

**DATES:** Wednesday, March 11, 2009, 5 p.m.

**ADDRESSES:** Atomic Testing Museum, 755 East Flamingo Road, Las Vegas, Nevada 89119.

**FOR FURTHER INFORMATION CONTACT:** Denise Rupp, Board Administrator, 232 Energy Way, M/S 505, North Las Vegas, Nevada 89030. *Phone:* (702) 657-9088; *Fax* (702) 295-5300 or *E-mail:* [ntscab@nv.doe.gov](mailto:ntscab@nv.doe.gov).

**SUPPLEMENTARY INFORMATION:**

Purpose of the Board: The purpose of the Board is to make recommendations to DOE in the areas of environmental restoration, waste management, and related activities.

*Tentative Agenda:*

1. DOE Presentation: Cultural Resource Update
2. Sub-Committee Reports
  - A. Budget Committee
  - B. Environmental Management Public Information Review Effort Committee
  - C. Outreach Committee
  - D. Transportation/Waste Committee
  - E. Underground Test Area Committee
3. DOE Nevada Site Office

Environmental Management Update  
*Public Participation:* The EM SSAB, Nevada Test Site, welcomes the attendance of the public at its advisory committee meetings and will make every effort to accommodate persons with physical disabilities or special needs. If you require special accommodations due to a disability, please contact Denise Rupp at least seven days in advance of the meeting at the phone number listed above. Written statements may be filed with the Board either before or after the meeting. Individuals who wish to make oral presentations pertaining to agenda items should contact Denise Rupp at the telephone number listed above. The request must be received five days prior to the meeting and reasonable provision will be made to include the presentation in the agenda. The Deputy Designated Federal Officer is empowered to conduct the meeting in a fashion that will facilitate the orderly conduct of business. Individuals wishing to make public comment will be provided a maximum of five minutes to present their comments.

*Minutes:* Minutes will be available by writing to Denise Rupp at the address listed above or at the following Web site: <http://www.ntscab.com/MeetingMinutes.htm>.

Issued at Washington, DC on February 5, 2009.

**Rachel Samuel,**

*Deputy Committee Management Officer.*  
[FR Doc. E9-2784 Filed 2-9-09; 8:45 am]

**BILLING CODE 6450-01-P**

**DEPARTMENT OF ENERGY**

**Bonneville Power Administration**

**Fiscal Year (FY) 2010-2011 Proposed Power and Transmission Rate Adjustments; Public Hearing and Opportunities for Public Review and Comment**

**AGENCY:** Bonneville Power Administration (BPA), Department of Energy (DOE).

**ACTION:** Notice of FY 2010-2011 Proposed Power and Transmission Rate Adjustments.

**SUMMARY:** BPA is holding a consolidated rate proceeding, BPA-10, that will have separate sub-dockets for power and transmission rates for FY 2010-2011.

The rate proceeding will have one hearing officer, one schedule, one record, and one Record of Decision (ROD). The power sub-docket is designated WP-10, and the transmission sub-docket, which includes transmission and ancillary services rates, is designated TR-10. The Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act) provides that BPA must establish and periodically review and revise its rates so that they are adequate to recover, in accordance with sound business principles, the costs associated with the acquisition, conservation, and transmission of electric power, including amortization of the Federal investment in the Federal Columbia River Power System (FCRPS) and BPA's other costs and expenses. The Northwest Power Act also requires that BPA's rates be established based on the record of a formal hearing. In addition, for transmission rates only, the Federal Columbia River Transmission System Act requires that transmission costs be equitably allocated between Federal and non-Federal power using the system. By this notice, BPA announces the commencement of a power and transmission rate adjustment proceeding for proposed power, transmission, and ancillary services rates that will be effective on October 1, 2009.

**DATES:** Anyone wishing to become a party to the proceeding must provide written notice, via U.S. Mail or electronic mail, which is received by BPA no later than 4:30 p.m. on February 17, 2009. Parties need to submit only one notice to request intervention as a party in both the WP-10 and the TR-10 sub-dockets.

The rate adjustment proceeding begins with a prehearing conference at 1:30 pm on February 18, 2009, in Portland, Oregon.

Written comments by non-party participants must be received by April 24, 2009, to be considered in the Administrator's Record of Decision.

**ADDRESSES:**

1. Petitions to intervene should be directed to Hearing Clerk—L-7, Bonneville Power Administration, 905 NE 11th Ave., Portland, Oregon 97232, or may be e-mailed to [2010HearingClerk@bpa.gov](mailto:2010HearingClerk@bpa.gov). In addition, copies of the petition must be served concurrently on BPA's General Counsel and directed to both Mr. Peter J. Burger, LP-7, and Mr. Barry Bennett, LC-7, Office of General Counsel, 905 NE 11th Ave., Portland, Oregon 97232, or via e-mail to [pjburger@bpa.gov](mailto:pjburger@bpa.gov) and [bbennett@bpa.gov](mailto:bbennett@bpa.gov) (see section III.A. for more information regarding interventions).

2. Written comments by participants should be submitted to the Public Engagement Office—DKE-7, Bonneville Power Administration, P.O. Box 14428, Portland, Oregon 97293. You may also e-mail your comments to [comment@bpa.gov](mailto:comment@bpa.gov). BPA requests that all comments and documents intended to be part of the Official Record in this rate proceeding contain the designation BPA-10.

3. The prehearing conference will be held in the BPA Rates Hearing Room, 2nd floor, 911 NE 11th Ave., Portland, Oregon 97232.

**FOR FURTHER INFORMATION CONTACT:** Ms. Heidi Helwig—DKE-7, Public Affairs Specialist, Bonneville Power Administration, P.O. Box 3621, Portland, Oregon 97208-3621; by phone at 503-230-3488 or toll free at 1-800-622-4519; or via e-mail to [hyhelwig@bpa.gov](mailto:hyhelwig@bpa.gov).

*Responsible Official:* Mr. Raymond D. Bliven, Power Rates Manager, is the official responsible for the development of BPA's power rates, and Mr. Edison Elizeh, Commercial Business Assessment Manager, is the official responsible for the development of BPA's transmission and ancillary services rates.

*BPA Attorney Advisors:* Mr. Peter J. Burger is the principal BPA attorney assigned to the power rates sub-docket proceeding, and Mr. Barry Bennett is the principal BPA attorney assigned to the transmission and ancillary services rates sub-docket proceeding. Mr. Burger may be contacted as follows: by U.S. Mail at Mr. Peter J. Burger, Office of General Counsel, LP-7, Bonneville Power Administration, P.O. Box 3621, Portland, OR 97208-3621; via e-mail at [pjburger@bpa.gov](mailto:pjburger@bpa.gov); or by telephone at 503-230-4148. Mr. Bennett may be contacted as follows: by U.S. Mail at Mr.

Barry Bennett, Office of General Counsel, LC-7, Bonneville Power Administration, P.O. Box 3621, Portland, OR 97208-3621; via e-mail at [bbennett@bpa.gov](mailto:bbennett@bpa.gov); or by telephone at 503-230-4053.

**SUPPLEMENTARY INFORMATION:**

**Part I—Introduction and Procedural Background**

Section 7(i) of the Northwest Power Act, 16 U.S.C. section 839e(i), requires that BPA's rates be established according to certain procedures, including publication in the **Federal Register** of this notice of the proposed rates; one or more hearings conducted as expeditiously as practicable by a hearing officer; opportunity for both oral presentation and written submission of views, data, questions, and arguments related to the proposed rates; and a decision by the Administrator based on the record. BPA's rate proceedings are further governed by BPA's Procedures Governing Bonneville Power Administration Rate Hearings, 51 FR 7611 (1986), which implement and expand the statutory requirements.

