

17.0 WHOLESALE POWER RATE SCHEDULES

17.1 Introduction

In the 2002 rate case, BPA proposed major changes in the design of its wholesale power rates. *See* Wholesale Power Rate Development Study, WP-02-E-BPA-05, at 1-3. Most of these changes are covered elsewhere in the ROD; this chapter reflects primarily changes to the rate schedules. BPA's 2002 rate schedules have been revised in format and content to reflect BPA's Subscription Strategy and the goals stated therein. Burns and Elizalde, WP-02-E-BPA-08, at 7.

BPA proposed greater flexibility in power products and power product pricing by:

- offering optional stepped rates for the five-year rate period, and a five-year average rate;
- offering energy and demand charges with 12 monthly seasons per year;
- using market forecasts to develop the monthly Demand Charge to send more accurate price signals;
- measuring monthly peak for purchasers of the Full Service Product on the customer's monthly peak coincident with BPA's monthly system peak, and for purchasers of the Actual Partial Product on their system peak; and
- replacing the Load Shaping Charge with a Load Variance Charge.

Wholesale Power Rate Development Study, WP-02-E-BPA-05, at 6-7; Burns and Elizalde, WP-02-E-BPA-08, at 5-6. Also new for this rate period is the TAC, which will recover the costs of market purchases needed to serve customers requesting additional service after the close of the Subscription window. *Id.* at 6. *See also* Arrington *et al.*, WP-02-E-BPA-24, and ROD section 10.15. An IPTAC has been designed to allow power to be sold to the DSIs at a price that reflects a melding of power sold from the FBS and power purchased specifically to serve the DSIs. Berwager *et al.*, WP-02-E-BPA-09, at 8-9; *see* ROD section 15.5.

BPA is establishing the Residential Load Firm Power (RL-02) rate. This rate applies to net requirements sales under section 5(b) of the Northwest Power Act to IOUs that participate in a settlement of the REP, as described in BPA's Subscription Strategy. Leathley *et al.*, WP-02-E-BPA-19, at 8-14; *see also* ROD sections 2.1 and 12.3. The PF Exchange Subscription rate was developed for in-lieu power sales under section 5(c) of the Northwest Power Act, in a settlement of the REP as described in BPA's Subscription Strategy. Leathley *et al.*, WP-02-E-BPA-19, at 14-15.

The Load Variance Charge will recover the costs of the variability in monthly energy consumption within a BPA customer's system. The Load Variance Charge under the Full and Actual Partial Service products enables customers' billing factors to follow actual consumption.

This differs from Block products, where the amounts to be paid are fixed in advance. Keep *et al.*, WP-02-E-BPA-17, at 7; *see* ROD section 10.5. The SUMY Block Charge is applicable to Block purchases if the annual amounts that are specified in the contractual commitment increase (*i.e.*, step-up) over multiple years of a purchase commitment term due to projected increases in customer net requirements that are not subject to a TAC. Keep *et al.*, WP-02-E-BPA-17, at 10; *see* ROD section 10.9. BPA has changed its method of computing UAI Charges so they more effectively encourage customers to buy the products they need and avoid exceeding their contractual entitlement to take power. Keep *et al.*, WP-02-E-BPA-17, at 14-15; *see* ROD section 10.6. Similarly, the Excess Factoring Charge provides a penalty to the customer that requires BPA to provide factoring service (energy distributed among hours to match a load shape) that is outside the factoring benchmarks. Keep *et al.*, WP-02-E-BPA-17, at 19-20; *see* ROD section 10.7.

BPA is offering a Slice product, a power sale based upon a Slice participant's annual net firm requirements load, shaped to BPA's generation from the Federal system resources. Mesa *et al.*, WP-02-E-BPA-32, at 2. The Slice product, rate, and methodology are described in detail in ROD chapter 16 and Attachment 1. The Slice rate will apply uniformly over the five year rate period. The Slice true-up adjustment charge, positive or negative, will recover the difference between the forecasted Slice Revenue Requirement and actual expenses and credits of the Slice Revenue Requirement. *See* ROD chapter 16.

The C&R Discount will help sustain and encourage conservation and renewable resource development and low-income weatherization. The GEP is a dollar amount that customers will pay in addition to the applicable rate to purchase EPP. Esvelt *et al.*, WP-02-E-BPA-33; *see* ROD sections 10.13 and 10.14.

