

# **Subscription Public Meeting**

**Doubletree Hotel, Spokane Valley**

**June 18, 1998**

# **Overview**

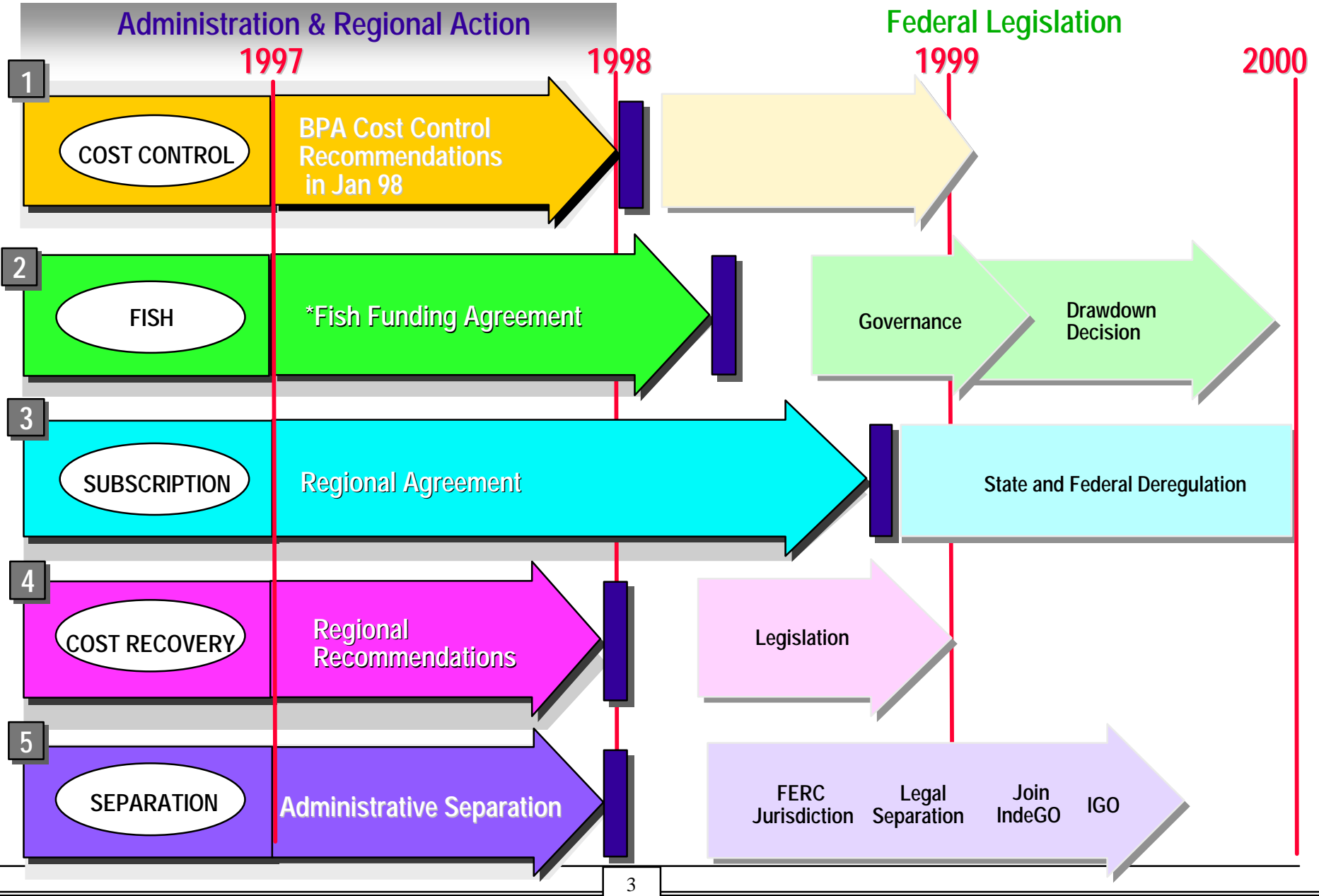