This proceeding is being conducted under the rule for general rate proceedings, section 1010.4 of BPA's Procedures. A proposed schedule for the proceeding is provided below. A final schedule will be established by the Hearing Officer at the prehearing conference.

Parties File Petition to Intervene:

February 17, 2009.

Prehearing/BPA Direct Case: February 18, 2009.

Clarification: February 24–27, 2009.

Motions to Strike: March 2, 2009.

Data Request Deadline: March 2, 2009.

Answers to Motions to Strike: March 9, 2009.

Data Response Deadline: March 9, 2009.

Parties file Direct Case: March 20, 2009.

Clarification: March 25–26, 2009.

Motions to Strike: March 30, 2009.

Data Request Deadline: March 30, 2009.

Answers to Motions to Strike: April 6, 2009.

Data Response Deadline: April 6, 2009.

Litigants file Rebuttal: April 17, 2009.

Close of Participant Comments: April 24, 2009.

Clarification: April 24, 2009.

Motions to Strike: April 29, 2009.

Data Request Deadline: April 29, 2009.

Answers to Motions to Strike: May 6, 2009.

Data Response Deadline: May 6, 2009.

Cross Examination: May 11–15, 2009.

Initial Briefs Filed: May 27, 2009.

Oral Argument: June 10, 2009.

Draft ROD issued: June 23, 2009.

Briefs on Exceptions: July 2, 2009.

Final ROD—Final Studies: July 21, 2009.

Section 1010.7 of BPA's Procedures prohibits *ex parte* communications. The *ex parte* rule applies to all BPA and DOE employees and contractors. Except as provided below, any outside communications with BPA and/or DOE personnel regarding the merits of any issue in BPA's rate proceeding by other Executive Branch agencies, Congress, existing or potential BPA customers (including tribes), and nonprofit or public interest groups are considered outside communications and are subject to the *ex parte* rule. The general rule does not apply to communications relating to: (1) Matters of procedure only (the status of the rate proceeding, for example); (2) exchanges of data in the course of business or under the Freedom of Information Act; (3) requests for factual information; (4) matters for which BPA is responsible under statutes other than the ratemaking provisions; or (5) matters which all parties agree may be made on an *ex parte* basis. The *ex parte* rule remains in effect until the Administrator's Final ROD is issued, which is scheduled to occur on or about July 21, 2009.

**Part II—Description of Joint Rate Proceeding and Information Applicable to Both Sub-Dockets**

*A. Joint Rate Proceeding*

Since BPA formed the power and transmission business lines in 1997, it has held separate power and transmission rate proceedings. This year, however, BPA is holding one rate proceeding with two sub-dockets, one sub-docket for power rates and one sub-docket for transmission rates, because both sets of rates are expiring on September 30, 2009. The rate proceeding will have one hearing officer, one schedule, one record, and one Record of Decision.

The power rates sub-docket will address all power rates issues, including the calculation and pricing of capacity reserves for ancillary and control area services (regulating reserves, operating reserves, and wind balancing reserves). The power rates sub-docket will also include other generation inputs and inter-business line topics, including synchronous condensing, generation dropping, redispatch expense, energy and generation imbalance revenue, segmentation of U.S. Army Corps of Engineers and U.S. Bureau of Reclamation transmission facilities, and station service. Except for the above generation inputs issues, the transmission rates sub-docket will include all transmission rates issues,

including rate design and rate schedules for all ancillary and control area services.

Because BPA has separated its power and transmission functions and is setting its power and transmission rates in separate sub-dockets, it is appropriate that BPA's Power Services be a party to the transmission sub-docket. Accordingly, Power Services will be considered a party to the transmission sub-docket for all purposes under BPA's Procedures. Power Services may file testimony and briefs as a party and will be entitled to all other procedural rights of a party. In particular, Power Services shall be considered a party for purposes of *ex parte* communications.

*B. Integrated Program Review*

BPA began its first Integrated Program Review (IPR) process in May 2008 in response to customer and stakeholder requests for a consolidated program-level review of BPA's planned expenses. This process replaced prior public involvement efforts, including the Capital Program Review, Power Function Review, and Transmission's Programs in Review. The IPR process is designed to allow persons interested in BPA's program levels an opportunity to review and comment on all of BPA's expense and capital spending level estimates in the same forum prior to the use of those estimates in setting rates.

The recently completed IPR focused on FY 2010 and 2011 program levels for BPA's Power Services and Transmission Services as well as a review of proposed Power Services FY 2009 program levels. Decisions on FY 2009 Power Services costs were announced in a separate document released July 18, 2008. BPA held 17 IPR workshops at which proposed spending levels were presented for each of BPA's programs. BPA carefully reviewed and considered the 18 written comments and numerous oral comments on FY 2010–2011 program levels that were made during this public process.

On November 14, 2008, BPA issued the Close-Out Letter and accompanying report for the IPR, which summarizes the comments and outlines BPA's responses. In the Close-Out Letter and report, BPA established the program level cost estimates that are used in the WP-10 and TR-10 Initial Proposals. In addition, BPA committed to reassessing the program spending levels to determine if further cost changes are appropriate, and conducting an abbreviated public review in the spring of 2009. BPA will conduct this process separately from the rate proceeding to share updated forecasts, define additional policy choices, and solicit

feedback from customers and constituents before the final program levels are incorporated into the final rates.

### *C. The National Environmental Policy Act*

BPA is in the process of assessing the potential environmental effects of its proposed power and transmission rates, consistent with the National Environmental Policy Act (NEPA). The NEPA process is conducted separately from the rate proceeding. As discussed in sections IV.B. and V.A.7. below, all evidence and argument addressing potential environmental impacts of rates being developed in the BPA-10 rate proceeding are excluded from the rate proceeding hearing record. Rather, comments on environmental effects should be directed to the NEPA process.

Because this proposal involves BPA's ongoing business practices related to rates, BPA is reviewing the proposal for consistency with BPA's Business Plan Environmental Impact Statement (Business Plan EIS), completed in June 1995 (BOE/EIS-0183). This policy-level EIS evaluates the environmental impacts of a range of business plan alternatives for BPA that could be varied by applying various policy modules, including one for rates. Any combination of alternative policy modules should allow BPA to balance its costs and revenues. The Business Plan EIS also includes response strategies, such as adjustments to rates, that BPA could implement if BPA's costs exceed its revenues.

In August 1995, the BPA Administrator issued a Record of Decision (Business Plan ROD) that adopted the Market-Driven Alternative from the Business Plan EIS. This alternative was selected because, among other reasons, it allows BPA to: (1) Recover costs through rates; (2) competitively market BPA's products and services; (3) develop rates that meet customer needs for clarity and simplicity; (4) continue to meet BPA's legal mandates; and (5) avoid adverse environmental impacts. BPA also committed to apply as many response strategies as necessary when BPA's costs and revenues do not balance.

In April 2007, BPA completed and issued a Supplement Analysis to the Business Plan EIS. This Supplement Analysis found that the Business Plan EIS's relationship-based and policy-level analysis of potential environmental impacts from BPA's business practices remains valid, and that BPA's current business practices remain consistent with BPA's Market-Driven approach. The Business Plan EIS

and ROD thus continue to provide a sound basis for making determinations under NEPA concerning BPA's policy-level decisions, including rates.

