-96 rate schedule, BPA shall apply the following charge to any customer who changes its preschedules after the close of the preschedule window: \$33 per change.

N. Reactive Power Charge

1. Conditions for Application of the Reactive Power Charge

A Purchaser that purchases power under BPA's wholesale power rate schedules or transmission service on the Federal Columbia River Transmission System (FCRTS) under BPA's transmission rate schedules shall be charged for its Reactive Power requirements for such service.

The Reactive Power Charge will apply only to the Purchaser's Reactive Power requirements for which measured data exist. The Purchaser's Reactive Power requirements shall be measured at each point of delivery and at each point of interconnection between BPA and the Purchaser where real power (MW) flow is unidirectional and the Purchaser is taking delivery of real power (either Federal or non-Federal). Points of delivery that are served by transfer over another utility's transmission system will not be subject to a Reactive Power Charge unless: (1) the transferor imposes a reactive power charge on BPA for serving such Purchaser's load; or (2) there are BPA Integrated Network facilities between the Purchaser's points of delivery and the transferor's system. For points of interconnection, the flow of real power must be unidirectional on all hours during the billing month when the FCRTS facilities are in service. The Reactive Power Charge shall also apply to the Purchaser's Reactive Power requirements measured at points of integration where a Purchaser's generating resource is directly connected to the FCRTS, unless the Purchaser's generating resource is either: (1) a synchronous generator equipped with a voltage regulator; or (2) is equipped with Reactive Power control devices that comply with BPA's interconnection standards. Such resource must actively support the voltage schedule at the point of integration at all times, as determined by BPA, for this exemption to apply.