**Context - Comprehensive Review**

**Public Process**

**Subscription Highlights**

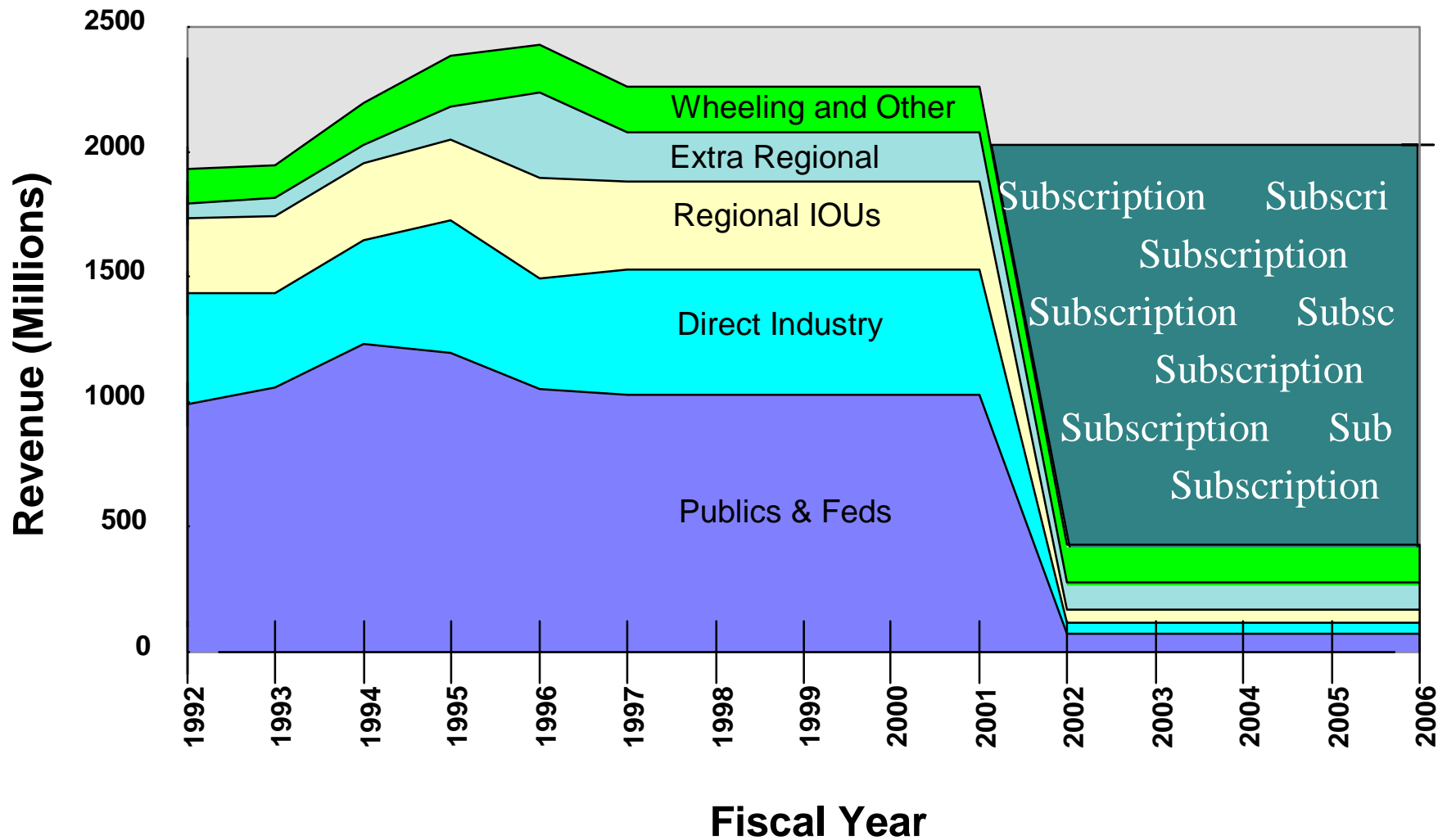
