

power sales contract states that the rate for Reserve Power shall be applied; when BPA determines no other rate schedule is applicable; or to serve a purchaser's firm power load when BPA does not have a power sales contract in force with such a purchaser, and BPA determines that this rate should be applied. The demand and energy charges are seasonally and diurnally differentiated, with no demand charge during light load hours during any month of the year.

Power Shortage Rate, PS-95

The PS-95 rate schedule is available for sales under the Share-the-Shortage agreement or a similar substitute agreement. BPA is not obligated to make Shortage Power available or broker power under the PF-95 rate schedule unless specified by contract.

VII. Charges Under the Amended and Integrated Pacific Northwest Coordination Agreement

The Pacific Northwest Coordination Agreement (PNCA) is an agreement for planned operations among the utilities and other entities that operate the major electric generating facilities and systems in the Pacific Northwest. The parties jointly and cooperatively plan and coordinate their combined generation facilities so as to produce the optimum firm load carrying capability (FLCC) of the coordinated system. FLCC is the firm load that could be carried under coordinated operation with critical streamflow conditions and with the use of all reservoir storage.

In order to coordinate operations, and so that each party can meet its individual FLCC, the PNCA provides for exchanges of energy and capacity among the parties. The agreement sets up charges for each form of exchange. The parties are negotiating a successor agreement to the PNCA, and have agreed on charges to apply under the new agreement.

The PNCA Rate Schedules will be published in a separate **Federal Register** Notice as described in Section I of this notice.

Issued in Portland, Oregon, on February 7, 1995.

J.H. Curtis,

Acting Administrator.

[FR Doc. 95-3534 Filed 2-13-95; 8:45 am]

BILLING CODE 6450-01-P

Proposed Transmission Rate Adjustment, Public Hearing, and Opportunities for Public Review and Comment

AGENCY: Bonneville Power Administration (BPA), DOE.

ACTION: Notice and Opportunities for Review and Comment.

SUMMARY: *BPA File No:* TR-95. BPA requests that all comments and documents intended to become part of the Official Record in this process contain the file number designation TR-95.

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, and to recover the Federal investment in the Federal Columbia River Power System (FCRPS) and other costs incurred by BPA. BPA is proposing to revise its transmission rate schedules to be effective October 1, 1995, through September 30, 1997, to produce sufficient revenues for BPA to meet its costs for Fiscal Year (FY) 1996 and FY 1997.

Opportunities will be available for interested persons to review BPA's rate proposal, to participate in the rate hearing, and to submit oral and written comments. During the development of the final rate proposal, BPA will evaluate all written and oral comments received in the rate proceeding. Consideration of comments and more current data may result in the final rate proposal differing from the rates proposed in this Notice.

DATES: Persons wishing to become a formal "party" to the proceedings must notify BPA in writing of their intention to do so in accordance with requirements stated in this Notice. Petitions to intervene must be received by 9 a.m. February 13, 1995, and should be addressed as follows: Hearing Officer, c/o Francis (Jamie) Troy, Hearing Clerk—LQ, Bonneville Power Administration, NE. 11th Ave., Box 12999, Portland, Oregon 97212.

In addition, a copy of the petition must be served concurrently on BPA's Office of Legal Services: Janet L. Prewitt, Office of Legal Services—LQ, Bonneville Power Administration, Box 3621, Portland, Oregon 97208.

Persons who have been denied party status in any past BPA rate proceeding shall continue to be denied party status

unless they establish a significant change of circumstances.

A prehearing conference will be held before the Hearing Officer at 9 a.m. on February 13, 1995, in the BPA Rates Hearing Room, 3rd Level, 2032 Lloyd Center, Portland, Oregon. Registration for the prehearing conference will begin at 8:30 a.m. BPA will prefile preliminary proposal studies at the prehearing conference. The Hearing Officer will act on all intervention petitions and oppositions to intervention petitions, rule on any motions, establish additional procedures, establish a service list, establish a procedural schedule, and consolidate parties with similar interests for purposes of filing jointly sponsored testimony and briefs, and for expediting any necessary cross-examination. A notice of the dates and times of any hearings will be mailed to all parties of record. Objections to orders made by the Hearing Officer at the prehearing conference must be made in person or through a representative at the prehearing conference. The rate hearing schedule will be published in the **Federal Register** immediately following the prehearing conference.

The following schedule information is provided for informational purposes.

On or about February 9, 1995

Rate Schedules, General Rate Schedule Provisions, and Transmission Tariffs mailed to customers and 1993 rate case Parties, and available from BPA's Public Information Center; 905 NE. 11th, 1st Floor, Portland, Oregon.

February 13, 1995

Deadline for interventions to be filed with Hearing Clerk at above address.

On or about February 13, 1995

Preliminary proposal studies available at BPA's Rates Hearing Room, 2032 Lloyd Center, Portland, Oregon and BPA's Public Information Center, 905 NE. 11th, 1st Floor, Portland, Oregon.

February 13, 1995

Prehearing conference to set schedule and act on petitions to intervene.