Because the proposed rates likely would assist BPA in accomplishing the goals identified in the Business Plan ROD, the proposal appears consistent with these aspects of the Market-Driven Alternative. In addition, this rate proposal is similar to the type of rate designs evaluated in the Business Plan EIS; thus, implementation of this rate proposal would not be expected to result in environmental impacts significantly different from those examined in the Business Plan EIS. Therefore, BPA expects that this rate proposal likely will fall within the scope of the Market-Driven Alternative that was evaluated in the Business Plan EIS and adopted in the Business Plan ROD.

As part of the Administrator's Record of Decision that will be prepared for the BPA-10 rate proceeding, BPA may tier its decision under NEPA to the Business Plan ROD. However, depending upon the ongoing environmental review, BPA may, instead, issue another appropriate NEPA document. Persons may submit comments regarding the potential environmental effects of the proposal to Katherine Pierce, NEPA Compliance Officer, KEC-4, Bonneville Power Administration, 905 NE 11th Avenue, Portland, OR 97232. Any such comments received by the comment deadline for Participant Comments identified in section III.A. below will be considered by BPA's NEPA compliance staff in the NEPA process that will be conducted for this proposal.

### *D. Power and Transmission Rate Workshops*

In preparation for the BPA-10 rate proceeding, BPA held several public rate case workshops with customers and interested parties from May 2008 through January 2009. BPA published notices for all workshops, which were well attended by customers and interested parties. During the workshops, BPA staff presented and discussed information about costs, load and resource forecasting, generation inputs pricing, revenue forecasts, risk analysis and mitigation, products, pricing, and rate design. Customers and interested parties had extensive opportunity to participate, raise issues, and comment on the information BPA staff presented. At the workshops, the customers approached BPA staff about partial settlement of the Transmission rate proposal, excluding generation inputs. Transmission Services met with parties several times to negotiate the

partial settlement of the Transmission rate case. See section IV.A.

### **Part III—Public Participation**

#### *A. Distinguishing Between "Participants" and "Parties"*

BPA distinguishes between "participants in" and "parties to" the hearings. Apart from the formal hearing process, BPA will receive written comments, views, opinions, and information from "participants," who are defined in BPA's Procedures as persons who may submit comments without being subject to the duties of, or having the privileges of, parties. Participants' written comments will be made part of the official record and considered by the Administrator. Participants are not entitled to participate in the prehearing conference; may not cross-examine parties' witnesses, seek discovery, or serve or be served with documents; and are not subject to the same procedural requirements as parties. BPA customers whose rates are subject to this proceeding, or their affiliated customer groups, may not submit participant comments. Persons who are members or employees of organizations that have intervened in the rate proceeding may submit general comments as participants but may not use the comment procedures to address specific issues raised by their intervenor organization.

Written comments by participants will be included in the record if they are received by April 24, 2009. Written views, supporting information, questions, and arguments should be submitted to the address listed in the **ADDRESSES** section of this Notice.

Entities or persons become parties to the proceeding by filing petitions to intervene, which must state the name and address of the entity or person requesting party status and their interest in the hearing. BPA customers and affiliated customer groups will be granted intervention based on a petition filed in conformance with BPA's Procedures. Other petitioners must explain their interests in sufficient detail to permit the hearing officer to determine whether such petitioners have a relevant interest in the hearing. Pursuant to Rule 1010.1(d) of BPA's Procedures, BPA waives the requirement in Rule 1010.4(d) that an opposition to an intervention petition be filed and served 24 hours before the prehearing conference. Any opposition to an intervention petition must instead be made at the prehearing conference. Any party, including BPA, may oppose a petition for intervention. All timely

petitions will be ruled on by the hearing officer. Late interventions are strongly disfavored. Opposition to an untimely petition to intervene must be filed and received by BPA within two days after service of the petition.

#### *B. Developing the Record*

The hearing record will include, among other things, the transcripts of the hearing, written evidence and argument entered into the record by BPA and the parties, written comments from participants, and other material accepted into the record by the hearing officer in either sub-docket. The hearing officer then will review the record and certify the record to the Administrator for final decision.

The Administrator will develop final rates based on the record, information from the program level workshops, documents prepared pursuant to the National Environmental Policy Act and other environmental statutes, Average System Cost determinations, and such other material or information as may have been submitted to or developed by the Administrator. The Administrator will serve copies of the Final Record of Decision on all parties. BPA will file its rates with the Federal Energy Regulatory Commission (Commission) for confirmation and approval after issuance of the Final Record of Decision.

### **Part IV—Transmission Sub-Docket TR-10**

#### *A. Partial Settlement of the Transmission Sub-Docket*

Transmission Services and most of its customers, including Power Services, are parties to a Partial Settlement Agreement that provides for Transmission Services to submit a Settlement Proposal that incorporates the provisions of the agreement. The Partial Settlement Agreement provides for Transmission Services to propose maintaining current FY 2008–2009 rates, with no rate increase for the FY 2010–2011 period, for all transmission services and for two ancillary services: Scheduling, System Control and Dispatch Service and Reactive Supply and Voltage Control from Generation Sources Service. The remaining ancillary services and all control area services are not covered by the partial settlement.

The Partial Settlement Agreement also includes changes to the Failure to Comply Penalty Charge, the Unauthorized Increase Charge, and the Network Integration Rate. In addition, it includes BPA's commitments to hold discussions with all interested parties

regarding various ratemaking issues and to develop a business practice for implementing the revised Failure to Comply Penalty Charge. The Partial Settlement Agreement also provides that BPA will file with the Commission revised Attachment M to BPA's Open Access Transmission Tariff (OATT) and that the signatories to the Partial Settlement Agreement will not challenge the filing. The Attachment M filing will not be part of this rate proceeding.

The Partial Settlement Agreement recognizes the possibility that parties to the TR-10 Transmission rate proceeding that have not signed the Partial Settlement Agreement may object to Transmission Services' Settlement Proposal. If any party objects to the Settlement Proposal, Transmission Services has the right to submit a revised proposal. If Transmission Services submits a revised proposal, signatories to the Partial Settlement Agreement may contest any aspect of the revised proposal. If Transmission Services does not revise the Settlement Proposal, and the Administrator establishes transmission rates consistent with the Settlement Proposal, the signatories may not challenge approval of the rates by the Commission or in any judicial forum.

#### *B. Scope of the Transmission Rate Proceeding*

Some of the decisions that determine Transmission Services' costs have been or will be made in the IPR public review process outside the transmission rate proceeding. See section II.B. This section provides guidance to the hearing officer as to those matters that are within the scope of the TR-10 Transmission rate proceeding and those that are outside the scope.

BPA's spending levels for transmission investments and expenses are not determined or subject to review in rate proceedings. Pursuant to section 1010.3(f) of BPA's Procedures, the Administrator directs the hearing officer to exclude from the record all argument and testimony or other evidence that challenges the appropriateness or reasonableness of the Administrator's decisions on transmission spending levels. If, and to the extent that, any re-examination of spending levels is necessary, such re-examination will occur outside of the rate proceeding. Excluded from this direction are revenue requirements related to interest rate forecasts, interest expense and credit, Treasury repayment schedules, forecasts of depreciation, forecasts of system replacements used in repayment studies, minimum required net revenue,

and risk mitigation resulting from expense and revenue uncertainties and risks included in the risk analysis. The Administrator also directs the Hearing Officer to exclude argument and evidence regarding BPA's debt management practices and policies (see section V.A.6.).

