



Department of Energy

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

POWER BUSINESS LINE

May 5, 2000

In reply refer to: PT-5

Dear Customers and Interested Parties:

The Residential Exchange Program was established in Section 5(c) of the Northwest Power Act in 1981. Under this program, utilities in the Pacific Northwest may offer to sell to BPA power at their average system cost (ASC). BPA purchases that power and in exchange, sells the same amount of power to the utility at BPA's Priority Firm (PF) Exchange Rate. The amount of the power exchanged equals the utility's qualifying residential and small farm load. Historically the exchange has been strictly financial in nature, although there are conditions in which actual power sales can be made.

Representatives of the Pacific Northwest states have expressed interest in physical power rather than a financial allocation of system benefits. BPA is asking for public comment on both the prototype agreement to implement the Residential Exchange Program and BPA's proposal to offer settlements.

A background document describing BPA's proposal for contracts implementing the Residential Exchange Program is enclosed. We are also enclosing a draft Residential Purchase and Sale Agreement (RPSA). This agreement will be used as the basis for contracting with all eligible parties that choose to receive benefits under the Residential Exchange Program. Comments are requested on all relevant issues, including four key issues and questions listed below:

1. Which entities are eligible utilities to request benefits under section 5(c) of the Northwest Power Act?
2. BPA's proposal to implement the in lieu provisions of section 5(c)(5) of the Northwest Power Act through wholesale market purchases.
3. Are there any exceptions to the limitations of section 5(c)(6) that preclude the restriction of exchange sales under section 5(c) below the amounts of power acquired from, or on behalf of, the utility pursuant to section 5(c)?
4. The terms and conditions of the prototype agreement.

In addition, we are enclosing a proposed agreement for the settlement of the rights of regional investor-owned utilities (IOUs) under the Residential Exchange Program. This settlement agreement proposes power sales under a section 5(b) contract under the Northwest Power Act. BPA is requesting comments on all relevant issues, including the following:

1. Are the total amount of benefits and the proposed terms and conditions for settling the rights of regional investor-owned utilities to request benefits under the Residential Exchange Program reasonable?
2. Whether BPA should require IOUs to take power if the combined requests of all the companies for physical deliveries are less than 1000 aMW?
3. How BPA should limit physical deliveries to each IOU if the companies request physical deliveries of more than 1000 aMW and it is more power than BPA is willing to offer?

Comments on all of these Residential Exchange Program issues will be accepted through close of business on Friday, June 9, 2000. Written comments should be sent to:

Bonneville Power Administration
P.O. Box 12999
Portland, Oregon 97212

You can also send comments electronically to: comment@bpa.gov. Additional copies of these documents can be obtained by calling BPA's Public Information Office at 1-800-622-4520 or by accessing BPA's Subscription website: <http://www.bpa.gov/Power/subscription>

After reviewing comments on the proposed agreements, BPA will prepare final draft prototypes. These prototypes will be made available to allow time for IOUs to determine whether they wish to participate in the Residential Exchange Program and to identify their preference for a settlement offer based on physical or financial benefits. Once BPA has received requests from the IOUs to participate, a settlement offer and a RPSA for each IOU will be prepared. BPA expects to offer both a RPSA and Settlement Agreement to each IOU approximately September 1, 2000. Settlement offers will expire on September 29, 2000.

Your comments on these prototypes are important in helping BPA accomplish the goal of spreading the benefits of the Federal Columbia River Power System as broadly as possible. If you need additional information, please contact the Project Manager, Dennis Oster, at 503-230-3370 or contact your BPA Account Executive.

Sincerely,

Stephen R. Oliver
Vice President, Bulk Marketing and
Transmission Services

Enclosures:

Background Paper for Contracts Implementing the Residential Exchange Program
Draft Residential Purchase and Sale Agreement
Draft Settlement Agreement