



## **The Shared Rate Plan**

September 17, 2007

**Objective:** Establish a simple construct that allows customers to share their individual load growth risks and pay the same energy rate.

**Background:** Under the Regional Dialogue approach each customer will be given an individual HWM that establishes a limit on the amount of energy available to them at rates tied to the cost of the existing Federal system. Any energy beyond its HWM will face market prices.

**Approach:** At the time a customer signs its Regional Dialogue contract it would be offered a one-time right to sign up for the shared rate plan.

**Tier 1 Amounts:** Customers that choose the Shared Rate Plan will group the individual forecast load amounts they are eligible to purchase under their HWM. The sum of these individual amounts will establish the total forecast amount of T1 power that will be used in setting the energy rate for this group of customers. Consistent with BPA's policy decision regarding pooling if an individual customer's HWM exceeded its net requirement the value of any unused HWM amount would be credited broadly to all T1 customers.

**Tier 2 Amounts:** The combined amount of these customers net requirements beyond what is met with forecast Tier 1 amounts (or Tier 2 power during a transition period) will come from the T2 Load Growth Rate.

**The Result:** Each customer will pay the same energy rate calculated by combining the costs of the expected energy purchases at the applicable Tier 1 and Tier 2 rates. There is no economic impact on customers that do not choose the Shared Rate Plan. The aggregate amount of Tier 1 and Tier 2 power purchases is exactly the same as if each customer in the Shared Rate Plan had been treated individually. However the customers in the Shared Rate Plan have pooled the cost obligations of their load service. Since the overall cost is the same, some customers ultimately will pay higher rates and some lower than if they hadn't purchased at the Shared Rate Plan.

**Why a customer would choose this plan?** The single rate acts as an insurance policy that spreads costs for customers that experience load growth. This may be particularly important for small customers where a one or two aMW increase in load would be a large proportion of their load. In addition from the customer perspective the single rate would be simpler and reduce their administration costs.

**Why is this approach consistent with the intent of Regional Dialogue?** It retains the cost delineation between the existing system Tier 1 and marginal cost Tier 2 and makes it clear the BPA is responsible for infrastructure development for these customers. The rate for the Shared Rate Plan includes the marginal cost for all load beyond the HWM.

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Purpose/Subject: Regional Dialogue Policy Implementation

Legal Disclaimer: For Regional Dialogue Discussion Purposes Only -- Pre-decisional



**Needs to be Limited.** Before offering a shared rate approach BPA would need to ensure the quantity would be small enough that it wouldn't create either significant disincentives for conservation or a backdoor approach that could grow into a number that undoes the general concept of tiered rates.