The Administrator also directs the Hearing Officer to exclude from the record all argument and testimony or other evidence that seek in any way to address the potential environmental impacts of the rates being developed in the TR-10 Transmission rate proceeding.

#### *C. Summary of Transmission Rate Proposal*

1. Transmission rates. Transmission Services is proposing four different rates for the use of its Integrated Network segment, four different rates for use of intertie segments, and several other rates for various purposes.

The four rates for use of the Integrated Network segment are:

Formula Power Transmission (FPT-10) rate—The FPT rate is based on the cost of using specific types of facilities, including a distance component for the use of transmission lines, and is charged on a contract demand basis. FPT customers are not subject to charges for the two required ancillary services, Reactive Supply and Voltage Control from Generation Sources, and Scheduling, System Control and Dispatch, because those services are included in the FPT rate. Transmission Services is not offering new FPT contracts, but a number of FPT contracts continue in place during the rate period.

Integration of Resources (IR-10) rate—The IR rate is a postage stamp, contract demand rate for the use of the Integrated Network, similar to Point-to-Point (PTP) service. It includes a Short Distance Discount. IR customers are not subject to charges for the two required ancillary services, Reactive Supply and Voltage Control from Generation Sources, and Scheduling, System Control and Dispatch, because they are included in the IR rate. Transmission Services is not offering new IR contracts, but a number of IR contracts remain in place during the rate period.

Network Integration Transmission (NT-10) rate—The NT rate applies to customers taking network integration service under the OATT and allows customers to flexibly serve their retail load. It includes a Load Shaping Charge applied to the customer's total load, and a Base Charge applied to the total load less Customer Served Load, if any. Customer Served Load is the amount of

load that the customer agrees to serve without using its NT service.

Point-to-Point (PTP-10) rate—The PTP rate is a contract demand rate that applies to customers taking point-to-point service on BPA's network facilities under the OATT. It provides customers with flexible service from identified Points of Receipt to identified Points of Delivery. There are separate PTP rates for long-term firm service; daily firm and non-firm service; and hourly firm and non-firm service. The rate for long-term firm service contains a Short Distance Discount. All short-term PTP rates are downwardly flexible.

In addition to the four rates for network use, other proposed transmission rates include:

The Southern Intertie (IS-10) and the Montana Intertie (IM-10) rates are contract demand rates that apply to customers taking point-to-point service under the OATT on the Southern Intertie and Montana Intertie. These rates are structured similarly to the rate for point-to-point service on network facilities.

The Townsend-Garrison Transmission (TGT-10) and the Eastern Intertie (IE-10) rates are developed pursuant to the Montana Intertie agreement.

The Use-of-Facilities (UFT-10) rate establishes a formula for charging for the use of a specific facility based on the annual cost of that facility.

The Advance Funding (AF-10) rate allows Transmission Services to collect the capital and related costs of specific facilities through an advance-funding mechanism. Other charges that may apply include a Delivery Charge for the use of low-voltage delivery substations; a Power Factor Penalty Charge; a Reservation Fee for customers that postpone their service commencement dates; incremental rates for transmission requests that require new facilities; a penalty charge for failure to comply with curtailment, redispatch, or load shedding orders; and an Unauthorized Increase Charge for customers that exceed their contracted amounts.

2. Ancillary Services rates. Transmission Services is proposing rates for six ancillary services:

Scheduling, System Control, and Dispatch Service is required to schedule and secure the movement of power through, out of, within, or into the BPA Balancing Authority Area. All transmission contract holders except FPT and IR customers are required to purchase this service from BPA. The billing factor is the same as the billing factor for the underlying transmission service. For NT customers, the billing factor is the same as that for the NT Base charge.

Reactive Supply and Voltage Control from Generation Sources Service provides reactive support to the transmission system and is necessary to maintain transmission system voltages within acceptable limits. All transmission contract holders, except FPT and IR customers, must purchase this service from BPA. The billing factor is the same as the underlying billing factor for the transmission service. For NT customers, the billing factor is the same as that for the NT Base charge.

Regulation and Frequency Response Service provides the continuous balancing of resources (generation and interchange) with load and maintains frequency at 60 Hz. This service is accomplished by committing on-line generation (predominantly through the use of automatic generation control equipment) whose output is raised or lowered to follow the moment-to-moment changes in load. Transmission customers serving load in the BPA Balancing Authority Area must take this service.

Energy Imbalance Service is taken when a difference occurs between the scheduled and actual delivery of energy during a schedule hour to a load located within BPA's Balancing Authority Area.

Operating Reserve-Spinning Reserve Service is used to serve load immediately in the event of a system contingency. The billing factor for this service is the customer's share of the reserve obligation of the balancing authority, as defined by the Western Electricity Coordinating Council (WECC) and the Northwest Power Pool.

Operating Reserve-Supplemental Reserve Service is available to serve load within a short period of time in the event of a system contingency. This service may be provided by units that are on-line but unloaded, by quick-start generation, or by interruptible load. The billing factor for this service is the customer's share of the reserve obligation of the control area, as defined by the WECC and the Northwest Power Pool.

In addition to the rates for Ancillary Services, Transmission Services is proposing rates for five Control Area services: Regulation and Frequency Response Service; Generation Imbalance Service; Operating Reserve-Spinning Reserve Service; Operating Reserve-Supplemental Reserve Service; and Wind Integration-Within-Hour Balancing Service.

### 3. Changes to Transmission Rates and Rate Schedules

#### a. Failure To Comply Penalty Charge

The Failure to Comply Penalty Charge provides for a penalty if a party fails to

comply with a curtailment, redispatch, or load shedding order issued by Transmission Services. Transmission Services is proposing to increase the penalty from 100 mills per kilowatthour to 1000 mills per kilowatthour plus costs incurred by Transmission Services to manage the reliability of the Federal Columbia River Transmission System due to the failure to comply. In addition, Transmission Services is proposing to add dispatch orders to the list of orders to which the Failure to Comply Penalty Charge applies.

#### b. Unauthorized Increase Charge

Transmission Services is proposing to modify the Unauthorized Increase Charge (UIC) for point-to-point transmission service and to clarify the waiver provisions of the rate schedule. The UIC applies when a customer's transmission demand exceeds the customer's transmission reservation. Under the current rate schedule, the UIC for PTP service is based on the length of the customer's reservation. Under Transmission Services' proposed rate schedule, the UIC is the lower of (1) 100 mills per kilowatthour plus the Commission's price cap for spot market sales of energy in the WECC (currently 400 mills per kilowatthour), or (2) 1000 mills per kilowatthour. In addition, Transmission Services is proposing to clarify the criteria under which BPA will waive the UIC and to specify the rate that applies to the excess transmission demand if BPA grants a waiver.

#### c. Energy and Generation Imbalance Service

Transmission Services proposes to increase the rate that applies to positive deviations that BPA determines to be Intentional Deviations from 125 percent to 150 percent of incremental cost. Transmission Services also proposes to modify the incremental cost provisions so that the customer does not receive a credit for positive deviations if the deviation occurs in an hour in which the energy index used to determine incremental cost is negative.

Transmission Services also is proposing to delete credit for negative deviations if the Federal System is in a spill condition, the energy index is negative, and the deviation remains within Deviation Band 1. If the negative deviation is in Deviation Band 2 or 3, Transmission Services proposes to charge the index price for the deviation.