On or about April 5, 1995

BPA Initial Proposal filed.

October 29, 1995

Final Record of Decision published.

BPA also will be conducting public field hearings. A field hearing schedule will be announced at the prehearing conference. A notice of the dates, times, and locations of the field hearings will be made later through mailings and public advertising.

When BPA holds public field hearings, written transcripts are made and included in the official record. A notice of the dates and times of the field hearings also will be published in the **Federal Register**.

ADDRESSES: Written comments by participants must be received by May 15, 1995, to be considered in the Draft Record of Decision (ROD). Written comments should be submitted to the Manager; Corporate Communications—CK; Bonneville Power Administration; 905 NE. 11th; P.O. Box 12999; Portland, Oregon 97212.

FOR FURTHER INFORMATION CONTACT: Mr. Michael Hansen, Public Involvement and Information Specialist, at the address listed above, (503) 230-4328 or call toll-free 1-800-622-4519.

Information also may be obtained from: Mr. Steve Hickok; Group Vice President, Sales and Customer Service; P.O. Box 3621; Portland, OR 97208, (503) 230-5356.

Mr. George Eskridge; Manager, SE Sales and Customer Service District; 1101 W. River, Suite 250; Boise, ID 83702, (208) 334-9137.

Mr. Ken Hustad; Manager, NE Sales and Customer Service District; Crescent Court, Suite 500; 707 Main; Spokane, WA 99201, (509) 353-2518.

Ms. Ruth Bennett; Manager, SW Sales and Customer Service District; 703 Broadway; Vancouver, WA 98660, (360) 418-8600.

Ms. Marg Nelson; Manager, NW Sales and Customer Service District; Suite 400, 201 Queen Anne Ave. N.; Seattle, WA 98109-1030, (206) 216-4272.

Responsible Official: Mr. Geoff Moorman, Manager for Pricing, Marginal Cost and Ratemaking, is the official responsible for the development of BPA's rates.

SUPPLEMENTARY INFORMATION:

Table of Contents

- I. Introduction
- II. Purpose and Scope of Hearing
- III. Procedures Governing Rate Adjustments and Public Participation
- IV. Major Studies
- V. Major Studies
- Transmission Rates
- Transmission Rate Schedules

I. Introduction

After the 1993 Rate Case, BPA conducted a series of workshops on subjects relevant to BPA's ratemaking. The purpose of the workshops was to identify, simplify, and reduce the number of issues that might become part of the 1995 rate case and to reduce the amount of discovery normally required during the formal rate proceedings. Opportunity was provided to address

the impacts of reinvention, transmission issues, risk mitigation, forecasted revenue requirements, and rate design issues. The workshops provided opportunity for informal public comment on issues prior to the formal hearing process.

On December 28, 1994, BPA published in the **Federal Register** a Notice of "Intent to Revise Transmission Rates to Become Effective October 1, 1995," 57 FR 66946, in order to satisfy contractual provisions between BPA and its customers. Since then, BPA has continued to study the adequacy of its current rates and has concluded that current rates must be adjusted for the FY 1996 and FY 1997 rate period.

In order to assess its current rates, BPA first determined the amount of revenues required to meet its financial obligations in FY 1996 and FY 1997. BPA has determined that the revenues it would expect to collect from projected sales under its current rates will not recover these revenue requirements. Therefore, BPA proposes to revise its current transmission rates. At the conclusion of this rate proceeding, BPA will file its rates with FERC for confirmation and approval.

The proposed transmission rates were prepared in accordance with BPA's statutory authority to develop rates, including the Bonneville Project Act of 1937, as amended, 16 U.S.C. 832 (1982); the Flood Control Act of 1944, 16 U.S.C. 825s (1982); the Federal Columbia River Transmission System Act (Transmission System Act), 16 U.S.C. 838 (1982); the Pacific Northwest Electric Power Planning and Conservation Act, 16 U.S.C. 839 (1982); and the Energy Policy Act of 1992, Pub. L. No. 102-486, 106 Stat. 2776 (1992).

In the Energy Policy Act of 1992, Congress approved amendments to the Federal Power Act that allow FERC to order access to transmitting utilities' systems. As a result, FERC has developed standards for providing comparable access including guidelines for pricing such access. This rate proposal includes two new rate schedules (the Network Integration and Point-to-Point Firm rates) to be used for FERC-ordered transmission access and which are designed to allow comparable access to BPA's transmission system. BPA's Energy Transmission rate schedule will be used to price comparable service for nonfirm uses of the transmission system. In a process concurrent with the 1995 rate case, BPA is proposing terms and conditions for these new services for FERC approval. For further information about the terms and conditions process, please contact Mr. Dennis Metcalf, Transmission Team

Lead, (503) 230-3410 or Mr. Michael Hansen, Public Involvement and Information Specialist, (503) 230-4328.

