

BPA 20-year power subscription

- Q. Should DSI's receive cost-based power from BPA after 2006? If so, how much?
 - A. DSI's should not receive firm, cost-based federal power from BPA after 2006. BPA federal power that is part of the Federal Base System should be reserved, at cost, for preference customers. BPA sales of federal power to the DSI's, if any, should not increase costs to preference customers. However, BPA should make allowances for sale of surplus or secondary power to the DSI's.

- Q. Should the residential and small farm customers of regional IOUs receive Federal power, or only financial benefits, to satisfy the residential exchange provisions of the Northwest Power Act? If so, at what levels?
 - A. They should receive financial benefits determined by applying the methodology in the Northwest Power Act and BPA's average system cost methodology approved by the Federal Energy Regulatory Commission, 18 C.F.R. Part 301.

- Q. What provisions should be made for service to newly formed public utilities?
 - A. It is a primary responsibility of BPA to service all publicly owned utilities. BPA should not discriminate against new public agencies; it must make provisions to service these newly formed utilities.

A small number of publicly owned utilities have been formed in recent years and qualified for service as preference customers. Having qualified as a preference customer, these utilities, including the Port of Seattle's Seattle-Tacoma International Airport, should receive the same contract and rate terms as other preference customers after 2006.

BPA's 2002 wholesale power rates provided for different treatment for qualified preference customers that requested service after BPA's subscription window closed. That policy is an artifact of BPA's need to establish certainty in its rate case with respect to loads that would be served at BPA's Priority Firm 02 rate. Starting in 2006, all existing preference customers should be treated equally; the PF 02 rate should not be a precedent for discriminatory treatment of the existing preference customers after 2006.

- Q. Should steps be taken to minimize the additional loads that BPA would have to serve in order to limit the amount of resources that BPA would need to acquire?

- - A. Upon the request of any preference customer or investor owned utility, BPA is required to meet the net electric power requirements of such preference customer or investor owned utility. Short of changing the law, the “steps to minimize additional loads that BPA would have to serve” probably involve rate design measures that discourage BPA customers from placing additional load on BPA by making BPA service more expensive than alternative service from independent power producers and wholesale power marketers

Except for new large single loads that are charged the New Resources Rate, we believe that the cost of growth should be spread throughout the region and not borne by customers in service areas that happen to grow relatively more rapidly than others.

- Q. If BPA does need to acquire new resources, should BPA do so by buying power in the market or by purchasing it directly from developers of new resources?

- - A. BPA should have the flexibility to purchase from whatever option offers the best price and reliability.

- Q. Should power from the existing Federal system be sold among BPA’s regional customers, with customers themselves meeting their additional power needs? If so, how should the power be sold?

- - A. Power from the existing Federal system **is** sold among BPA regional customers, except for power that is surplus to the requirements of BPA’s regional customers. The second part of the question (“with the customers themselves meeting their additional power needs”) has been asked and answered above: BPA is required to meet the net power requirements of any requesting preference customer or investor owned utility. The last question “how should the power be sold?” is unclear. Are BPA and the Council asking whether the FBS, including FBS capacity above the amounts presently sold to preference customers, should be allocated based on a formula? Whether BPA should increase slice-of-the-system sales? Something else?

- Q. If BPA does acquire resources, as it has for the current five-year rate period, how should its power be priced? Should BPA continue to meld all the costs of its power together into one rate? Or, should BPA adopt a “tiered rate” system whereby power produced by the existing federal system would continue to be sold at its cost while additional power purchased in the market or directly from developers would be sold at those market or project-based prices?
 - A. BPA should adopt a tiered-rate system as outlined. However, as noted above, all preference customers should be treated equally in 2006. If BPA adopts tiered rates all preference customers, including the Port of Seattle’s Seattle-Tacoma International Airport, should be treated on the same basis.

- Q. What kinds of power products should BPA offer its customers?
 - A. The same as now exist.

- Q. What flexibility should utilities have regarding the use of Federal power that they purchase from BPA?
 - A. Utilities should only use Federal power to resell to their native retail customers. Federal power should not be re-sold into the market.