

IMPLEMENTATION OF THE IP-85 INDUSTRIAL INCENTIVE RATE

RECORD OF DECISION

BONNEVILLE POWER ADMINISTRATION

U.S. DEPARTMENT OF ENERGY

August 28, 1985

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IMPLEMENTATION OF THE IP-85 INDUSTRIAL INCENTIVE RATE

ADMINISTRATOR'S RECORD OF DECISION

This Record of Decision culminates the process set forth in Bonneville Power Administration's (BPA) 1985 Wholesale Power Rate Schedules and General Rate Schedule Provisions (GRSPs) for implementation of the Industrial Incentive Rate. The incentive rate is to be implemented during periods of adverse economic conditions for the direct-service industries (DSIs) provided BPA anticipates that its revenues will be greater under the Industrial Incentive Rate than under the Standard Industrial Rate. The IP-85 Rate Schedule and GRSPs direct BPA to follow a specified set of procedures to determine whether adoption of the incentive rate is appropriate.

In July, BPA initiated the process for anticipated incentive rate implementation in September. As required, BPA performed and published a feasibility study, took public comment, evaluated that comment, solicited load commitments from BPA's DSI customers, and revised its studies of forecasted revenues based on the results of the solicitation. This Record of Decision incorporates the tentative decisions of the Evaluation of the Record, reports the results of BPA's studies resulting from BPA's solicitations to the DSIs, and provides the Administrator's decision on the offer of the Industrial Incentive Rate.

I. Incorporation of the Evaluation of the Record

This Record of Decision incorporates the tentative decisions in the Evaluation of the Record, attached to and made a part of this document, as the final decisions of the Administrator. All comments received prior to publication of the Evaluation of the Record, including those received after the close of the comment period, but prior to completion of the Evaluation, were considered in this decision.

Editorial changes have been made in the Evaluation of the Record on pages 20 and 22, but in no way affect the decisions.

II. Results of the DSI Solicitation

The results of the DSI solicitation are presented in Tables A and B. The monthly Committed Demand levels shown in Table A represent averages for those DSIs that have requested more than one level in a month.

TABLE A

Industrial Incentive Rate #3
COMMITTED DEMAND
(MW)

| <u>Industry</u> | <u>Sep</u> | <u>Oct</u> | <u>Nov</u> | <u>Dec</u> | <u>Jan</u> | <u>Feb</u> | <u>Mar</u> | <u>Apr</u> | <u>May</u> | <u>Jun</u> |
|------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <u>Alums</u> | | | | | | | | | | |
| Alcoa | 408.4 | 408.4 | 382.9 | 382.9 | 384.4 | 383.5 | 383.5 | 306.6 | 306.6 | 306.6 |
| ARCO | 333.0 | 334.2 | 336.6 | 337.2 | 337.2 | 336.6 | 277.8 | 210.0 | 140.4 | 8.4 |
| Cmnwlth | 190.0 | 190.0 | 191.0 | 191.0 | 191.5 | 192.0 | 192.0 | 192.5 | 192.5 | 193.0 |
| Intalco | 438.4 | 438.4 | 438.4 | 438.4 | 438.4 | 438.4 | 438.4 | 438.4 | 438.4 | 438.4 |
| Kaiser | 394.0 | 394.0 | 394.0 | 394.0 | 396.0 | 396.0 | 396.0 | 396.0 | 396.0 | 396.0 |
| Martin M | 1.0 | 1.0 | 1.0 | 1.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Reynolds | <u>475.4</u> | <u>475.4</u> | <u>475.4</u> | <u>475.4</u> | <u>475.4</u> | <u>475.4</u> | <u>475.4</u> | <u>475.4</u> | <u>475.4</u> | <u>475.4</u> |
| Sub Tl | 2240.2 | 2241.4 | 2219.3 | 2219.9 | 2222.9 | 2221.9 | 2163.1 | 2018.9 | 1949.3 | 1817.8 |
| <u>Non-Alums</u> | | | | | | | | | | |
| Crbrndm | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| G-P. | 32.8 | 30.3 | 31.9 | 29.3 | 29.3 | 22.6 | 22.6 | 21.5 | 22.6 | 22.6 |
| Gilmore | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Oremet | 6.6 | 6.6 | 6.6 | 6.6 | 6.6 | 6.6 | 6.6 | 6.6 | 6.6 | 6.6 |
| Pac Carb | 9.3 | 9.3 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 9.3 | 9.3 | 9.3 |
| Pennwalt | 67.5 | 57.7 | 56.6 | 53.1 | 53.1 | 53.2 | 53.4 | 53.1 | 52.0 | 52.0 |
| P. Tnsd | <u>14.5</u> | <u>14.5</u> | <u>14.5</u> | <u>12.5</u> | <u>11.0</u> | <u>11.0</u> | <u>11.0</u> | <u>11.0</u> | <u>11.0</u> | <u>11.0</u> |
| Sub Tl | 130.7 | 118.4 | 116.6 | 108.5 | 107.0 | 100.4 | 100.6 | 101.5 | 101.5 | 101.5 |
| <u>GRAND</u> | | | | | | | | | | |
| TOTAL | 2370.9 | 2359.8 | 2335.9 | 2328.4 | 2329.9 | 2322.3 | 2263.7 | 2120.4 | 2050.8 | 1919.3 |