BPA proposes that its transmission rate schedules, including the adjustments, charges and special rate provisions, and the General Rate Schedule Provisions (GRSPs) associated with these rate schedules, become effective upon interim approval or upon final confirmation and approval by FERC. (BPA's proposal combines the general rate schedule provisions for wholesale power rates and transmission rates into one document—the GRSPs.) BPA currently anticipates that it will request FERC approval effective October 1, 1995, or at the same time as its revised power rates. The 1995 transmission rate schedules and the GRSPs shall supersede BPA's 1993 rate schedules and General Transmission Rate Schedule Provisions (which became effective October 1, 1993) to the extent stated in the Availability section of each 1995 rate schedule.

BPA is proposing extension of the Townsend-Garrison Transmission rate and the Use of Facilities rate with no changes. The Market Transmission rate is being revised only to the extent that the Reactive Power Charge is being included in the rate schedule. Three new rates are proposed: the Network Integration Transmission rate; the Point-to-Point Firm Transmission rate; and the Advance Funding rate. The proposed Southern Intertie Annual Costs rate is substantially changed to reflect the outcome of contract negotiations. In addition, a Reservation Charge for Transmission Capacity and a Reactive Power Charge are included in many of the transmission rate schedules. BPA also has provided for charging opportunity costs in the firm transmission rates for new requests for transmission capacity.

In developing the proposed transmission rates, BPA considered many factors, including revenue requirements, ease of administration, revenue stability, rate continuity, comparability, ease of comprehension, contract provisions, and BPA's statutory obligations. The studies that have been prepared to support the proposed preliminary transmission rates will be mailed to all parties in BPA's 1993 rate case and will be available for examination on February 13, 1995, at BPA's Public Information Center; BPA Headquarters Building; 1st Floor; 905 NE. 11th; Portland, and will be available at the prehearing conference, to the extent they are available. The preliminary studies and documents that relate to transmission rates are:

1. Loads and Resources Study and Documentation
2. Revenue Requirement Study and Documentation
3. Segmentation Study
4. Wholesale Power Rate Development Study and Documentation
5. Transmission Rate Design Study
6. Wholesale Power Rate and Transmission Rate Schedules

BPA's proposed Wholesale Power and Transmission Rate Schedules, General Rate Schedule Provisions, and Transmission Tariffs will be published in a separate **Federal Register** Notice on or about February 13, 1995. The documents described above will be mailed to BPA's customers, 1993 rate case parties, and other interested persons, and will be available from BPA's Public Information Center on or about February 9, 1995.

To request any of the above documents by telephone, call BPA's document request line: (503) 230-3478 or call toll-free 1-800-622-4520. Please request the document by its above-listed title. Also state whether you require the accompanying documentation (these can be quite lengthy); otherwise the study alone will be provided. (For example, ask for the "Revenue Requirement Study and Documentation.")

Because of the complexity of the issues in this rate case, in part occasioned by continuing contract negotiations between BPA and its customers as well as BPA's "reinvention" and Competitiveness Project, BPA anticipates that there will be a need to meet with customers and other interested third parties during the rate case on a very frequent, and possibly extended, basis. To comport with the rate case procedural rule prohibiting *ex parte* communications, BPA will provide necessary notice of meetings involving rate case issues for participation by all rate case parties. Parties should be aware, however, that such meetings may be held on very short notice and they should be prepared to devote the necessary resources to fully participate in every aspect of the rate proceeding. Consequently, parties should be prepared to attend meetings every day during the course of the rate case.

II. Purpose and Scope of Hearing

BPA's proposal to revise its rates is needed in order to continue to recover all costs and expenses allocated to the power system, including amortization of the Federal investment in the FCRPS over a reasonable period of time, and to recover costs in a way that achieves the goals of BPA's Competitiveness Project.

BPA began its Competitiveness Project in early 1993 in response to market forces and deregulation of the electric utility industry. The project, a re-invention of the agency to make it more competitive in the new marketplace, included the development of a new business concept, a marketing plan, a review of all of BPA's activities leading to structural reorganization, strategic action plans for each of BPA's major activities, an internal effort to promote leadership and employee empowerment, and proposals to eliminate unnecessary administrative and regulatory requirements.

BPA's Draft Strategic Business Plan and the Draft Business Plan EIS were released to the public in June 1994. The Draft Strategic Business Plan sets the overall strategic direction for both serving BPA's customers and meeting BPA's legislated responsibilities, including new statements of BPA's mission, values, and strategic business objectives to guide BPA's activities. The Draft Strategic Business Plan also describes the conceptual framework for the products BPA is offering. As stated in the Draft Strategic Business Plan, BPA's pricing policies are designed to meet many objectives, including: (1) providing maximum customer choice and encouraging optimal use of the FCRPS; (2) contributing to BPA's continued viability in an increasingly competitive energy market environment; and (3) allowing BPA to take full advantage of its responsibility and authority to manage the FCRPS, consistent with all statutory requirements.