**NEPA**

# BPA Strategic Issues Map



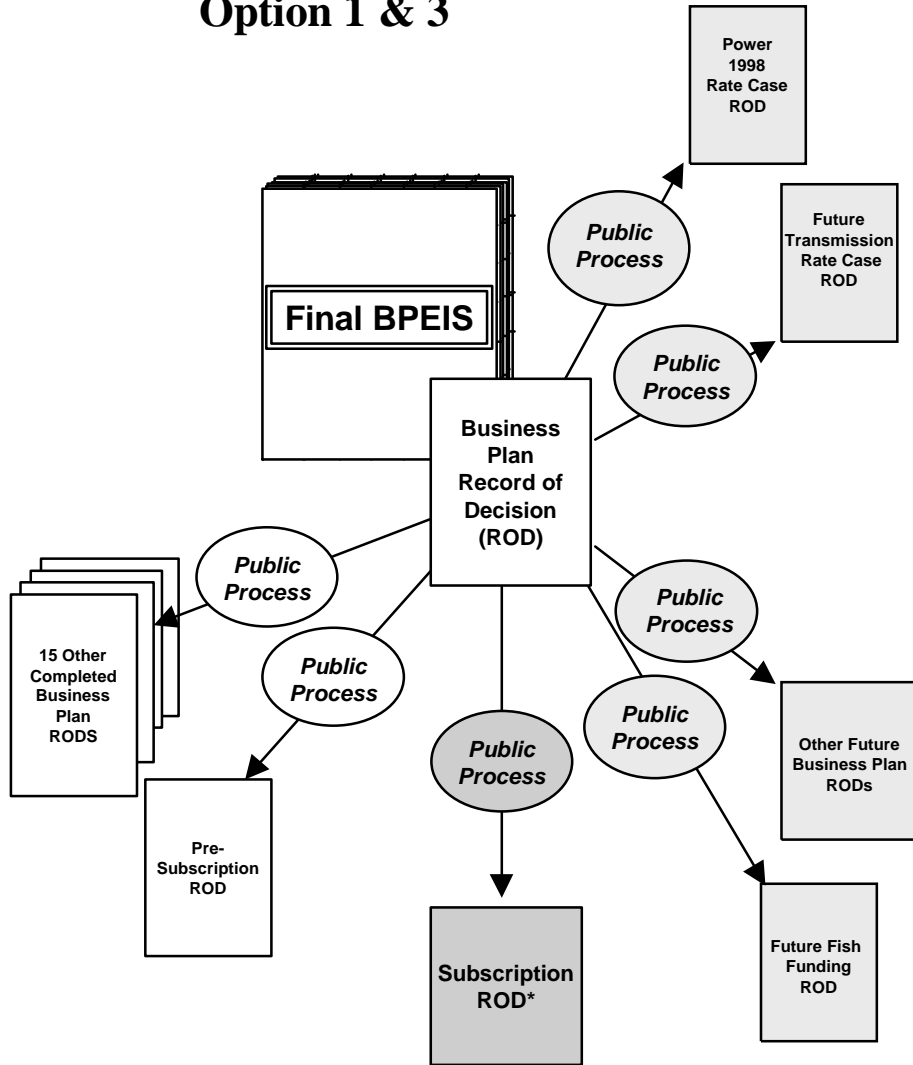
# Subscription:

How Subscription takes out the "Cliff"