#### d. Intentional Deviation

Transmission Services is proposing to modify the definition of Intentional Deviation to include the situation in which the generation schedule (*i.e.*,

generation estimate) submitted does not match the sum of the transmission schedules, including transmission schedules for the return of energy (*i.e.*, payback schedules), before the start of that scheduling hour. In addition, Transmission Services proposes to include as an Intentional Deviation the situation in which a customer fails to submit a generation estimate or corresponding transmission schedule for the hour, but transmits energy during such hour under the definition of Intentional Deviation.

BPA also proposes to classify as Intentional Deviations schedule deviations that occur for three or more consecutive hours at an amount greater than 15 percent of the schedule or 20 megawatts.

For hours in which the energy index is negative, BPA proposes to charge the energy index price for negative deviations that BPA determines to be Intentional Deviations.

#### e. Incremental Rate

BPA's Point-to-Point and Network Integration rate schedules provide that customers requesting new or increased firm service that would require BPA to construct Network Upgrades may be subject to incremental cost rates that would be developed in a rate proceeding. In this TR-10 Transmission rate proceeding, Transmission Services is proposing a formula for allocating costs of Network Upgrades under incremental cost rates, with the cost allocation itself to take place in a separate public process to be held each time BPA offers service at an incremental rate. The proposed rate schedule includes the formula and describes the public process. Transmission Services proposes to use to allocate costs under the incremental rate formula to derive the specific rate for a customer.

#### f. Conditional Firm Service for Network Integration Customers

Transmission Services proposes to add conditional firm service to the availability section of the NT rate schedule to price the conditional firm service that has been added to the network integration section of the OATT.

#### g. Load Forecast for Network Integration and Utility Delivery Services

Transmission Services is proposing to use a new methodology to forecast loads for Network Integration customers and Utility Delivery customers. Like the old methodology, the new methodology begins with each customer's historical metering data and adjusts the forecast

based on known changes. Under the new methodology, however, additional adjustments would be based on statistical forecasting models, which allow for more sophisticated analysis, such as analyzing the impact of different weather assumptions on the forecast.

### Part V—Wholesale Power Sub-Docket WP-10

#### A. Scope of the Wholesale Power Rate Adjustment Proceeding

Many of the decisions that guide BPA's power marketing policies have been made, or will be made, in other public processes. This section provides guidance to the Hearing Officer as to those matters that are within the scope of the WP-10 sub-docket and those that are outside the scope.

##### 1. Program Level Expenses Decided in the IPR

As discussed in section IV.B. for the TR-10 proceeding, BPA's spending levels for generation investments and power expenses are not determined or subject to review in rate proceedings. Pursuant to § 1010.3(f) of BPA's Procedures, the Administrator directs the Hearing Officer to exclude from the record all argument, testimony, or other evidence that challenges the appropriateness or reasonableness of the Administrator's decisions on power spending levels. If, and to the extent that, any re-examination of spending levels is necessary, that re-examination will occur outside the rate proceeding. Excluded from this direction are revenue requirements related to interest rate forecasts, interest expense and credit, Treasury repayment schedules, forecasts of depreciation, forecasts of system replacements used in repayment studies, augmentation and balancing power purchases, residential exchange expense, revenue credits, minimum required net revenue, and risk mitigation resulting from expense and revenue uncertainties and risks included in the risk analysis.

##### 2. Regional Dialogue Policy Decisions

BPA's Subscription contracts expire September 30, 2011, the end of the WP-10 rate period. BPA has engaged customers and interested stakeholders in an extensive process to develop new power sales contracts. BPA issued its Policy for Power Supply Role for FY 2007-2011 (Near-Term Policy) on February 4, 2005; its Long-Term Regional Dialogue Final Policy on July 19, 2007; its Long-Term Regional Dialogue Contract Policy on October 31, 2008; and the Tiered Rate Methodology Record of Decision on November 10,

2008. On or about December 1, 2008, BPA and its customers signed new power sales contracts under which the customers will purchase Federal power for the FY 2012-2028 period. Several aspects of the Regional Dialogue process are still ongoing, and these processes and decisions are outside the scope of this rate proceeding. Pursuant to § 1010.3(f) of BPA's Procedures, the Administrator hereby directs the Hearing Officer to exclude from the record all argument, testimony, or other evidence that seeks in any way to revisit the appropriateness or reasonableness of BPA's decisions made in the Near-Term Policy ROD, Long-Term Regional Dialogue Final Policy ROD, Long-Term Regional Dialogue Contract Policy ROD, or Tiered Rate Methodology ROD, except for those issues, such as General Transfer Service Direct Assignment Guidelines, that were specified in these policies as being within the scope of the WP-10 proceeding.

##### 3. Service to the Direct Service Industries (DSIs)

The manner and method by which BPA could provide service or financial payments to its DSI customers is being reevaluated in light of the recent decision in *Pacific Northwest Generating Cooperative, et al., v. Bonneville Power Administration*, No. 05-75638, slip op. at 16513 (9th Cir. Dec. 17, 2008). Power Services will forecast, solely for purpose of the Initial Proposal, that BPA will continue to serve the aluminum smelter DSIs, as well as Port Townsend Paper, under new or amended contracts that are consistent with the Court's opinion. BPA's decisions to serve the DSIs, along with the method and level of service to be provided DSIs in the FY 2010-2011 rate period, will be determined in the offering of these contracts or amendments and not in this proceeding. Pursuant to § 1010.3(f) of BPA's Procedures, the Administrator directs the Hearing Officer to exclude from the record all argument, testimony, or other evidence that seeks in any way to revisit the appropriateness or reasonableness of BPA's decisions regarding the service to the DSIs, including the method or level of such service.

##### 4. Generation Inputs

Power Services provides a portion of the FCRPS available generation to enable Transmission Services to meet its various requirements. Transmission Services uses these generation inputs to provide ancillary and control area services. To recover the costs associated with providing generation inputs, Power Services assigns a portion of the FCRPS

costs to the transmission function. The cost allocations Power Services is proposing to use to determine the generation input costs and associated unit costs to Transmission Services are matters that are included within the scope of the WP-10 sub-docket. The forecast amount of generation inputs is also included within the scope of the WP-10 sub-docket.

Pursuant to § 1010.3(f) of BPA's Procedures, the Administrator directs the Hearing Officer to exclude from the record all argument, testimony, or other evidence that seeks in any way to revisit the appropriateness or reasonableness of any other issues related to the generation inputs. This includes, but is not limited to, issues regarding reliability of the transmission system and any existing or proposed Transmission Services dispatcher standing orders. These non-rates issues are generally addressed by Transmission Services in accordance with industry, reliability, and other compliance standards and criteria and are not matters appropriate for the rate case.

#### 5. Post-2006 Conservation Program Structure Proposal

Through the post-2006 workgroup collaboration, customers and constituents provided input on the development of BPA's post-2006 conservation approach. Pursuant to § 1010.3(f) of BPA's Procedures, the Administrator hereby directs the Hearing Officer to exclude from the record any material attempted to be submitted or arguments attempted to be made in the hearing that seek in any way to revisit the appropriateness or reasonableness of BPA's conservation program levels established through the Post-2006 Conservation Program Structure Proposal dated June 28, 2005.

#### 6. Federal and Non-Federal Debt Service and Debt Management

During the IPR and in other forums, BPA provided the public background information on BPA's internal Federal and non-Federal debt management policies and practices. While these policies and practices are not decided in the IPR forum, these discussions were intended to inform interested parties about these matters so that they would better understand BPA's debt structure. Although the IPR Close-Out Letter did not make any decisions regarding BPA's debt management policies and practices, these remain outside the scope of the rate proceeding. Pursuant to § 1010.3(f) of BPA's Procedures, the Administrator hereby directs the Hearing Officer to exclude from the record all argument, testimony, or other evidence that seeks

in any way to address the appropriateness or reasonableness of BPA's debt management policies and practices, except to the extent that BPA is required to make certain demonstrations under BPA's Slice Settlement Agreement, Agreement No. 07PB-12273, exhibit D. BPA's debt management policies and practices are subjects that will be discussed in an abbreviated IPR process in March 2009 and an Access to Capital public process that will occur in FY 2009.