Cost-based indexed rates for PF and IP are designed to recover revenues over the term of the indexed rate approximately equivalent to the applicable fixed rate. The indexed rate for DSI smelters would offer DSIs with aluminum smelter operations a tool that should promote smelter survivability during periods of low aluminum prices, while providing BPA with revenues necessary to recover its costs. Miller *et al.*, WP-02-E-BPA-21, at 2; *see* ROD section 10.16.2. Indexed rates for non-smelter DSIs will be available, at BPA's discretion, if BPA and the DSI can mutually agree to an appropriate industry or commodity index. Miller *et al.*, WP-02-E-BPA-21, at 6; *see* ROD section 10.16.2. The cost-based indexed PF rate allows BPA to offer utility customers pricing flexibility related to power market prices. Miller *et al.*, WP-02-E-BPA-21, at 16-17; *see* ROD section 10.16.1. Flexible PF, IP, and NR rates will continue to be available, at BPA's discretion. Gustafson *et al.*, WP-02-E-BPA-23, at 7-9; *see* ROD section 10.10.

BPA continues to offer the LDD. Issues related to the LDD are addressed in ROD section 10.12.

As noted in the Wholesale Power Rate Schedules, contract language prevails over the rate schedule language and GRSPs.

17.2 Major Rate Design Proposals Affecting More Than One Rate Schedule

17.2.1 Definition of Dow Jones Mid-Columbia Index

Issue 1

How to define and reference the DJ Mid-C Indexes in the GRSPs.

Parties' Positions

PGP notes its concerns about the definitions pertaining to the DJ Mid-C Indexes as they appear in the GRSPs. PGP proposes an alternative definition, and also proposes to eliminate the definition for the Mid-C Bus. Knitter *et al.*, WP-02-E-PG-01, at 7; PGP Brief, WP-02-B-PG-01, at 8-9.

BPA's Position

In the GRSPs for the initial proposal, BPA defined the DJ Mid-C Indexes as the price indexes for “the sale of firm and nonfirm power traded at the Mid-Columbia Bus.” Wholesale Power Rate Schedules, WP-02-E-BPA-07, at 117. BPA also included a definition for the Mid-C Bus. *Id.* at 120. In rebuttal testimony, BPA agreed that the first sentence of PGP’s proposed definition for the DJ Mid-C Indexes constitutes an appropriate modification, and indicated BPA’s intent to adopt that portion of PGP’s suggested language for the final GRSPs. Keep *et al.*, WP-02-E-BPA-43, at 32. BPA does not agree, however, to adopt the remainder of PGP’s proposed definition, which addresses establishment of successor price indexes. *Id. See, infra*, Issue 2.

Evaluation of Positions

PGP’s suggestion not to include the definition of the Mid-C Bus in the GRSPs is reasonable and appropriate. BPA will not include the definition for the Mid-C Bus in the final GRSPs in the Wholesale Power Rate Schedules. PGP witnesses claim the definition has three problems. First, they want to ensure that BPA uses publicly available, published indices published by a third party, *e.g.*, Dow Jones. This would prevent the possibility that BPA will unilaterally reinterpret the definition in the event that the nature of the Dow Jones index changes in the future, and avoid the risk of BPA creating a reporting burden on Mid-C utilities in the event that Dow Jones discontinues the index or BPA determines that the Dow Jones indices no longer serve the intent of the rate schedule. Knitter and Peters, WP-02-E-PG-01, at 7. PGP recommended the following language to define “Dow Jones Mid-C Indexes (DJ Mid-C Indexes)”:

Average HLH and average LLH price indices for sales of electricity at delivery points along the mid-Columbia River, as published by Dow Jones & Company, Inc. In the event that the DJ Mid-C Indexes cease to be published, other independently compiled and published electricity price information shall be used, as agreed by the Customer and BPA.

Id. BPA agrees that the definition for the Mid-C Bus can be eliminated.

PGP's proposed modification to the definition of the DJ Mid-C indexes in the GRSPs is appropriate with the addition of clarifying language to ensure that the definitions for peak and offpeak periods at the DJ Mid-C index are aligned with BPA's defined HLH and LLH periods.