The Draft Strategic Business Plan envisions BPA as having three separate and distinct business lines—power, transmission, and energy services (conservation)—which will be self-supporting and serve customers according to their unique needs. The Draft Strategic Business Plan also outlines a number of initiatives to improve BPA's competitiveness, including strategies to close the projected gap between BPA's costs and revenues, a financial strategy, and proposals to change BPA's power rate structures to give customers more choice, to more accurately reflect BPA's costs associated with providing the discrete components of electric service selected by customers, and thereby to encourage investment in cost-effective conservation. BPA proposes to close the revenue gap by exerting strict cost management and becoming market driven.

To provide customers with a price signal that encourages efficient resource investment decisions, including

conservation resources, and appropriately shares the benefits of the relatively low-cost Federal power and transmission systems, BPA is proposing to tier its power rates for requirements service and for the residential exchange. The rate for requirements service would be divided into two parts: a Tier 1 rate, and one or several alternative Tier 2 rates. BPA expects that the Tier 1 rate will be available to serve most of the existing customers' firm loads. The Tier 1 rate is expected to be a lower rate than Tier 2 because it will be based primarily on the costs associated with the existing Federal system. The Tier 2 rates will be available to serve regional firm requirements in excess of Tier 1, including future load growth, and will be based on the costs associated with supplying power to meet these loads.

To address the increasingly competitive market for power, transmission, and energy services, BPA is proposing to offer a limited menu of unbundled products in the 1995 rate case. BPA expects that the products offered will be available both under the current power sales contracts and under new power sales contracts. BPA expects to offer additional unbundled products in future rate cases and to price these products to meet market conditions and its cost recovery obligations. In some cases, BPA expects the market will require flexible pricing. BPA is planning to "unbundle" what it offers so customers can choose among products and services based on what they need to meet their loads and support their own resources, if any.

BPA owns most of the high-voltage transmission system in the PNW and recognizes the need to ensure that BPA's transmission system is not an impediment to a fully functioning and competitive bulk power market. To assure that the transmission system does not provide BPA with anticompetitive market power, BPA is proposing network transmission services and prices for such services on a basis comparable to its own use of its system. In setting rates, terms, and conditions of service, BPA will be consistent with FERC comparability standards applicable to other transmitting utilities under sections 210 and 211 of the Federal Power Act except where prohibited by statute or regulation.

BPA is assessing the potential environmental effects of its rate proposal as required by the National Environmental Policy Act (NEPA) as part of the Business Plan Environmental Impact Statement (EIS). Beginning in June 1994, BPA solicited input to the Draft Strategic Business Plan and the Draft Business Plan EIS from customers

throughout the region. From August 3 - August 9, BPA held numerous public comment meetings throughout the region. Additionally, BPA held a Draft Business Plan EIS workshop where participants were invited to design their own alternatives and consider the environmental and fiscal results. The draft EIS evaluates BPA's Business Plan proposal and a range of alternatives, including the impacts of the range of potential rate designs for BPA's power and transmission services. It also documents the impact of the current rate proposal for purposes of the National Environmental Policy Act. A supplemental Draft Business Plan EIS, revised in response to comments received, will be available for public comment in February. Comments will be received outside the formal rate hearing process, but will be included in the rate case record and considered by the Administrator in making a final decision establishing BPA's 1995 rates. The Final Strategic Business Plan and the Business Plan EIS that elaborates BPA's strategic action plans will be released in June 1995.

Spending levels are developed as a part of the BPA Strategic Business Plan, with the benefit of a public comment process. They also are determined as a part of the Federal budget process. Consistent with the Business Plan, the Administrator formally announced spending levels for FYs 1996-2001 to the public on January 12, 1995. BPA will continue to refine its strategic business objectives, goals, and spending levels, and inform the public accordingly, as part of its Strategic Business Plan development process. That process is expected to culminate in a Final Strategic Business Plan published in June 1995. Therefore, except for the limited exceptions hereafter noted, spending level decisions will not be addressed in this rate case. Accordingly, pursuant to § 1010.3(f) of the "Procedures Governing Bonneville Power Administration Rate Hearings," 51 FR 7611 (March 5, 1986) (hereinafter Procedures), the Administrator directs the Hearing Officer to exclude from the record any material attempted to be submitted or arguments attempted to be made in the hearing which seek to visit in any way the appropriateness or reasonableness of BPA's decisions on spending levels, as included in BPA's cost evaluation period of FY 1995 through FY 1997 and its test period revenue requirements for FYs 1996 and 1997. If, and to the extent, any re-examination of spending levels is necessary, that re-examination will occur outside of the rate case. The

Revenue Requirement Study will incorporate BPA's spending levels and reflect BPA's risk mitigation, capital funding, and other financial goals in the rates. Excepted from this direction on account of their variable nature, dependency on BPA's rate case models, or timing, are: (1) Forecasts of residential exchange benefits; (2) forecasts of short-term purchase power costs; (3) provision in BPA's revenue requirement for cash working capital or cash lag needs; (4) repayment matters such as interest rate forecasts, scheduled amortization, depreciation, replacements, and interest expense; and (5) updates to forecasts by BPA which may occur in the Spring of 1995 and for which no other review forum has been provided.