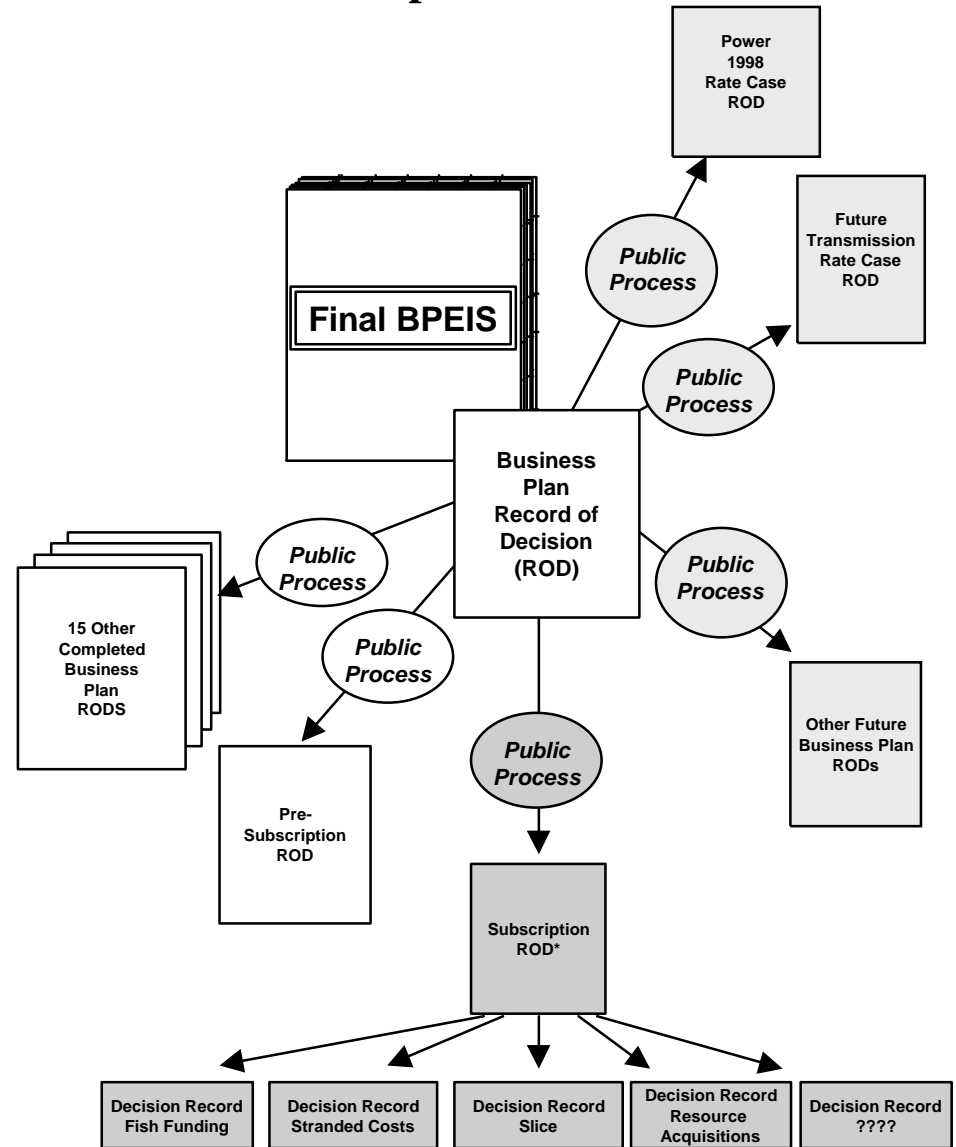


## NEPA - The Tiered Records of Decision Process

### Option 1 & 3



### Option 2



\*Decision to move forward with a Subscription process includes decisions on major issues.

## **Goals Of Subscription**

### **Comprehensive Review Goals:**

- **Align benefits and risks of access to existing federal power.**
- **Ensure repayment of debt to US Treasury with a greater probability than currently exists.**
- **Retain the long-term benefits of the Federal Columbia River Power System (FCRPS) for the region.**

### **BPA Goals:**

- **Cover most of PBL costs by selling cost-based products and services that meet regional customer needs**
- **Successfully transition BPA to competitive marketplace, characterized by many bilateral arrangements**
- **Achieve high degree of customer satisfaction with the way BPA transacts business**
- **Start subscription July 1998.**