Decision

At PGP's suggestion, BPA has replaced the definition for the DJ Mid-C Indexes with the following language: "Average heavy load hour (or peak) and average light load hour (or offpeak) price indices for sales of electricity at delivery points along the mid-Columbia River, as published by Dow-Jones & Company, Inc."

BPA does not adopt PGP's proposal, included in their definition of the DJ Mid-C indexes, for establishment of successor indexes. See Issue 2.

Issue 2

Whether the GRSPs should require BPA to negotiate successor indexes with customers in the event that the California ISO and/or the DJ Mid-C price indexes cease to exist.

Parties' Positions

PGP proposes language for the GRSPs that would require that any successor index to the DJ Mid-C Indexes will be established "as agreed by the Customer and BPA." Knitter *et al.*, WP-02-E-PG-01, at 7; PGP Brief, WP-02-B-PG-01, at 8-9. PGP asserts that "(t)he Administrator's proposed method for selecting a successor index to the Mid-C index leaves open the possibility that Bonneville will unilaterally select an index at a location where a given customer cannot conduct business due to transmission restraints. This could result in BPA overcollecting from that customer, thus violating the standard that BPA's rates be based on cost of service." PGP Ex. Brief, WP-02-R-PG-01, at 12.

BPA's Position

BPA believes it is practical and equitable to rely on the language in the GRSPs presented in the initial proposal for selecting successor indexes for the Unauthorized Increase Charges and Excess Factoring Charges, specifically those provisions that identify the PX price indexes or "any applicable new hourly or diurnal energy index at a hub at which Northwest parties can trade . . ." Wholesale Power Rate Schedules, WP-02-E-BPA-07, at 109; Keep *et al.*, WP-02-E-BPA-43, at 32.

Evaluation of Positions

PGP quotes section 7(a) of the Northwest Power Act, which provides that BPA's rates must assure repayment of the FCRPS over a reasonable period of years. PGP Ex. Brief,

WP-02-R-PG-01, at 12-13. PGP contends that under BPA's proposal "there is a potential that any given Bonneville customer may not be able to trade on the index chosen by Bonneville." *Id.* at 13. PGP claims that BPA's proposed selection of a successor index(es) would vest BPA with "unbridled discretion" to set rates outside the power rate case, customers would be without assurances that they will be able to switch to the successor index, and Bonneville may develop rates that are not cost-based. *Id.*

PGP provides no proposal for implementing its suggested provisions that any successor index(es) be established "as agreed by the Customer and by Bonneville." This suggested provision, if triggered by developments in the DJ Mid-C or California ISO indexes, could require BPA to individually negotiate successor indexes with each customer and result in an inconsistent administration of the UAI Charges and Excess Factoring Charges.

BPA includes sufficiently precise language in its GRSPs to assure a reasonable establishment of successor indexes for its UAI Charges and Excess Factoring Charges, should the need arise. BPA specifically identifies the PX indexes as one potential successor index for the UAI Charges for energy and Excess Factoring Charges, and otherwise specifies characteristics of successor indexes. Significantly, one of the characteristics required for any successor index in the GRSPs is that the price index reflects transactions "at a hub at which Northwest parties can trade." Wholesale Power Rate Schedules, WP-02-E-BPA-07, at 92-94, 108-109. BPA does not agree that selection of a successor index should be based on negotiations with customers. *Keep et al.*, WP-02-E-BPA-43, at 32. Such a scenario could delay billing for UAI Charges or other affected charges (such as those for Excess Factoring) until such time as negotiations with customers are complete. *Id.* Furthermore, PGP's proposal presents some potential scenarios in which negotiations, if completed individually with each customer, yield agreements utilizing differing successor indexes. *Id.* This would result in an inconsistent set of effective penalty charges affecting BPA's customers. *Id.*

PGP's contention that BPA's selection of a successor index may result in "rates that are not cost-based," PGP Ex. Brief, WP-02-R-PG-01, at 13, ignores the central intent of the UAI Charges and Excess Factoring Charges. Those charges are designed as penalty charges rather than cost-based charges, with the primary intent of deterring customers from exceeding their contractual right with regard to the amount and shape of load placed on BPA. The deterrent nature of these charges and other considerations behind their design are addressed at length in the Rate Design chapter. *See* sections 10.6 and 10.7.

