

### **Principles for Tier 1 Rate Design**

- 1) BPA rate design will convey the available embedded value of the federal system to it preference customers
- 2) A customer's share of the embedded value of the federal system should not be diluted by any other customer's service choices
- 3) Risk in Tier 2 will be minimized in order to limit the possibility of unrecoverable Tier 2 costs being shifted to Tier 1
- 4) Rates for Tier 1 service will be based on the shape of aggregate load on BPA and its revenue requirement
- 5) Actual implementation of rate design needs to balance these principles against simplicity, sustainability, and workability

### **Implications:**

Future shaping costs may increase as a result of changes to shape of aggregate load on BPA, even if an individual customer's shape doesn't change

The further that prices depart from marginal cost pricing, the more that Principle #2 is compromised; but pricing all components at marginal cost compromises Principle #1.