TABLE B

Industrial Incentive Rate #3
CURRENT OPERATING DATA AND COMMITMENT INFORMATION

| <u>Industry</u> | <u>Current Operating Level</u> (MW) | <u>Average Committed Demand</u> (MW) | <u>Approximate Load Factor</u> (%) |
|------------------|--|---|---|
| <u>Alums</u> | | | |
| Alcoa | 402.1 | 365.4 | 92.5 |
| ARCO | 333.0 | 265.1 | 98.0 |
| Cmmnwth | 189.0 | 191.6 | 98.5 |
| Intalco | 440.8 | 438.4 | 98.5 |
| Kaiser | 391.6 | 396.0 | 97.4 |
| Martin-M | 3.0 | 0.4 | 30.0 |
| Reynolds | <u>475.4</u> | <u>475.4</u> | <u>97.0</u> |
| Sub Total | 2234.9 | 2132.3 | 96.8 |
| <u>Non-Alums</u> | | | |
| Carborundum | 0.0 | N/A | N/A |
| Georgia Pacific | 32.8 | 26.6 | 90.0 |
| Gilmore Steel | 0.0 | N/A | N/A |
| Oremet | 6.5 | 6.6 | 92.0 |
| Pac Carb | 9.3 | 8.2 | 75.0 |
| Pennwalt | 53.4 | 55.2 | 94.0 |
| P. Twnsnd | <u>14.5</u> | <u>12.2</u> | <u>75.0</u> |
| Sub Total | 116.5 | 108.8 | 90.1 |
| GRAND TOTAL | 2351.4 | 2241.1 | 96.5 |

The total Committed Demand exceeds BPA's target load of 2050 MW. BPA's revenue analysis shows that, given the committed amounts, BPA should exceed its revenue target as well. Thus BPA can proceed with implementation of the Incentive Rate. The demonstration that BPA's total revenues with the Incentive Rate are greater, on a prospective basis, than they would be without the Incentive Rate, is made below.

III. BPA's Revised Revenue Forecast Based on the Results of the Solicitation

The results of BPA's revised revenue analysis are contained in Table C. The entry "DSI Results" refers to the results of the solicitation to the DSIs as summarized in Tables A and B.

TABLE C

PROJECTIONS BASED ON BPA'S STUDIES
for the Incentive Rate Period

| <u>CASE</u> | <u>TOTAL BPA REVENUES</u> (\$000) | <u>REVENUE GAIN/LOSS</u> (\$000) | <u>DSI \$</u> (\$000) | <u>NF \$</u> (\$000) | <u>DSI SALES</u> (aMW) | <u>NF SALES</u> (aMW) | <u>AVG DSI RATE</u> (Mills) |
|------------------|--|---|--------------------------|-------------------------|-------------------------------|------------------------------|------------------------------------|
| No Discount Case | 2,417,361 | * | 208,354 | 318,094 | 1122 | 2532 | 25.54 |
| 6/3/1 Discount | 2,417,743 | +382 | 271,181 | 248,619 | 1939 | 1926 | 19.23 |
| DSI Results | 2,430,119 | +12,758 | 290,314 | 241,383 | 2074 | 1847 | 19.25 |

1/ The 6/3/1 case refers to BPA's proposal which provides for a 6 mill discount September through March, 3 mills in April, and 1 mill in May and June.

These results demonstrate that under the Industrial Incentive Rate BPA expects to earn \$12,758,000 more than under the Standard Industrial Rate. Computer documentation for the data in this table is available upon request from BPA's Public Involvement Office, P.O. Box 12999, Portland, Oregon 97212.

IV. Findings and Conclusions

It is the finding of the Administrator that adoption of the Industrial Incentive Rate would result in greater total BPA revenues than are forecast to be received under the Standard Industrial Rate. In accordance with the procedures required by the 1985 Wholesale Power Rate Schedules and GRSPs, and in consideration of the foregoing discussion and the discussion contained in the Evaluation of the Record incorporated into this decision, the Administrator has decided to implement the Industrial Incentive Rate proposed in the Evaluation of the Record and the contract offers.

Issued in Portland, Oregon, August 28, 1985.



ACTING Administrator

(WP-PKL-6588b)