#### 7. Potential Environmental Impacts

Environmental impacts are addressed in a concurrent NEPA process. See section II.C. Pursuant to § 1010.3(f) of BPA's Procedures, the Administrator directs the Hearing Officer to exclude from the record all argument, testimony, or other evidence that seeks in any way to address the potential environmental impacts of the rates being developed in this WP-10 Power rate proceeding.

#### 8. Average System Cost Methodology

Section 5(c) of the Northwest Power Act established the Residential Exchange Program (REP), which provides benefits to residential consumers of Pacific Northwest utilities based, in part, on a utility's "average system cost" (ASC) of resources. Section 5(c)(7) of the Act requires the Administrator to consult with regional interests to develop an ASC Methodology. The ASC Methodology prescribes the methodology that the Administrator will use to calculate a utility's ASC. Once BPA completes its regional consultation on the ASC Methodology, the methodology is filed with the Commission for the Commission's review and approval. On February 7, 2008, BPA initiated an ASC consultation process with regional parties to consider adjustments to the then-existing ASC Methodology. At the conclusion of the consultation process, on July 7, 2008, BPA submitted a revised ASC Methodology (2008 ASCM) to the Commission. The Commission granted interim approval of the 2008 ASCM on September 30, 2008. The Commission requested comments on the 2008 ASCM by November 10, 2008, and reply comments by December 15, 2008. The Commission is now considering the parties' comments on the 2008 ASCM. The ASCM is not subject to determination or review in a section 7(i) proceeding. Pursuant to § 1010.3(f) of BPA's Procedures, the Administrator hereby directs the Hearing Officer to exclude from the record all argument, testimony, or other evidence that seek to in any way visit or revisit the

appropriateness or reasonableness of the 2008 ASCM.

#### 9. Average System Cost Review Processes

In order to receive Residential Exchange Program benefits for FY 2010-2011, utilities must file a proposed ASC with BPA pursuant to the terms and conditions of the 2008 ASCM. These filings are reviewed by BPA staff and other interested parties in an ASC review process. The ASC review process is a separate administrative proceeding conducted by BPA under the terms of the 2008 ASCM. In this process, BPA staff and other parties evaluate the ASCs filed by participating utilities to determine whether the filings conform to the requirements of the 2008 ASCM. At the conclusion of the process, BPA issues an ASC Report, which formally establishes the utility's ASC for the Exchange Period, which coincides with BPA's rate period.

On October 15, 2008, eight utilities filed proposed ASCs with BPA for FY 2010-2011. BPA staff and other parties are currently reviewing these filings in eight ASC review processes. Once these ASC review processes are complete and BPA has issued final ASC Reports, BPA will incorporate into the administrative record of this proceeding the final ASCs. Although these ASC determinations provide important information for setting BPA's rates, they are not rate proceeding matters. Parties wishing to challenge a utility's proposed ASC or BPA staff's draft ASC determinations for FY 2010-2011 must raise such issues in the respective utility's ASC review process according to the procedures established in the 2008 ASCM.

Pursuant to § 1010.3(f) of BPA's Procedures, the Administrator hereby directs the Hearing Officer to exclude from the record all argument, testimony, or other evidence that seeks to in any way visit or revisit a utility's proposed ASC, or BPA staff's draft or BPA's final ASC determinations for FY 2010-2011.

#### *B. Major Studies for Wholesale Power Rate Case*

##### 1. Loads and Resources Study

Explains and documents the compilation of the load and resource data and forecasts necessary for developing BPA's wholesale power rates. The Study has three major interrelated components: (a) The Federal system load forecast; (b) the Federal system resource forecast; and (c) the Federal system loads and resources balance.

## 2. Revenue Requirement Study

Explains and documents the level of revenues from wholesale power rates necessary to recover, in accordance with sound business principles, the FCRPS costs associated with the production, acquisition, marketing, and conservation of electric power. The generation revenue requirements include recovery of the Federal investments in hydro generation; recovery of fish and wildlife costs and costs of energy conservation; Federal agencies' operations and maintenance expenses allocated to power; capitalized contract expenses associated with such non-Federal power suppliers as Energy Northwest; other purchase power expenses, such as short-term power purchases; power marketing expenses; cost of transmission services necessary for the sale and delivery of FCRPS power; and all other power-related costs incurred by the Administrator pursuant to law.

Cost estimates in the Revenue Requirement Study are based on the results of the Integrated Program Review, as presented in the Close-Out Letter of November 14, 2008. The repayment studies reflect updates of actual and projected repayment obligations and accommodate the ongoing implementation of BPA's Debt Optimization program. All new capital investments are assumed to be financed from debt or appropriations. The adequacy of projected revenues to recover rate test period revenue requirements and to recover the Federal investment over the prescribed repayment period is tested and demonstrated for the generation function.

## 3. Market Price Forecast Study

Explains and documents forecasts of the variable hourly cost of the marginal resource for transactions in the wholesale energy market. The specific market used in this analysis is the Mid-Columbia trading hub in the State of Washington, although this price is influenced by conditions in other regions within the Western Interconnection. The Market Price Forecast Study also explains and documents the natural gas price forecast used in the ratesetting processes.

## 4. Risk Analysis and Mitigation Study

Explains and documents two categories of risks and their impacts on Power Services' revenues and expenses. The first type of risk is comprised of operating risks such as variations in economic conditions, loads, and generation resource capability. These

operating risks include the impacts of water supply variations and market price volatility on net revenues. The second type of risks comprises non-operating risks—those risks included in the rate case risk modeling other than operating risks. Non-operating risks also include uncertainty in meeting cost levels identified in the Integrated Program Review.

The Risk Analysis and Mitigation Study also evaluates the impact that different risk mitigation measures have on reducing net revenue risk by calculating the Treasury Payment Probability (TPP). The TPP is a measure of the probability that BPA will make each Treasury payment on time and in full. If the TPP is below BPA's two-year 95 percent standard, the combination of risk mitigation tools (e.g., Cost Recovery Adjustment Clause, Biological Opinion (NFB) Adjustment, Emergency NFB Surcharge, Dividend Distribution Clause, Planned Net Revenues for Risk (PNRR)) is modified to meet the TPP standard.

Power Services is proposing no changes in the form or methodology of the risk analysis as presented in the WP-07 Supplemental Final Proposal. The WP-10 Initial Proposal risk analysis contains updates for changes to input data that account for changes in BPA's loads, resources, costs, and financial position.

## 5. Wholesale Power Rate Development Study (WPRDS)

Explains and documents details concerning the development of power rates. It reflects the results of all of the other studies and calculates the rates for wholesale power products and services. The WPRDS explains and documents the allocation and recovery of Federal power costs; development of the Slice cost table; the development of diurnal and monthly energy rates; the development of rates for demand, load variance, unauthorized increase usage, and excess load factoring; and other rate provisions (e.g., the Low Density Discount, Conservation Rate Credit, and irrigation rate mitigation). The results of the WPRDS are reflected in the proposed wholesale power rate schedules.