**Summary of Final Recommendations of Regional Review  
Federal Power Subscription Matrix**

Phase	Eligible Loads	Terms
1	NW public utilities and co-ops	<ul style="list-style-type: none"> <li>- Power at embedded, average cost</li> <li>- Up to 20-year term</li> <li>- Maximum: Average of two highest consecutive years entitlements ( '97-'01 )</li> </ul>
2	DSI and NW residential and small farm IOU loads	<ul style="list-style-type: none"> <li>- Power at embedded, average cost</li> <li>- Up to 20-year term</li> <li>- Maximum: Average of two highest consecutive years entitlements ( '97-'01 )</li> <li>- Oversubscription: Priority goes to longer-term contracts</li> </ul>
3	All NW wholesale and DSI loads	<ul style="list-style-type: none"> <li>- Power at embedded, average cost</li> <li>- Oversubscription: Priority goes to longer-term contracts</li> </ul>
4	NW wholesale and DSI loads, out-of-region customers	<ul style="list-style-type: none"> <li>- Power at market prices</li> <li>- "Excess" available for out-of-region sales for terms up to 7 years</li> </ul>

# The Work Group

- Formed in March 1997
- Facilitated by PNUCC
- Meets at least twice a month
- Normally 40-45 participants
  - ✓ Customers
  - ✓ Customer associations
  - ✓ State governments
  - ✓ Public interest groups
  - ✓ BPA



# **Major Interests of Participants**

1. BPA products primarily available for region's benefit
2. BPA covers its costs
3. Contract simplicity
4. Ability to capture business opportunities quickly
5. Freedom to choose amount of reliance on BPA
6. A broad array of contract, product and pricing options
7. Competitive pricing and appropriate sharing of risk
8. Ability to tailor products to customers' and end users' needs
9. No constraints on planning and operation of non-federal resources
10. Ability to buy a block of power at a fixed price
11. Resale rights; and other forms of relief from take-or-pay obligation
12. Ability to pool power purchases among utilities
13. Protection from excessive risk
14. BPA transmission system not used to advantage its power business

## **What are subscription rights?**

- A subscription right is the right to buy
  - an amount of power
  - at BPA's lowest\* cost-based price
  - for a defined period of time.

## **Long-term (e.g., Post-2006) subscription rights are obtained by:**

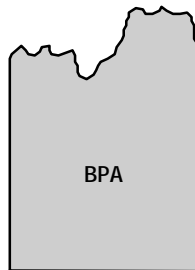
- Make a commitment to buy for the period of time for which subscription rights are desired.
- Make a commitment to buy for an initial period, and purchase an option for the period beyond the initial commitment.

\* For example, the PF' rate (as opposed to the PF" rate) in BPA's September 17, 1997 presentation, "Rate Differentiation for Requirements Service."