PGP's argument that BPA could unilaterally select an index at a location where an individual customer may not be able to conduct business is misplaced and without merit. The language in BPA's proposed GRSPs regarding successor index(es) states it would be based on transactions at "a hub at which Northwest parties can trade." Wholesale Power Rate Schedules, WP-02-E-BPA-07, at 109; *Keep et al.*, WP-02-E-BPA-43, at 32. This provision simply ensures that any successor indexes would be representative of power prices traded at a hub(s) within the Northwest, such as the DJ Mid-C Indexes, or a hub(s) or delivery point(s) bordering on the Northwest, such as the specific California ISO indexes proposed for the Excess Factoring Charges and UAI Charges. It is unreasonable and unnecessary to require that trading locations

represented by any successor index to be accessible to each individual customer. First, there may not be a potential successor index accessible to all customers. In fact, it may be that some customers, due to transmission constraints or other reasons, cannot currently trade at the hub represented by the DJ Mid-C Indexes; indeed, neither PGP, nor any other party has presented evidence to the contrary. However, no party has argued that BPA ascertain every customer's accessibility to power trades at location represented by the DJ Mid-C Index before implementing its proposed penalty charges. Secondly, BPA's selection of the DJ Mid-C Indexes and the California ISO indexes were driven by a need to ensure a deterrent against unauthorized increases and excess factoring, Tr. 1213, and protection against BPA cost exposure, *Keep et al.*, WP-02-E-BPA-43, at 32, Tr. 1212, and a deterrent against arbitrage, Tr. 1214. Further, BPA designed its penalty charges in a fashion that would motivate customers to purchase appropriate products in advance rather than to place unauthorized increases or excess factoring burdens on BPA's system. *Keep et al.*, WP-02-E-BPA-17, at 25-26; *Keep et al.*, WP-02-E-BPA-43, at 33; Tr. 1214. PGP's arguments ignore the reasons that compel the selection of relevant indexes that accomplish the objectives intended by BPA's proposed penalty charges. PGP's contention that individual customers be able to trade at any successor index that may be adopted in the future for the UAI Charges and/or the Excess Factoring Charge constitutes an unreasonable and irrelevant standard for selection of successor indexes.

Decision

BPA rejects PGP's proposal for selection of successor indexes. BPA has adopted the GRSP language included in the initial proposal for establishing successor indexes for the UAI Charges. BPA also has adopted the GRSP language included in the initial proposal for establishing successor indexes for the Excess Factoring Charges.

17.2.2 Low Density Discount (LDD)

In BPA's initial proposal, BPA advocated a Benefits Legislation Exclusion and included it as part of the description of the LDD in the GRSPs. Gustafson and Thompson, WP-02-E-BPA-23, at 5; Wholesale Power Rate Schedules, WP-02-E-BPA-07, at 101-102. Numerous parties opposed the adoption of a Benefits Legislation Exclusion. PNGC Brief, WP-02-B-PN-01, at 22; NRU Brief, WP-02-B-NI-02, at 19-20; PPC Brief, WP-02-B-PP-01, at 43-44. In response, in its rebuttal testimony, BPA proposed that it is unnecessary at this time to include a Benefits Legislation Exclusion in the description of the LDD. Gustafson *et al.*, WP-02-E-BPA-48, at 2-3. This issue is addressed in detail in ROD section 10.12 at Issue 6.

In the initial proposal, BPA identified the following rate schedules as eligible for the LDD: the PF Preference rate, the PF Exchange Program rate, the PF Exchange Subscription rate, the RL-02 rate, and the NR-02 rate. Gustafson and Thompson, WP-02-E-BPA-23, at 2-3. In rebuttal testimony, BPA proposed that the LDD not apply to the RL-02 rate and the PF Exchange Subscription rate. Gustafson *et al.*, WP-02-E-BPA-48, at 9-10. PacifiCorp argues that BPA should apply the LDD to both the RL rate and the PF Exchange Subscription rate. PacifiCorp Brief, WP-02-B-PL-01, at 7-9. This issue is addressed in detail in ROD section 10.12 at Issue 10.