III. Procedures Governing Rate Adjustments and Public Participation

Section 7(i) of the Northwest Power Act, 16 U.S.C. § 839e(i), requires that BPA's rates be established according to certain procedures. These procedures include, among other things, issuance of a **Federal Register** Notice announcing the proposed rates; one or more hearings; the opportunity to submit written views, supporting information, questions, and arguments; and a decision by the Administrator based on the record. The proceedings for BPA's proposal to adjust transmission rates will be combined with the proceedings for BPA's proposal to adjust wholesale power rates. This proceeding will be governed by BPA's rule for general rate proceedings, § 1010.9 of BPA's Procedures. These Procedures implement the statutory section 7(i) requirements. Section 1010.7 of the Procedures prohibits *ex parte* communications.

BPA distinguishes between "participants in" and "parties to" the hearings. Apart from the formal hearing process, BPA will receive comments, views, opinions, and information from "participants," who are defined in the procedures as any person who may express views, but who does not petition successfully to intervene as a party. Participants' written comments will be made part of the official record of the case and considered by the Administrator. The participant category gives the public the opportunity to participate and have its views considered without assuming the obligations incumbent upon "parties." Participants are not entitled to participate in the prehearing conference, cross-examine parties' witnesses, seek discovery, or serve or be served with documents, and are not subject to the

same procedural requirements as parties.

Written comments by participants will be included in the record if they are received by May 15, 1995. This date follows the anticipated submission of BPA's and all other parties' direct cases. Written views, supporting information, questions, and arguments should be submitted to BPA's Manager of Corporate Communications at the address listed in Section I of this Notice. In addition, BPA will hold several field hearings in the Pacific Northwest Region. Participants may appear at the field hearings and present oral testimony. The transcripts of these hearings will be a part of the record upon which the Administrator makes the rate decision.

The second category of interest is that of a "party" as defined in §§ 1010.2 and 1010.4 of BPA's Procedures. Parties may participate in any aspect of the hearing process.

Persons wishing to become a party to BPA's rate proceeding must notify the Hearing Officer and BPA in writing of their request. Petitions to intervene shall state the name and address of the person and the person's interests in the outcome of the hearing. Petitioners may designate no more than two representatives upon whom service of documents will be made. BPA customers and customer groups whose rates are subject to revision in the hearing will be granted intervention based on a petition filed in conformance with this section. Other petitioners must explain their interests in sufficient detail to permit the Hearing Officer to determine whether they have a relevant interest in the hearing. Intervention petitions will be available for inspection in BPA's Public Information Center, 1st Floor, 905 NE. 11th, Portland, Oregon. Any opposition to a petition to intervene must be raised at the February 13, 1995, prehearing conference. All timely applications will be ruled on by the Hearing Officer. Opposition to an untimely petition to intervene shall be filed and served within 2 days after service of the petition. Interventions are subject to § 1010.4 of the Procedures.

The record will include, among other things, the transcripts of any hearings, any written material submitted by the parties and participants, documents developed by BPA staff, BPA's environmental analysis and comments accepted on it, and other material accepted into the record by the Hearing Officer. The Hearing Officer then will review the record, will supplement it if necessary, and will certify the record to the Administrator for decision.

The Administrator will develop final proposed rates based on the entire record, including the record certified by the Hearing Officer, comments received from participants, other material and information submitted to or developed by the Administrator, and any other comments received during the rate development process. The basis for the final proposed rates first will be expressed in the Administrator's Draft ROD. Parties will have an opportunity to comment on the Draft ROD as provided in BPA's hearing procedures. The Administrator will serve copies of the Final ROD on all parties and will file the final proposed wholesale power and transmission rates together with the record with FERC for confirmation and approval.

IV. Major Studies

A. Major Studies

1. Loads and Resources Study

BPA's forecast of regional loads by customer group are the basis from which public utility and direct service industry (DSI) customer purchases from BPA (Federal system firm loads) are projected. BPA also projects Federal transmission losses, obligations to regional investor-owned utilities (IOUs) under their power sales contracts, and other inter- and intraregional contractual obligations.

BPA's resource acquisition plans are based on work by BPA and the Northwest Power Planning Council staff and reflect extensive input and review by the general public and the region's utilities. The specific resource acquisitions and associated costs included in this proposal are based on BPA's 1994 Draft Strategic Business Plan.

The load/resource balance determines BPA's obligation to serve firm loads during the test years under 1930 water conditions. It also contributes to the determination of the supply of surplus firm power in the region and on the Federal system. A related hydro regulation study incorporates the operation of thermal plants, exports and imports of power, projected resource acquisitions, and system constraints such as the Columbia River flow augmentation project, "spill", and the water budget for fish migration. For this proposal, a 50-year hydro study was completed which includes assumptions regarding the Columbia River flow augmentation. The hydro study starts in August 1995. The 50-year study determines nonfirm energy availability for the region.