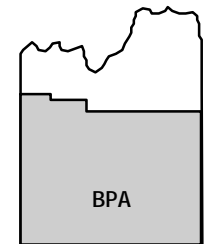
# Subscription Updates and Pricing

Preliminary - Work in Progress

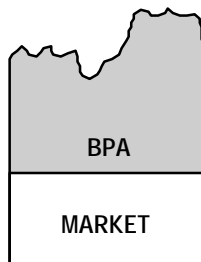
## Full Service



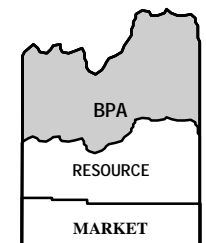
## Firm Power Block



## Simple Partial



## Moderate Partial



	<i>Product</i>	<i>Subscription Component</i>	<i>Pricing Methodology</i>
1	Full Service	Core Scr Prod	Cost-Based-Posted
2	Firm Power Block	Core Scr Prod	Cost-Based-Posted
3 a	Partial Service -- Under development *	Core Scr Prod	Cost-Based-Posted
3 b	Flexible Partial	Custom Scr Prod	Cost-Based (Firm Pwr) ... Neg. Price (Flex)
4	Variable Load Factor	Custom Scr Prod	Cost-Based (Firm Pwr) ... Neg. Price (Flex)
5	Renewable Resource	Custom Scr Prod	Cost-Based (Firm Pwr) plus Premium
<i>Examples of Tailor-Made Products (currently available)</i>			
6	Secondary - Commodity	non-Scr Prod	Negotiated price
7	Loss Compensation	non-Scr Prod	Negotiated price
8	Capacity	non-Scr Prod	Negotiated price
9	Block Flexibility	non-Scr Prod	Negotiated price
10	Storage	non-Scr Prod	Negotiated price
11	Load Factoring	non-Scr Prod	Negotiated price
12 a	Supplemental AGC	non-Scr Prod	Negotiated price
12 b	Operating Reserve	non-Scr Prod	Negotiated price
12 c	Forced Outage Reserve	non-Scr Prod	Negotiated price
13	Preschedule Change Rights	non-Scr Prod	Negotiated price
14	Displacement Rights	non-Scr Prod	Negotiated price
15 a	Retail Access - Insurance	non-Scr Prod	Negotiated price
15 b	Retail Access - Remarketing	non-Scr Prod	Negotiated price
16	Scheduling Services	non-Scr Prod	Negotiated price
17	Option for Follow-on Subscription Rights	non-Scr Prod	Negotiated price

\* BPA's intent is to develop a Partial Service product for which a cost-based rate can be posted.

## **Contract Basic Features**

- Term
- Contracts are generally take-or-pay arrangements (i.e., BPA has firm obligation to provide -- and customer has obligation to pay for -- an amount of power).
- For Full Service customers, BPA will absorb load swings associated with weather and local economic activity. For partial service customers, BPA will absorb some amount of load swings.

## **Retail Load Loss**

- For full service customers, BPA could absorb load loss for residential and small commercial loads.
- BPA will offer a product that provides load loss protection for other customers and loads
- BPA can structure contracts such that, if load is lost:
  - Customers can resell that amount of power
  - BPA can remarket power and credit customer bill.