In the initial proposal, BPA proposed to eliminate the Additional Adjustment for Very Low Densities. Gustafson and Thompson, WP-02-E-BPA-23, at 3. Numerous parties argued that BPA should retain the Additional Adjustment for Very Low Densities. Saven *et al.*, WP-02-E-NI-02, at 3-6; Thayer *et al.*, WP-02-E-PN-03, at 2-5; Hansen and O'Meara, WP-02-E-PP-08, at 2-3. In its rebuttal testimony, BPA concluded that the parties' arguments were well-reasoned. Based on those arguments, BPA will continue the Additional Adjustment for Very Low Densities for the next rate period. Gustafson *et al.*, WP-02-E-BPA-48, at 2. This issue is addressed in detail in ROD section 10.12 at Issue 1.

In the initial proposal, BPA did not specify whether or not the LDD would apply to the Slice product. In an errata to the Wholesale Power Rate Schedules, WP-02-E-BPA-07(E5), BPA clarified that the LDD would apply to Slice and provided a description of how the LDD for Slice would be determined. PNGC argued that there are problems with BPA's approach and proposed refinements. PNGC Brief, WP-02-B-PN-01, at 22-23. In its testimony, BPA proposed further refinements to this approach. Gustafson *et al.*, WP-02-E-BPA-48, at 4. This issue is addressed in detail in ROD section 10.12 at Issue 8.

17.3 Transmission Resale

Issue

Whether the GRSPs should include language acknowledging that PBL may resell surplus transmission capacity.

Parties' Positions

MAC states that PBL should be able to remarket unneeded transmission capacity. MAC Brief, WP-02-B-MA-01, at 14-15.

BPA's Position

BPA proposed language to be included in the GRSPs that would acknowledge PBL's ability to resell surplus transmission capacity, and set some criteria for such resales. Wholesale Power Rate Schedules, WP-02-E-BPA-07(E2). *See* Pedersen and McRae, WP-02-E-BPA-28, at 3.

Evaluation of Positions

MAC states that "there is excess demand for summer intertie capacity, as evidenced by the number of requests on the BPA OASIS that have been denied for lack of Available Transmission Capacity on the intertie. Thus, the PBL should be able to remarket these unneeded rights. There is apparently nothing on the record which states that the PBL cannot remarket these unneeded rights, and any such limitation would violate the point-to-point tariff." MAC Brief, WP-02-B-MA-01, at 14-15.

Sometimes PBL purchases more transmission capacity than it can use for its market sales. Pedersen and McRae, WP-02-E-BPA-28, at 3. PBL must often purchase transmission capacity long before executing market sales agreements; thus, it is difficult to precisely match transmission purchases with market sales deliveries. *Id.* During the FY 2002-2006 rate period, PBL intends to offer surplus transmission capacity for resale. *Id.* Therefore, PBL will include the following clarifying language in the final proposal GRSPs, section I.E., “Provision for Reassignment of Surplus Transmission Capacity”:

PBL may reassign transmission capacity that it has reserved for its own use at a price not to exceed the highest of: (1) the original transmission rate paid by PBL; or (2) the applicable transmission provider’s maximum stated firm transmission rate on file at the time of the transmission reassignment. Except for the price, the terms and conditions under which the reassignment is made shall be the terms and conditions governing the original grant by the transmission provider. Transmission capacity may only be reassigned to a customer eligible to take service under the transmission provider’s open access transmission tariff or other transmission rate schedules.

Wholesale Power Rate Schedules, WP-02-E-BPA-07(E2). This language is modeled on language approved by FERC in *Enron Power Marketing, Inc.*, 81 FERC ¶ 61,277, at 62,361 (1997). In *EPMI*, the Commission notified all jurisdictional power marketers that their existing rate schedules were thereby amended to include language similar to that above in order to authorize those marketers to engage in transmission capacity reassignments without the necessity of making individual filings. *Id.* BPA includes this language to make clear PBL’s authority to resell excess transmission capacity.

Decision

The GRSPs include language acknowledging that PBL may resell surplus transmission capacity.