2. Revenue Requirement Study

The Bonneville Project Act, the Flood Control Act of 1944, the Transmission System Act, and the Northwest Power Act require BPA to set rates that are projected to collect revenues sufficient to recover the cost of acquiring, conserving, and transmitting the electric power that BPA markets, including amortization of the Federal investment in the FCRPS over a reasonable period, and to recover BPA's other costs and expenses. The Revenue Requirement Study determines whether current rates will produce enough revenues to recover all BPA costs and expenses, including BPA's repayment obligations to the U.S. Treasury. Revenue requirements are the major factor in determining the overall level of BPA's proposed power and transmission rates.

The Transmission System Act and the Northwest Power Act require that transmission rates be based on an equitable allocation of the costs of the Federal transmission system between Federal and non-Federal power using the system. In compliance with a FERC order dated January 27, 1984, 26 FERC ¶ 61,096, the Revenue Requirement Study incorporates the results of separate repayment studies for the generation and transmission components of the FCRPS. The repayment studies for generation and transmission demonstrate the adequacy of the projected revenues to recover all of the Federal investment in the FCRPS over the allowable repayment period. Separate generation and transmission revenue requirements are developed in the Revenue Requirement Study. The adequacy of projected revenues to recover test period revenue requirements and to meet repayment period recovery of the Federal investment is tested and demonstrated separately for the generation and transmission functions.

The Revenue Requirement Study for the 1995 preliminary rate proposal is based on revenues and cost estimates for FY 1996 and FY 1997. BPA's Revenue Requirement Study reflects actual amortization and interest payments paid through September 30, 1994. In addition, it reflects all FCRPS obligations incurred pursuant to the Northwest Power Act, including residential exchange costs.

3. Segmentation Study

BPA operates and maintains the Federal Columbia River Transmission System (FCRTS) to provide transmission services throughout the region. Because most services do not require the use of the entire system, the FCRTS is divided

into nine segments, each providing a distinct type of service. The nine segments are: integrated network; Pacific Northwest-Pacific Southwest (Southern) Intertie; Northern Intertie; Eastern Intertie; generation integration; fringe area; and delivery segments for public agency, DSI, and IOU customers.

The Segmentation Study categorizes the facilities of the FCRTS according to the types of services they provide. This provides the basis for segmenting the projected transmission revenue requirements used in BPA's rate proposals. The results of the Study include the historical investment and the average of the last 3 years' operations and maintenance expenses. In addition, the facilities of the integrated network similarly are divided among distinct services. This division of the FCRTS into segments provides for equitable allocation of transmission costs between Federal and non-Federal customers based on their usage of the segments.

4. Wholesale Power Rate Development Study (WPRDS)

BPA is proposing substantial changes in the method used to develop its wholesale power rates. The cost of service analysis (COSA) and rate design adjustments are the two central parts of the rate development process. The COSA apportions BPA's test year generation and transmission revenue requirements to customer classes based on the use of specific types of service by each customer class and in accord with the rate directives of the Northwest Power Act. Costs are allocated to classes of service on the basis of the relative use of services. The coincidental peak (CP) allocation of network transmission costs to customer classes uses an average of a 12-CP and 3-CP (December, January, and February) method to reflect transmission cost causation. The transmission costs allocated to the Federal power uses of the transmission system form the basis for the power rates' demand charge; the transmission costs allocated to non-Federal uses form the basis for the transmission, or wheeling, rates that are calculated in the Transmission Rate Design Study (discussed below).

The rate design adjustment portion of the WPRDS modifies the allocated costs developed in the COSA to: (1) Reflect BPA's rate design objectives; (2) conform with contractual requirements; (3) reflect the results of other BPA studies and commitments made in other public involvement processes under section 7(i) of the Northwest Power Act; and (4) conform with requirements of applicable legislation. BPA's rate design

objectives include recovery of BPA's revenue requirement, rate and revenue stability, practicality, fairness, comparability, and efficiency. All of the rate design adjustments are functionalized, classified, segmented, and seasonalized where appropriate. After all adjustments are made, the final power rates are calculated.

5. Transmission Rate Design Study (TRDS)

In the TRDS, rates for various transmission services are calculated using the portion of the transmission revenue requirement allocated to non-Federal uses of the transmission system. Wheeling load forecasts are developed in the TRDS in order to calculate rates. The design of individual rate schedules also is accomplished in the TRDS.

B. Transmission Rates

In a process concurrent with the 1995 rate case, BPA is proposing terms and conditions for new and existing services (network integration, point-to-point firm, and nonfirm) that allow comparable access to the Federal transmission system. Two new rate schedules (the Network Integration Transmission rate and the Point-to-Point Firm Transmission rate) are proposed to price the new services. BPA's Energy Transmission rate is proposed to price comparable nonfirm transmission services. These new services ensure that all parties have access to the Federal transmission system under comparable terms, conditions, and rates as BPA. Such comparability allows for a competitive marketplace for power products.