# Power Sales Inventory

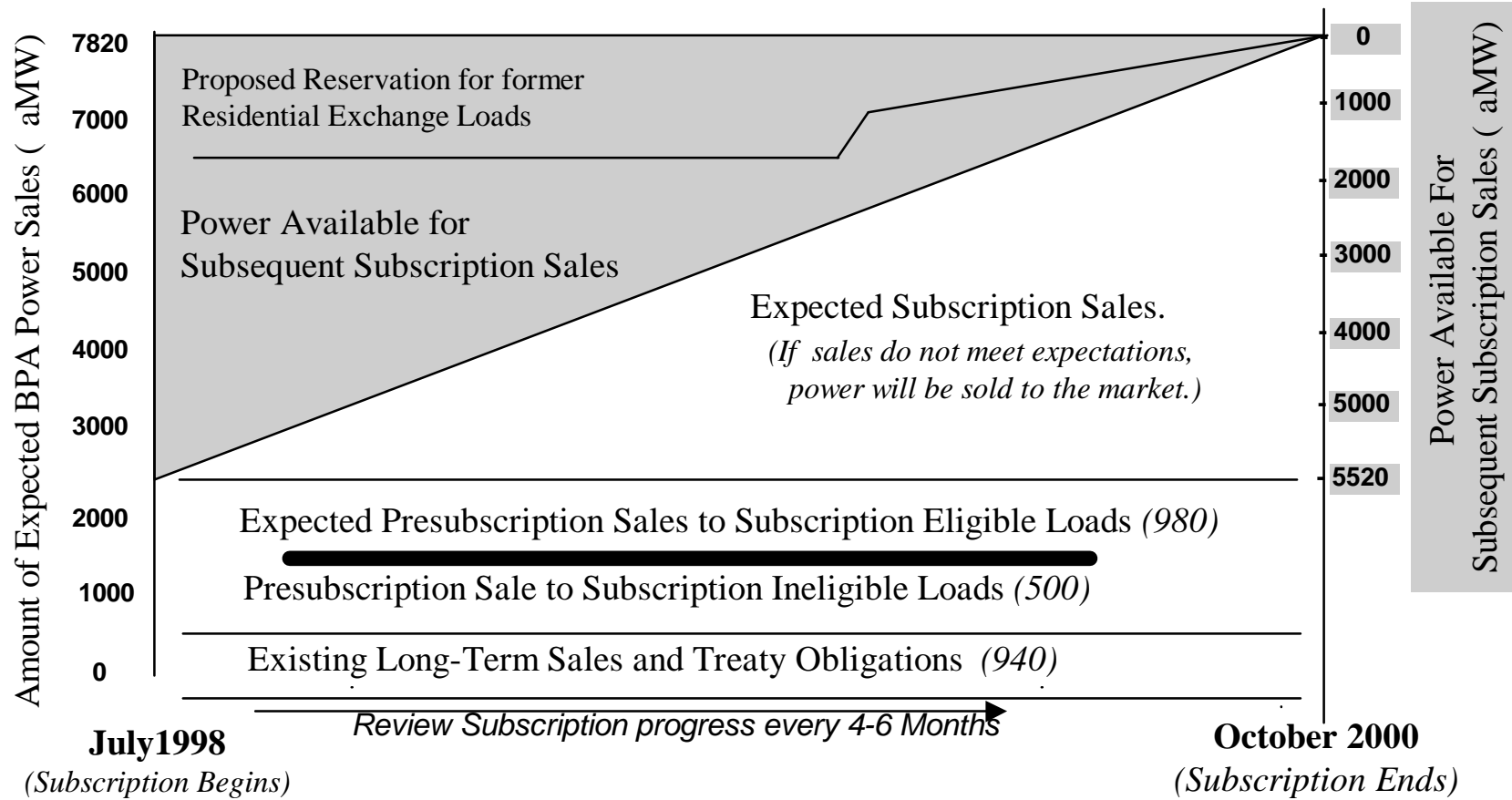


**Implementation Principles**

- Reserve enough power to meet likely requests of publics, IOU exchange loads, DSI's
- Sell to all customer classes simultaneously
- As necessary, adjust reservations periodically to avoid fire sale as 2001 approaches