## 6. Section 7(b)(2) Rate Test Study

Section 7(b)(2) of the Northwest Power Act, 16 U.S.C. § 839e(b)(2), requires BPA to perform a test of the projected amounts to be charged for firm power to preference customers against an alternative power cost developed according to the statute. BPA has interpreted and described how this rate test is to be performed in the *Section*

*7(b)(2) Legal Interpretation (Legal Interpretation) and Section 7(b)(2) Implementation Methodology (Implementation Methodology)* published in August 2008. WP-07-A-05 and WP-07-A-06. The Section 7(b)(2) Rate Test Study explains and documents the results of the rate test.

The 7(b)(2) rate test triggers in this proposal, creating rate protection for preference customers and causing costs to be reallocated to others in the test period. The Priority Firm Power (PF) Preference rate applied to the general requirements of the 7(b)(2) Customers has been reduced by the rate protection amount, which has been reallocated to other rates pursuant to section 7(b)(3). Other rates—the PF Exchange, New Resource Firm Power (NR), and Industrial Firm Power (IP) rates—have been increased by an allocation of the rate protection amount.

Power Services is proposing minor modifications to the *Implementation Methodology* in this Initial Proposal. The proposed changes are included in the Section 7(b)(2) Rate Test Study. Although Power Services is proposing no changes to the *Legal Interpretation*, issues raised by parties in the course of the proceeding may result in the need to change the *Legal Interpretation* at the conclusion of the proceeding. Any such changes would be addressed in the Record of Decision.

## 7. Lookback Recovery and Return Study

Explains and documents Power Service's proposed modifications to the amounts to be recovered from BPA's investor-owned utility customers (IOUs) and applied to their Lookback Amounts that were determined in the WP-07 Supplemental Final Proposal. Minor changes are proposed in this proceeding to correct for errors and new information discovered after the conclusion of the WP-07 Supplemental rate proceeding. The study sets forth the accounting of the portion of the Lookback Amounts expected to be recovered from the IOUs, and repaid to preference customers, prior to the FY 2010–2011 rate period. The study also proposes the portion of Lookback Amount, an average of \$71.8 million per year that will be recovered from IOUs and returned to preference customers during the FY 2010–2011 rate period.

## 8. Generation Inputs Study

Past Power rate proceedings have included the study and documentation for generation inputs and other inter-business line cost allocations in the WPRDS. In the WP-10 Initial Proposal, these issues are addressed in a separate Generation Inputs Study. The



Generation Inputs Study explains and documents the forecast of within-hour balancing reserves needed by Transmission Services for regulation, wind balancing, and load following; the embedded cost methodology for regulating reserves and wind balancing reserves; the variable cost model for regulating reserves, wind balancing reserves, and operating reserves; the forecast of operating reserves and the embedded cost methodology for operating reserves; the cost allocation for synchronous condensing, generation dropping, segmentation of U.S. Corps of Engineers and U.S. Bureau of Reclamation facilities, and station service; and the revenue forecast for redispatch service. The results of the Generation Inputs Study are reflected as revenue credits in the Power ratesetting process.

### C. Summary of Wholesale Power Rate Proposal

1. Power rates. Based on the evidence set forth in the studies, Power Services is proposing five rates.

Priority Firm Power Rate (PF-10)—The PF rate schedule is comprised of two rates: The PF Preference rate and the PF Exchange rate. The PF Preference rate applies to BPA's firm power sales to public bodies, cooperatives, and Federal agencies for resale to their regional consumers. The proposed average PF Preference rate is \$29.43/MWh, which represents an increase of 9.4 percent over the FY 2009 average power rate.

The Base PF Exchange rate and its associated supplemental rate charges apply to the sale of power to regional utilities that participate in the Residential Exchange Program (REP) established under section 5(c) of the Northwest Power Act. 16 U.S.C. 839c(c). The proposed PF Exchange rates are used in determining REP benefits in FY 2010 and FY 2011. The proposed Base PF Exchange rate is \$49.44/MWh. Utility-specific Supplemental 7(b)(3) Rate Charges are detailed in the proposed rate schedules. The proposed PF Exchange rates result in estimated REP benefits that average \$264.1 million per year, of which \$254.4 million is for participating IOUs. The REP benefits for the IOUs would be reduced by \$71.8 million each year to continue the recovery of each IOU's Lookback Amount during the rate period resulting in a proposed average annual REP benefit paid to the IOUs of \$182.6 million. The \$71.8 million not paid to IOUs would be returned through credits on power bills to preference customers as partial repayment for past overcharges. The \$254.4 million

represents a 4.2 percent decrease from the REP benefits calculated in the WP-07 Supplemental Final Proposal for FY 2009.

In this WP-10 Initial Proposal, Power Services is not materially changing the existing rate design for its FY 2010-2011 rates. Power Services proposes to add a load adjustment to the calculation of the Supplemental 7(b)(3) Rate Charges. This adjustment is specified in the proposed General Rate Schedule Provisions, Section S.

New Resource Firm Power Rate (NR-10)—The NR rate applies to net requirements power sales to IOUs for resale to ultimate consumers for direct consumption, construction, test and start-up, and station service. Firm power at the NR-10 rate is also available to public utility customers for serving New Large Single Loads. Power Services is forecasting no sales at the NR rate in the Initial Proposal. The proposed NR-10 rate is \$69.72/MWh, an increase of 1.9 percent over the NR-07R rate.

Industrial Firm Power Rate (IP-10)—The IP rate is available for discretionary firm power sales to DSI customers authorized by section (5)(d)(1)(A) of the Northwest Power Act. 16 U.S.C. 839c(d)(1)(A). Power Services is forecasting sales to DSIs at the IP rate in the WP-10 Initial Proposal. See section V.C.2.c. The proposed IP-10 rate is \$36.37/MWh, an increase of 4.5 percent over the IP-07R rate.

Firm Power Products and Services Rate (FPS-10)—The FPS rate schedule is available for the purchase of Firm Power, Capacity Without Energy, Supplemental Control Area Services, Shaping Services, and Reservation and Rights to Change Services for use inside and outside the Pacific Northwest. The rates for these products are either posted or negotiated. Power Services is proposing only minor changes to this rate schedule for FY 2010-2011.

General Transfer Agreement Delivery Charge (GTA-10) and Other Transfer Items—The GTA Delivery Charge applies to customers who purchase Federal power that is delivered over non-Federal low voltage transmission facilities. For FY 2010-2011, Power Services is proposing to continue to set the GTA Delivery Charge at the same level as the Transmission Services Utility Delivery rate that is being established in the TR-10 proceeding. In addition, Power Services is proposing to add Transfer Service Supplemental Direct Assignment Guidelines to the General Rate Schedule Provisions (GRSPs) and develop an Operating Reserves rate for Transfer Service customers that will become effective if proposed changes to WECC Operating

Reserve Requirements are approved by the Commission.

### 2. Significant Changes in the WP-10 Initial Rate Proposal

#### a. Generation Inputs and Other Inter-Function Costs and Credits

A forecast of revenues from generation input cost allocations and provision of redispatch services and other power costs that are allocated to Transmission Services is described in the Generation Inputs Study. The allocation of generation input costs is similar to the generation input cost allocations in previous power rate proceedings, with a few significant differences. In the WI-09 Wind Integration rate proceeding, BPA first allocated capacity costs to wind generators for regulating reserves and load following. In this WP-10 proceeding, Power Services is proposing to expand the cost allocation for capacity needed to support wind generators to include capacity associated with generation imbalance. In addition, Power Services is proposing a much more detailed analysis of the variable costs associated with providing capacity reserves that Transmission Services uses to provide ancillary and control area services.