BPA also is proposing the Advance Funding rate to allow BPA to collect the cost of specified BPA-owned transmission facilities through advance payment. In addition to the three new rate schedules, all of BPA's traditional transmission rate schedules are proposed to be confirmed. A charge is included in the firm transmission rates to allow BPA to charge opportunity cost when that is higher than the embedded cost charge for new requests for transmission capacity. BPA also provides notice in the firm rate schedules that requests for new or increased firm transmission service may be subject to incremental cost rates that would be developed pursuant to section 7(i) of the Northwest Power Act. In applying incremental or opportunity cost rates, BPA would be consistent with FERC's "or" pricing—the higher of embedded cost or incremental cost (or, the higher of embedded cost or opportunity cost), but not the sum of the two. Finally, a Reservation Charge for

Transmission Capacity and a Reactive Power Charge are included in the many of the transmission rate schedules.

1. Formula Power Transmission (FPT)

The FPT-95 rate schedule is available for the firm wheeling of power on the network segment of the FCRTS. This rate includes a distance or mileage component for transmission lines and various transformation and terminal charges. The FPT rate form is designed to reflect a wheeling formula that is prescribed by contract provisions.

In calculating the FPT-95 rate, the first step is to quantify costs for the specific types of transmission facilities treated in the rate components. Estimates of the use of these facilities are determined from a simulation of the power flow of the projected peak load during the test period. Unit costs for the FPT rate components are derived by dividing facility cost by facility use as determined in a power flow study.

2. Integration of Resources (IR)

The IR service is a flexible transmission service that may be used to integrate multiple resources and transmit non-Federal power to multiple points of delivery on the FCRTS Integrated Network facilities. The IR-95 rate is structured as a postage-stamp (independent of distance) rate with a demand and energy charge. The proposed IR-95 rate schedule continues to include the Short-Distance Discount, an exception to the postage stamp rate design for contractually specified points of integration.

The IR-95 rate is calculated by dividing the revenue requirement for the class into two equal parts to reflect a 50-50 classification of costs to capacity and energy. The quotient of these costs and the appropriate billing determinant (contract demand for capacity-related costs; total energy usage for energy) yields the rates.

3. Energy Transmission (ET); Southern Intertie (IS), Northern Intertie (IN), and Eastern Intertie (IE) Transmission; and Market Transmission (MT)

The ET-95 rate is designed to approximate the average cost of firm wheeling on the network. It is calculated by dividing the costs allocated to the FPT/IR class of service by all wheeling under firm wheeling contracts. The ET rate applies to use of intra-regional FCRTS facilities excluding the Interties and will provide comparable nonfirm transmission service.

The proposed IS-95 rate consists of two parts: a nonfirm energy-only rate,

and a firm rate with separate demand and energy components.

BPA also is proposing two rates for the IN-95 rate schedule: an energy-only rate for nonfirm wheeling, and a rate with demand and energy components for firm wheeling. The cost of the Northern Intertie is allocated to Federal and non-Federal power; the cost allocated to non-Federal power is the basis for the calculation of the rate.

The IE-95 rate is available for nonfirm transmission on the Eastern Intertie. It is calculated as the ratio of the Eastern Intertie segment cost to the projected wheeling of energy from the Colstrip plant.

BPA is continuing its MT-95 rate unchanged, except for the addition of the Reactive Power Charge. This rate schedule was developed for use among Western Systems Power Pool (WSPP) participants and allows for flexible hourly, daily, weekly, and monthly charges.

4. Use of Facilities Transmission (UFT) and Townsend-Garrison Transmission (TGT)

The UFT-95 and TGT-95 rate schedules are formula rates that are being proposed unchanged from the current 1993 rates. The UFT rate recovers the annual cost of identified facilities over which specific wheeling transactions occur. The TGT rate is a contract rate that recovers the cost of the Montana (Eastern) Intertie.

5. Southern Intertie Annual Costs (AC)

BPA is proposing the AC-95 rate to be applied to owners of AC Intertie capacity. This rate recovers the Capacity Owner's prorata share of actual AC Intertie costs: Operations, maintenance, general plant, and other identified expenses, as well as capital costs of replacements and reinforcements. The proposed AC-95 rate takes the place of the AC-93 rate which was a "bridge" rate until Capacity Ownership contracts were complete.

6. Network Integration Transmission (NT) and Point-to-Point Firm Transmission (PT)

The proposed NT-95 and PT-95 rates, along with the associated terms and conditions of service, are designed to provide customers with transmission service that is comparable to what BPA provides itself in serving its power customers. Network Integration transmission service allows customers to serve their load located in the PNW region. The proposed NT-95 rate is based on a load-ratio share concept. The load-ratio share measures the Network

Integration customer's contribution to the FCRTS peak.

The proposed PT rate, along with terms and conditions of service, provides transmission service for customer's native load and/or transactions with third parties over the FCRTS Integrated Network. The PT rate is based on transmission costs allocated to the FPT/IR class of service and is structured as a monthly demand charge.

7. Advance Funding (AF)

The proposed AF rate allows BPA to collect the capital and related costs of specified BPA-owned transmission facilities through advance payment. Such facilities could include interconnection and resource integration facilities, and upgrades or reinforcements to the FCRTS. Following commercial operation of the specified facilities, a true-up of estimated costs with actual costs would occur.