17.4 Cost-Based Indexed IP Rate Option

The indexed rate option proposed by BPA for use by aluminum smelter DSI customers is tied to the London Metals Exchange Aluminum H.G. 3-month (LME 3-month) futures contract (US\$). This Indexed Rate will be set the same day the purchaser elects the Indexed Rate option. Three main features describe the Indexed Rate: (1) the “midpoint” or point where the LME 3-month price intersects \$23.50/MWh (\$25.00/MWh for some purchasers) on the rate curve; (2) a “lower pivot point” of \$19.00/MWh (\$20.50/MWh), the point where the price of energy remains unchanged as the price of aluminum continues to drop; and (3) an “upper pivot point” of \$28.50/MWh (\$30.00/MWh), the point where the price of energy remains unchanged as the price of aluminum continues to rise. BPA’s official aluminum price forecast used to set the indexed rate midpoint shall be based on the average of aluminum forward price swap quotes received by BPA on the day of pricing, plus a risk premium of up to 2 cents. This midpoint may not be set above 74 cents/lb. aluminum or below 66 cents/lb. aluminum. The rate of change on the rate curve from the midpoint to the lower pivot point will be \$.75/MWh for every 1 cent/lb. drop in

aluminum price. From the midpoint to the upper pivot the rate of change will be \$.833/MWh for every 1 cent/lb. rise in aluminum price. Power prices under this rate will be rounded to the nearest 1/10th or \$0.1/MWh. Once selected, this rate shall remain in effect for the entire contract period. *See, generally, Miller et al., WP-02-E-BPA-46.*

The parameters used to calculate the monthly price shall be as follows:

The entire month's closing bid prices (second ring) of the LME 3-month futures contract shall be used to calculate the average aluminum price each month. The average aluminum price each month will be rounded to the nearest 1/10 cent (\$.001). The rate for the month shall be established by applying this average to the IP cost-based index rate curve established at the time the customer elected the indexed rate option. Each month's rate is likely to vary due to fluctuations in underlying LME aluminum prices.

An indexed rate will also be available, at BPA's discretion, to non-aluminum smelter DSIs. Any indexed rate offered to non-aluminum smelter DSI customers will be designed to recover the equivalent of \$23.50/MWh over the rate period, and must be based on a commodity that is a direct product of the purchaser. This commodity must be tied to a commercially recognized price index that is: (1) relied on by multiple producers; (2) used commercially to set settlement terms between producers and consumers; and (3) used for establishing longer term prices and for hedging. *See, generally, Miller et al., WP-02-E-BPA-46*

17.5 Nonfirm Energy Rate (NF-02)

In the initial proposal, BPA modified the NF rate schedule, NF-02, by deleting the following sentence from the Rates, Billing Factors, and Adjustments section: "All rates and any subsequent adjustments contained in this rate schedule shall not exceed in total the NF Rate Cap calculated in accordance with the methodology specified in the Adjustments, Charges, and Special Rate Provisions section of this document." Procter, WP-02-E-BPA-31, at 1.

The NF rate was subject to the NF Rate Cap beginning October 1, 1987, for 12 years. *See* 1996 Wholesale Power and Transmission Rate Schedules, DOE/BP-2921, at 136. The NF Rate Cap defined the maximum nonfirm energy price for general application during each month. *Id.* The level of the NF Rate Cap was based on a formula tied to BPA's system cost and California fuel costs. *Id.*

In the initial proposal the following sentence was deleted: "For purchases under [the] NF-96 rate schedule, transmission service shall be charged under the applicable transmission rate schedule." Procter, WP-02-E-BPA-31, at 1. The Unauthorized Increase Charge was added to the list of Adjustments, Charges, and Special Rate Provisions. *Id.* at 3. The word "minus" was substituted for the word "less" in the following phrase in section III.C.3, Incremental Rate: ". . . that has an Incremental Cost greater than the Standard rate . . . *minus* 2 mills." *Id.* (Emphasis added.) The average cost of nonfirm energy also was updated, using the same methodology as was used for the NF-96 rate. *Id.* The CRAC is not applicable to the NF rate schedule. The correct title for the NF-02 rate is Nonfirm Energy rate.

No party raised any issues regarding the NF rate in testimony or on brief. Therefore, BPA's final 2002 power rate proposal includes the language changes described above.

17.6 Discontinued Rates

Issue

Whether BPA should discontinue the Reserve Power (RP-96) rate and the Power Shortage (PS-96) rate.

Parties' Positions

No parties addressed this issue in briefs or testimony.

BPA's Position

BPA's initial testimony stated that the RP-96 rate and the PS-96 rate are being allowed to expire. Procter, WP-02-E-BPA-31, at 2. BPA proposed no replacement rate schedules for the reserve power or power shortage rates in the 2002 power rate case.

