

DRAFT July 28, 1998
Federal Power Subscription
An Approach to Implementation

The following is an approach to implementing the subscription of federal power. The focus is on the timing and procedures for implementing subscription and does not address product definition, pricing or contractual issues.

Presubscription Sales

BPA has successfully completed its pre-subscription sales and has sold all allocated power for both regional and extra-regional pre-subscription sales.

Prices Defined

BPA and its customers will complete their collaborative discussions on pricing in 1998. As a part of the collaborative effort, BPA will present its cost projections, sales estimates and planned approach to establishing prices for its products. Simultaneously, BPA's Account Executives (AEs) would be meeting with customers to test customer interest in purchasing products. BPA will then conduct a 7(i) rate case to develop prices.

7(i) Rate Case

BPA will conduct a 7(i) rate case to establish cost-based rates for its products. The rate case will commence with an initial proposal published in January 1999. Upon completion of the rate case, customers will be able to sign a contract with BPA with the added certainty of established rates for the BPA power products they seek to purchase. The rate case will be completed within three to four months.

The First Subscription Period

The first open window negotiation period begins October 1, 1998 and ends September 30, 1999. During this period BPA and its customers can bilaterally negotiate and execute power contracts. All power sold prior to the end of the rate case would be sold at a rate or differentiated rates, to be determined in the rate case. All regional customers would be eligible for these sales, consistent with BPA's statutory obligations. A customer's negotiation(s) may begin and end at any time during the Subscription Period. BPA will project, based on estimates from the AEs, expected sales to each customer class. All sales will be made in accordance with all applicable statutes. Preference customers will be able to sign up for the difference between their firm loads and firm resources. Non-preference customers will be able to sign final contracts for some of their firm power needs and will sign up for additional firm power on a contingent basis until BPA determines the amount of firm power available for such loads at the end of the first window. At that time BPA will reevaluate the progress of subscription so far and plan future sales accordingly. If firm inventory remains, BPA will reopen subscription for another subscription window.

Managing Subscription

BPA will manage the Subscription process so that it has sufficient Federal Base System resources to serve reasonably foreseeable preference customers' loads. As the first window progresses, BPA will adjust its sales targets based on sales experience and stated customer needs. BPA will "manage" its way through the Subscription Period in a way that meets customer needs, BPA business needs and existing statutes.

If sales occur at a pace that meets BPA's business interests all the power BPA initially identified as available for Subscription will be sold through Subscription. However, BPA will periodically review progress and if sales progress too slowly some power would be released to the best available markets.

Initially Expected Amounts. As described above, BPA would initially set expectations for Subscription sales to each customer group based on input AEs receive from customers about their purchasing plans. AEs would conduct informal discussions in late 1998 when approximate pricing for Subscription products would be known. BPA initially plans to reserve some amount for sale to residential and small farm loads of actively exchanging IOUs. Any power not expected to be sold to preference customers or reserved for residential and small farm loads will be made available to other purchasers according to the priorities established by the Comprehensive Review.

Managing Subscription. For illustrative purposes consider the following example: Eight months into subscription Public sales total 2,500 aMW. IOU/Exchange sales are 1,400 aMW and DSIs have requested 1,200 aMW. Based on the progress of sales to date BPA might make sales to DSIs on first come first served basis of up to the target amount of 1,100 aMW plus an additional 100 aMW of sales contingent on the availability of firm inventory at the close of the first subscription window.

Estimated (for Illustrative Purposes) Subscription Expectation Amounts:

(Based on load estimates from customers and AEs, and available firm power at BPA's lowest cost based rate.)

Total Amount Available: 6,800 aMW

Loads in Phases of Comprehensive Review (Including pre-subscription sales)

Public Customers:	4,300 aMW
IOU/Exchange Loads:	1,400 aMW
DSI Loads:	1,100 aMW