

SUPPLEMENT TO THE ADMINISTRATOR'S RECORD OF DECISION

Sales of Hungry Horse Reservation Power To Western Montana Preference Customers

Background

On December 9, 1996, the Bonneville Power Administration (BPA) Administrator signed a Record of Decision on the Redistribution of Available Hungry Horse Reservation Power (ROD). Since that time, and at the request of public utility customers, BPA has had continuing discussions with customers in Montana over the terms and conditions associated with the sale of Hungry Horse Reservation (HHR) power. Western Montana customers have expressed interest in purchasing HHR power for the period beyond 2001, when their current requirements contracts expire. The terms and conditions being discussed include contract duration, applicable rates for such sales, cost recovery, and the right of Western Montana preference customers to renew, extend or return to requirements service.

The scope of the ROD is limited to the proposed redistribution of recently made available HHR power and the establishment of priority for sales of HHR power. The ROD also confirms the applicable rate for sales to out-of-region customers as BPA's Firm Power Products and Services (FPS-96) rate, or its successor(s). It does not address the terms and conditions of new contracts that extend beyond 2001 and related issues being discussed with current Western Montana customers. This supplement to the ROD addresses issues and modifications not previously covered that are necessary for BPA's offer of HHR power to Western Montana customers and other customers.

Modifications

BPA will make HHR power available according to the priorities established in the ROD. The ROD notes that sales of HHR power within the Pacific Northwest will be made at the Priority Firm (PF-96) rate, or its successor(s), while extraregional sales will be made under the FPS-96 rate schedule, or its successor(s). The proposal has not changed for sales of HHR power to extraregional purchasers, but BPA has now decided that in order to facilitate its longer-term business objectives, it will offer sales of HHR power to customers within the Pacific Northwest at the FPS-96 rate schedule, or its successor(s), for amounts of power that are not taken as requirements service. Making in-region offers of service available under the FPS-96 rate schedule, or its successor(s), in addition to offering requirements service, provides BPA customers with more pricing options and flexibility in the post-2001 time period. This flexibility allows BPA to provide choice to customers and better meet their business needs which should enhance BPA's ability to retain customer load beyond 2001. Use of the FPS-96 rate schedule for customers electing not to take requirements service is consistent with the 1996 Rate Case Administrator's Record of

Decision, June 1996, at pages 359-369. Sales to a utility under either the PF-96 or the FPS-96 rate, or their successors, will be limited to that utility's system load. Sales under the FPS-96 rate will recover revenue that BPA believes is equivalent to that expected under the PF-96 rate, or its successor(s). This action is consistent with BPA's statutory obligation to market the power generated at the Hungry Horse project within the state of Montana and in accordance with the Hungry Horse Dam Act, 43 U.S.C.593a, as reaffirmed by the Northwest Power Act, 16 U.S.C.839g(f). Therefore, BPA will offer contracts for both requirements and other service to eligible Montana customers under the FPS-96 rate schedule, or its successor(s), in addition to the rate options discussed in the December ROD.

Cost Recovery

Each contract offered to a current customer in the Pacific Northwest will include language indicating that the customer's purchase of HHR power will neither increase nor decrease their cost recovery obligations to BPA. This language allows the customer to enter into a contract for the purchase of HHR power with the assurance that the purchase will not increase the customer's cost recovery exposure. It will also protect other Pacific Northwest customers and BPA's public responsibilities by ensuring that BPA's future cost recovery flexibility is preserved.

Subscription and Post-2001 Marketing Issues

BPA considers the marketing of HHR power to customers within the State of Montana to be a BPA action apart from its subscription process for post-2001 Priority Firm power sales. On April 22, 1997, the Governors' Transition Board also recognized that HHR power and power amounts for other specific ongoing negotiations are not included in the agreed amount of presubscription, post-2001 sales. This action is consistent with BPA's responsibility to give customers in Montana preference to power generated at the Hungry Horse project. Offering HHR power prior to completing the subscription contract process will also help facilitate BPA's business and revenue objectives. Sales of HHR power will help to build momentum for subscription contracts, reduce cost recovery concerns, and help to avoid the 2001 revenue uncertainties when all of BPA's 1981 Power Sales Contracts expire.

Right to Follow-On BPA Contract or Increased Amounts of HHR Power

Contracts for HHR power will include contract provisions that require the customer to provide BPA reasonable notice and other terms before entering into follow-on contracts with BPA. Utilities purchasing HHR power may increase their purchase of HHR power but may not exceed their system load, whenever BPA determines HHR power is available for sales. Any future additional HHR power purchases or new HHR power contracts will be subject to the availability of HHR power, the available rates for such purchases, and contract terms and conditions BPA is offering at the time.

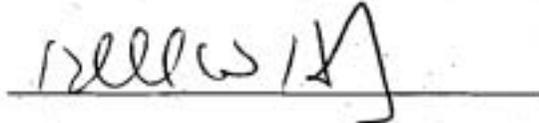
Environmental Compliance

There are no environmental impacts associated with the actions discussed in this Supplement to the ROD. The environmental impacts associated with the actual operation of the Hungry Horse project were analyzed in the Columbia River System Operation review EIS (DOE/EIS-0170, November 1995).

Public Availability

This Supplement to the ROD will be distributed to all interested and affected persons and agencies that were sent copies of the ROD. Availability of this supplement will be published in the July BPA Journal.

Issued in Portland, Oregon, on July 8, 1997.

A handwritten signature in black ink, appearing to read "Randall W. Hardy", is written over a horizontal line.

Randall W. Hardy
Administrator and Chief Executive Officer