Evaluation of Positions and Decision

The RP-96 rate superseded the RP-95 rate. 1996 Wholesale Power and Transmission Rate Schedules, at 57. At this time, however, there are no existing contracts for which the RP rate schedule is applicable. Procter, WP-02-E-BPA-31, at 2. In the future, if BPA wishes to enter into the same type of sale, it would use the FPS-96 rate schedule. *Id.* Similarly, the PS-96 rate superseded the PS-95 rate. 1996 Wholesale Power and Transmission Rate Schedules, at 59. The PS rate is being allowed to expire because the Share-the-Shortage Agreement, for which the PS rate was developed, has expired. Procter, WP-02-E-BPA-31, at 3. Because no party raised any issues regarding the reserve power or power shortage rates on brief, this issue is withdrawn in accordance with §1010.3 of the *Procedures Governing Bonneville Power Administration Rate Hearings*, 51 Fed. Reg. 7611 (1986).

17.7 Slice Product Costing and True-Up Adjustment Charge Tables

Issue

Whether BPA should make changes to the tables for Slice Product Costing and Basis for Slice True-Up Adjustment Charge.

Parties' Positions

SPG proposed that BPA use a single table that combines the Slice Product Costing table and Basis for True-Up Adjustment Charge table (*see Mesa et al.*, WP-02-E-BPA-32, Attachment 1, at 24, and Attachment 2, at 25, respectively). Carr *et al.*, WP-02-E-SG-01, Attachment 6. This

single table would provide the necessary connections between BPA's ratesetting and accounting systems, and would replace BPA's two tables in the GRSPs. Carr *et al.*, WP-02-E-SG-01, at 11.

BPA's Position

BPA agreed in its rebuttal testimony that it would be acceptable to combine the Slice Product Costing table and the Basis for True-Up Adjustment Charge table. Mesa *et al.*, WP-02-E-BPA-54, at 8. In addition, BPA has added line items in the newly combined table (*see* Table 1 in Slice Methodology, ROD Attachment 1) that will account for traditional Residential Exchange costs (if any); cash payments BPA makes for the settlement of the REP; hedging costs associated with the Inventory Solution; Initial Implementation Expenses; and other Implementation Expenses associated with the development of the Slice product.

Evaluation of Positions

BPA agrees with SPG's suggestion to combine the Slice Product Costing table and the Basis for the True-Up Adjustment Charge table. BPA has combined the two tables, and the new table is displayed as Table 1 in Attachment 1 of this ROD. The new table is entitled, "Slice Product Costing and True-Up Table." This table contains sample values and will be an attachment to the Slice Methodology, which BPA will submit to FERC for 10-year approval. This table also will replace Table E of the GRSPs. *See* Wholesale Power Rate Schedules, WP-02-E-BPA-07, at 124. Table D of the GRSPs will be deleted. *See Id.* at 103.

BPA inserted additional line items in the Slice Product Costing and True-Up Table to be consistent with the decisions in this ROD. BPA inserted a line item for prospective Inventory Solution Hedging Activities (*see* line 59); a line item for Net Residential Exchange Costs (*see* line 75) in the event that some IOUs do not accept a settlement for the Residential Exchange; and line items for Slice Initial Implementation Expenses and other Implementation Expenses (*see* lines 78 and 79) associated with development of the Slice product. BPA moved the Subscription Settlement Costs (actual cash payments made by BPA under the new Residential Purchase and Exchange Agreements) out of the Net Cost of the Inventory Solution, to the PBL Costs (*see* line 76). This move does not affect the resulting monthly Slice rate per percent of the Slice System, and it allows for true-up for whatever the net cost of the settlement of the REP would be. *See* Mesa *et al.*, WP-02-E-BPA-54, at 9. Slice purchasers would pay their share of these costs through the annual Slice True-Up process. BPA inserted a line item, "Minimum Required Net Revenues" (*see* line 72). BPA also added column labels A through F to the table. *See* WP-02-A-01(E1).

Decision

As proposed by SPG, BPA combined the Slice Product Costing Table and the Basis for True-Up Adjustment Charge table into a single table, the Slice Product Costing and True-Up Table.