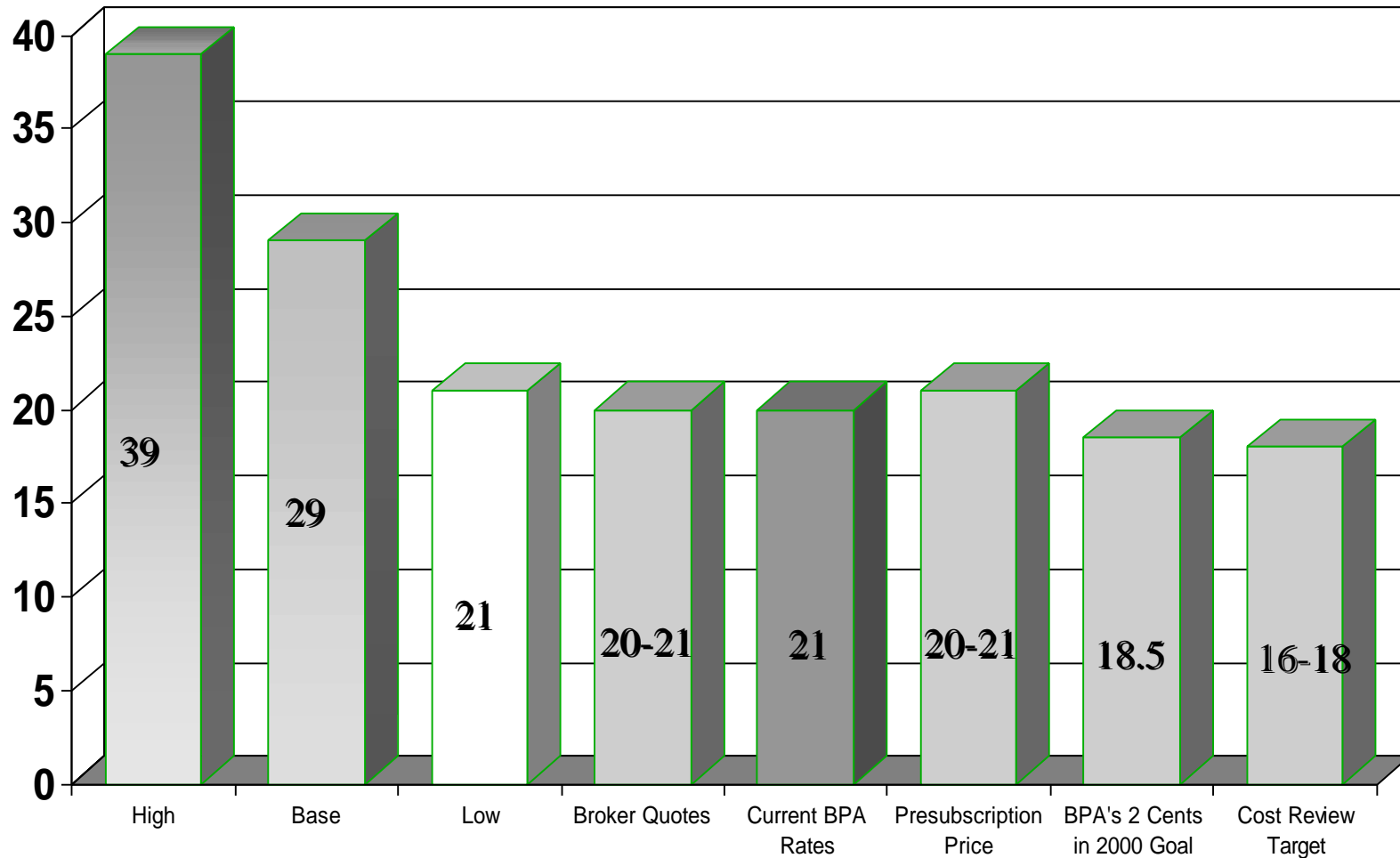
**Loads Eligible for Subscription**

-Publics and Feds	Phase 1	4300 aMW
-DSI's	Phase 2	2040 aMW
-Eligible IOU Exchange Loads	Phase 2	3370 aMW
-Other Regional Loads	Phase 3	12650 aMW



# Market Price Comparison

All without Transmission, 100% Load Factor  
(All 2002-2006 Average, Except Current BPA Rate)



Regional Council "Aurora" Model  
2002-2006

		Comprehensive Review Amounts*	Open Window	Separate Cost-based rates (Example)	Firming Inventory (BiggerPie Example)
Phase 1	<u>Phase 1:</u> Publics	4300		4300	4300
Phase 2	<u>Phase 2</u> DSI IOU/EXCH	2040 3370		1040 1040	1020 1690
TOTAL			6380	6380	7010

\* Total Phase 1 and Phase 2 subscription rights of each customer class under the Comprehensive Review



	Categorized Remaining Issues
<p>Products</p> <p>Product Pricing</p>	<p>Product definition and pricing principles</p> <p>Test all products against product principles</p> <p>Apply the 5 principles for Slice product to all products</p> <p>Slice - Is it a subscription product?</p> <p>Load issues: Load growth, load loss, retail access load gain/loss</p>
<p>Implementation</p>	<p>Update on inventory of power available</p> <p>Implementation - revisit this after the Inventory discussion</p> <p>Serving Residential Exchange loads</p> <p>Any limits on purchases/pricing (e.g. Comp. Review recommendations)</p>
<p>Business Relationships</p>	<p>Standard Contract Provisions</p> <p>Subscription rights/price/option/renewal</p> <p>BPA acquisition policy</p> <p>Firmness of FPS sale/recall</p>

# Next Steps

- Subscription Work Group continues to meet every other week
- Conclude collaborative process by June
- Begin BPA-individual customer subscription discussions this spring
- Begin signing subscription contracts - -beginning July 1998 as soon as customers are ready to do so.