8. Reservation Charge for Transmission Capacity, and Reactive Power Charge

The proposed Reservation Charge is included in the firm transmission rate schedules for application to customers who enter into a contract with BPA for new or increased firm transmission service on the FCRTS and want to reserve transmission capacity to accommodate such service. Payment of the Reservation Charge for Transmission Capacity would allow a customer to reserve capacity for up to 3 years, with the possibility of two annual extensions granted by BPA on a case-by-case basis.

The proposed Reactive Power Charge is included in BPA's transmission rate schedules as well as BPA's power rate schedules, and charges customers for their reactive power requirements by point of delivery.

V. Transmission Rate Schedules

The proposed transmission rates are incorporated in the Wholesale Power and Transmission Rate Schedules. The rate schedule document includes three sections. The first section contains the wholesale power and transmission rate schedules. Each schedule is comprised of sections stating to whom the rate schedule is available, rates for the products offered under the schedule, and billing factors. Each rate schedule also lists the adjustments, charges, and special provisions that apply to that rate schedule.

The second section contains detailed descriptions of the adjustments, charges, and special provisions that apply to the various rate schedules. The third section contains the GRSPs for power and transmission rates. The GRSPs include a lengthy list of definitions, both of

products and services and of rate schedule terms.

The Wholesale Power and Transmission Rate Schedules and the GRSPs will be published in a separate **Federal Register** Notice as described in Section I of this Notice.

Issued in Portland, Oregon, on February 7, 1995.

J.H. Curtis,

Acting Administrator.

[FR Doc. 95-3535 Filed 2-13-95; 8:45 am]

BILLING CODE 6450-01-P

Hearing and Opportunity for Public Comment; Regarding Proposed Comparable Transmission Terms and Conditions

AGENCY: Bonneville Power Administration (BPA), DOE.

ACTION: Notice of Hearing and Opportunity to Comment.

SUMMARY: *BPA File No. TC-95.* BPA requests that all comments and documents intended to become part of the Official Record in this process contain the file number designation TC-95. BPA will be proposing terms and conditions applicable to three transmission services over the network transmission system of the Federal Columbia River Transmission System (FCRTS) which BPA considers to be comparable to the uses BPA itself makes of such system for its own power transactions. The Federal Power Act, as amended by the Energy Policy Act of 1992, provides that BPA may institute a regional hearing process on proposed transmission terms and conditions of general applicability. By this notice, BPA is announcing such a proceeding and the dates on which the proposed transmission terms and conditions will be available.

DATES: Persons wishing to comment on the proposed transmission terms and conditions but not wishing to become "parties" to the proceeding must submit written comments on the proposals by May 15, 1995. Persons wishing to become formal "parties" to the proceeding must notify BPA in writing of their intention to do so in accordance with requirements stated in this Notice. Intervention petitions must be received by 9 a.m. February 13, 1995.

A prehearing conference will be held before the Hearing Officer at 9:00 a.m. on February 13, 1995, in the BPA Rates Hearing Room located at 2032 Lloyd Center, Portland, Oregon. Registration for the prehearing conference will begin at 8:30 a.m. The prehearing conference for BPA's 1995 power and transmission rate case will occur at the same time and

place as the prehearing conference for this proceeding. BPA's present intent is for the Hearing Officer for this transmission terms and conditions proceeding to be other than the Hearing Officer presiding over BPA's 1995 power and transmission rate proceeding. However, it also is BPA's intent to merge as much as possible the schedules and records for these two proceedings in order to address common transmission issues efficiently. At the prehearing conference, BPA may move to consolidate common transmission issues.

The Hearing Officer will act on all intervention petitions and oppositions to intervention petitions, rule on any motions, establish additions or changes to the Procedures, establish a service list, establish a procedural schedule in conjunction with the rates hearing officer, and consolidate parties with similar interests for purposes of filing jointly-sponsored testimony and briefs and for expediting any necessary cross-examination. A notice of the dates and times of any hearings will be mailed to all parties of record. Objections to orders made by the Hearing Officer at the prehearing conference must be made in person or through a representative at the prehearing conference.

The following schedule information is provided for informational purposes. A final schedule will be established by the Hearing Officer at the prehearing conference.

February 9, 1995 (on or about)

Proposed Transmission Terms and Conditions mailed to customers and 1993 rate case parties and available from BPA's Public Information Center, 1st Floor, 905 N.E. 11th Ave., Portland, Oregon.

February 13, 1995 (on or about)

Proposed Transmission Terms and Conditions published in **Federal Register**.

February 13, 1995

Prehearing conference to set schedule and act on petitions to intervene.

April 5, 1995 (on or about)

Supplemental testimony filed.

October 29, 1995

Administrator's Final Decision

BPA also will be conducting public field hearings on it proposed power and transmission rates. Comments on the proposed transmission terms and conditions also will be accepted at these hearings. The dates and locations of the field hearings will be announced later through mailings and public advertising.

ADDRESSES: Written comments by "participants" should be submitted by May 15, 1995, to: Manager, Corporate