#### b. Generation Inputs Revenue Credit Adjustment

Power Services is including a generation inputs revenue credit adjustment in the WP-10 Initial Proposal to account for expected changes in the cost allocation for certain generation inputs. These expected changes are based on foreseeable changes to some of the assumptions used in the Initial Proposal. In order to prepare the Initial Proposal, Power Services had to start some of the studies in October 2008. Those studies relied on forecasts of certain generation input amounts that, for the sake of consistency, have been used throughout the Initial Proposal. One of the assumptions used in these forecasts involves the ability of wind generators to accurately schedule their generation. For the Initial Proposal, a two-hour persistence model was assumed for determining the amount of capacity needed for generation imbalance caused by the wind generators. After the Initial Proposal rate studies were started, extensive work has been done to establish operational solutions that will reduce the amount of capacity needed to provide generation imbalance to wind generators. Given the evolving status of this work, the WP-10 Initial Proposal also includes estimates of the amount of

reserves required, and the resulting cost associated with these reserve levels, assuming 30-minute, 45-minute and 60-minute persistence models.

In order to account for these potential operational solutions, Power Services is including an *ad hoc* revenue credit adjustment in the WP-10 Initial Proposal that averages the changed revenue forecast associated with the 45-minute and 30-minute persistence models as compared to the two-hour persistence model. All cost allocation issues will be decided in the WP-10 rate proceeding, but Power Services believes that the *ad hoc* generation inputs revenue credit adjustment allows rate proceeding parties to understand the impact that these changes in the generation inputs proposal may have on BPA's other rates as they are presented in the Initial Proposal. BPA's final rate proposal will not have this *ad hoc* revenue credit adjustment. Instead, it will fully reflect the Administrator's decisions on these issues.

#### c. DSI Service for FY 2010–2011

In light of the recent decision in *Pacific Northwest Generating Cooperative, et al., v. Bonneville Power Administration*, No. 05–75638, slip op. at 16513 (9th Cir. Dec. 17, 2008), BPA is in the process of reviewing its FY 2007–2011 contracts with its DSI customers—two aluminum smelters and Port Townsend Paper Company—and will be undertaking appropriate actions to conform the contracts with the Court's decision. The decision whether necessary modifications take the form of a new contract or amendment to existing contracts has yet to be determined, so there is some uncertainty regarding the ultimate cost of DSI service. Given this uncertainty, for purposes of the Initial Proposal, Power Services will forecast sales under the IP rate to its DSI customers for the FY 2010–2011 rate period. For the Initial Proposal, Power Services believes that it is prudent to adopt conservative assumptions with regard to the cost of providing that service. Therefore, Power Services is using the originally projected cost of \$59 million per year for FY 2010–2011 for service to the aluminum company DSIs, based on the assumption that necessary modifications could create a cost that is equal to, but will not exceed, that amount. In addition, Power Services will forecast a 17 aMW power sale to Port Townsend Paper Company at the IP rate. To the extent that circumstances warrant changes to these assumptions, such changes will be reflected in the final studies.

#### d. Value of Reserves

Section 7(c)(3) of the Northwest Power Act, 16 U.S.C. 839e(c)(3), provides that the Administrator shall adjust rates to the DSI customers "to take into account the value of power system reserves made available to the Administrator through his rights to interrupt or curtail service to such direct service industrial customers." Power Services is proposing in the WP-10 Initial Proposal that the value of any reserves provided by DSIs be determined by comparing the availability of these reserves to Operating Reserves provided by the FCRPS and that the amount of reserves provided by the DSIs for purposes of setting rates is approximately 38 MW.

#### e. Risk Mitigation Tools

There are three major components to BPA's risk mitigation tools: start-of-period financial reserves, planned net revenue for risk (PNRR), and defined within-period rate adjustments such as the Cost Recovery Adjustment Clause (CRAC) and Dividend Distribution Clause (DDC). Start-of-period financial reserves are a function of BPA's revenues and expenses in FY 2009, whose levels are not subject to modification in this proceeding, although the forecast of the start-of-period financial reserves is a subject of this proceeding. The rates for FY 2010–2011 are influenced by choices between the relative levels of PNRR or the CRAC and DDC. In the Initial Proposal, Power Services proposes to include \$48 million per year of PNRR and to cap the maximum revenue recoverable through the CRAC at \$300 million. Power Services is proposing only minor other changes to the risk mitigation tools in the WP-10 Initial Proposal.

Power Services also proposes to continue the National Marine Fisheries Service FCRPS Biological Opinion Adjustment (NFB Adjustment) and the Emergency NFB Surcharge. The Initial Proposal includes the forecast cost of implementing the final 2008 Biological Opinion for the FCRPS and the costs of the Columbia Basin Fish Accords. However, litigation regarding the Biological Opinion continues, and other litigation is possible, so the Emergency NFB Surcharge and the NFB Adjustment remain appropriate risk mitigation measures.

#### Part VI—Proposed 2010 Rate Schedules

BPA's proposed 2010 Wholesale Power Rate Schedules and General Rate Schedule Provisions and proposed 2010 Transmission and Ancillary Service Rate Schedules and General Rate

Schedule Provisions are a part of this notice and are available for viewing and downloading on BPA's Web site at [http://www.bpa.gov/corporate/ratecase/2008/2010\\_BPA\\_Rate\\_Case/](http://www.bpa.gov/corporate/ratecase/2008/2010_BPA_Rate_Case/). Copies of the proposed rate schedules also are available for viewing in BPA's Public Reference Room at the BPA Headquarters, 1st Floor, 905 NE., 11th Avenue, Portland, OR 97232.

Issued this 4th day of February, 2009.

**Stephen J. Wright,**

*Administrator and Chief Executive Officer.*

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## DEPARTMENT OF ENERGY

### Federal Energy Regulatory Commission

[Project No. 13328–000]

#### **Cordova Electric Cooperative, Inc.; Notice of Preliminary Permit Application Accepted for Filing and Soliciting Comments, Motions To Intervene, and Competing Applications**

February 3, 2009.

Cordova Electric Cooperative, Inc. filed an application on November 10, 2008, pursuant to section 4(f) of the Federal Power Act, proposing to study the feasibility of the Snyder Falls Creek Hydroelectric Project, which would be located near the town of Cordova on Snyder Falls Creek in Section 16, T14S, R3W of the Copper River Meridian, Alaska. The project would be located on Chugach National Forest Lands administered by the U.S Forest Service.

*The proposed Snyder Falls Creek Hydroelectric Project would connect with the transmission facilities of the existing Humpback Creek Project, FERC No. 8889, and would consist of:* (1) A proposed concrete gravity dam ranging from 100-foot-high to 150-foot-high impounding a reservoir at an elevation between 1414 and 1464 m.s.l. with a surface area ranging from 12.4 to 25.1 acres and a spillway, (2) a proposed intake structure, (3) a proposed 3,600 foot-long, two-foot diameter penstock, (4) a proposed powerhouse which will contain one generating unit with a total installed capacity of 3 MW, (5) a new 4.5-mile-long, 12.5 kV transmission line connecting to existing power lines, and (6) appurtenant facilities. The project would have an annual generation of between 10 and 13 gigawatts-hours, which would be sold to a local utility.

*Applicant Contact:* Mr. Clay Koplin, CEO, Cordova Electric Cooperative, Inc., Post Office Box 20, Cordova, AK 99574;