

## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

POWER BUSINESS LINE

December 2, 1999

In reply refer to: PS-6

### Dear Customers and Interested Parties:

The Power Business Line (PBL) is steadily moving towards our goal of completing the PBL rate case by April 2000 and signing all Subscription contracts by the end of September. There have been only a few significant changes since our Subscription Strategy was published in December 1998. We are conducting specific public processes for the most significant issues. We plan to amend the Subscription Strategy Record of Decision (ROD) next spring for any remaining issues.

We want you to have an opportunity to comment on some issues not already included in any existing public process. Unless otherwise noted, these issues will be covered in the amended Subscription Strategy ROD.

- (1) We recently shared draft contract prototypes with customers for comment. Draft versions of these contracts are available from Account Executives (AE), Tribal Liaisons, and Constituent AEs. These Bonneville Power Administration (BPA) representatives are accepting input on the contracts until January 7, 2000 (January 14 for the Slice prototype). A list of these draft prototypes is enclosed with this letter.
- (2) We have also updated the Power Products Catalog, posted on BPA's Subscription website in September, to align the Catalog with proposed policy changes and the draft contract prototypes. This new update is posted on the website at <http://www.bpa.gov/power/psp/products/catalog.shtml>. A summary of the most significant changes is enclosed with this letter.
- (3) We are proposing to modify the actions required by small, new utilities in the Subscription window in order to qualify for service at the PF rate. A copy of our proposal is enclosed with this letter.
- (4) The Subscription Strategy established a 120-day window after the rate case concludes to sign Subscription contracts. We have now set September 30, 2000 as the date the window will close, regardless of when the rate case concludes. The PBL rate case is expected to conclude in April.

(5) The Subscription Strategy stated that the PBL would cover the costs associated with existing General Transfer Agreements for delivery of Federal power through 2006. Based on subsequent discussions with customers, the PBL is now proposing to cover these costs for existing customers until either the earlier of the term of the Subscription contract or the formation of a Regional Transmission Organization.

(6) The Subscription Strategy stated that BPA planned to serve the Direct Service Industries' (DSI) loads at rates approximately equivalent to the PF rate and that our goal was to serve all such loads, if requested. The total amount of power, the allocation of power and the price are all being addressed in the current PBL rate case and will be covered in the rate case ROD.

We welcome your feedback on these issues. If you have questions or comments, we encourage you to contact your AE, Tribal Liaison, or Constituent Account Executive by January 7, 2000 (January 14 for Slice). You can also send comments electronically via an E-mail to: [comment@BPA.gov](mailto:comment@BPA.gov) or to the following address:

Bonneville Power Administration  
P.O. Box 12999  
Portland, Oregon 97232

We appreciate your continued interest in helping resolve the remaining Subscription issues.

Sincerely,

Sydney D. Berwager  
Subscription Policy Manager

3 Enclosures:  
List of Contract Prototypes  
Summary of Product Catalog Changes  
Subscribing To Federal Power--Small, New Utilities

List of Contract Prototypes  
December 2, 1999

Full Service for Publics  
Actual Partial Service-Simple for Publics  
Actual Partial Service-Complex for Publics  
Block for Publics  
Block for DSIs  
Block for Investor-Owned Utilities (IOU)  
Settlement Agreement for IOUs  
Residential Purchase and Sale Agreements for IOUs and Publics  
Slice for Publics (available December 10, including the proposed post-2006 inventory solution)

All contract prototypes are available from Account Executives (AE), Tribal Liaisons, and Constituent AE. Comments should be submitted to those BPA representatives by January 7, 2000, except for comments regarding Slice which are due on January 14, 2000.

## Summary of Product Catalog Changes December 2, 1999

In response to customer suggestions, BPA is proposing to simplify how we will mitigate the financial effects of retail access load loss. The draft Subscription contract prototypes include a liquidated damages approach that ensures adequate BPA revenues in the unlikely event that market prices are lower than PF. BPA will still offer a "safe haven" by taking on the risk of any load loss associated with state mandated retail access for customers who sign Full Service contracts, Dedicated Resource contracts, or three-year contracts. Also, customers will be given the ability to remove resources to manage retail access load loss.

As a result of the above changes, the draft contract prototypes and Product Catalog do not include Walled-Off-Loads, Conversion to Excess Federal Power, or the Remarketing product. The Insurance product and special load treatment for consumers smaller than 250 average kilowatts have also been removed from the Product Catalog and are not included in the draft Subscription contracts. These changes were already reflected in the September 1999 version of the Product Catalog in order to streamline and consolidate similar mitigation approaches.

Another significant update to the Product Catalog clarifies that only a generating resource can qualify as a dedicated resource.

Customers and other interested parties should carefully review the revised Catalog and Appendix B: Core Product Billing Factors for additional changes.

## Subscribing to Federal Power--Small, New Utilities December 2, 1999

The Power Subscription Strategy released December 1998 identified the approach to be used in making PF power sales to existing as well as new public agency and new tribal utilities. In sections I.A.3 and 4, it was indicated that new public agency and new tribal utilities that formed and qualified for service would need to sign a power sales contract within the Subscription window in order to receive power at the PF rate. It was further indicated that new utilities that sign contracts after the Subscription window closes would be served until the next rate period at the PF rate plus an individually targeted adjustment charge (i.e., the TAC).

In order to better recognize the time and effort required to organize and form a new utility, the PBL is proposing to provide more flexibility regarding the actions needing to be completed in the Subscription window by potential small, new public agency or cooperative utilities, including tribal utilities. Specifically, the PBL is proposing that within the Subscription window such new utilities, will need to: (1) be legally formed; (2) complete initial economic and other assessments; (3) be taking steps to become an operating utility; and (4) make a contingent power purchase commitment. Such utilities would have additional time to sign a final, take-or-pay Subscription contract pending the outcome of their additional efforts, including the acquisition of distribution facilities.

This proposal to provide more flexibility for small, new utilities is due to the challenges that are faced in forming a new utility. These challenges can include a lack of funds to undertake the steps necessary to form a utility, plus the need for sufficient time to become familiar with the operational and commercial aspects of an electric utility, as well as the requirements of becoming a preference customer of BPA. In order to be consistent with the PBL's principal goals for Subscription (see Introduction to the Power Subscription Strategy), the PBL is proposing that the flexibility for small, new preference utilities be limited a total of 75 average megawatts for all such utilities. The PBL is not proposing a cap on the size of any single small, new utility.