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**BONNEVILLE POWER ADMINISTRATION
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**BPA proposes rate increase to bolster
federal power and transmission systems**

Portland, Ore. - The Bonneville Power Administration today proposed a 9.6 percent average wholesale power rate increase to compensate for reduced revenue expectations from surplus power sales and to continue funding needed investments in the Federal Columbia River Power System.

BPA is also proposing a 13 percent increase in its transmission rates mainly due to continued efforts to maintain system reliability and meet increasing demands for transmission in the Pacific Northwest. BPA initially managed these increasing costs without rate increases. If adopted, it would be the first transmission rate increase in eight years.

In January of this year, BPA began a discussion with the region about its proposed programs, future costs and potential rates for fiscal years 2014 and 2015. At the outset of those discussions, BPA forecast that its power rates could increase between 12 and 21 percent for those years. Transmission rates were forecast to increase by approximately 12 percent.

“We are acutely aware of the economic impact of our rates and have worked closely with the region to develop a plan that keeps rates as low as possible while making needed investments in infrastructure,” said Steve Wright, BPA administrator and chief executive officer. “We remain committed to covering all our costs and providing timely repayment to the U.S. Treasury.”

The rate proposal will be considered during a public rate setting process in the coming months, culminating in a July 2013 decision on final rates to take effect Oct. 1, 2013. BPA is a nonprofit federal wholesale utility that receives no Congressional appropriations and must recover its costs through its rates. The new rates will affect retail utilities differently depending on the amount of power and type of services they purchase from BPA. Local utilities ultimately determine the retail impact of BPA rates on individual businesses and residents.

Power rates

Cost levels are not established in the rate case. Instead, before issuing today's initial rate proposals, BPA conducted a public process called the Integrated Program Review. The Final IPR Close-Out Report (October 2012) projects power program cost increases that account for about 4 percent of the proposed wholesale power rate increase.

The most significant contributing factor to the proposed wholesale power rate increase is reduced revenue expectations from surplus power sales. Market prices have been, and are forecast to continue to be, suppressed primarily by low natural gas prices. Reduced net revenue from market purchases and sales adds about 8 percent to the proposed rate increase. Another 1.6 percent increase is due to a variety of non-IPR cost increases.

To offset a portion of these increases, BPA has been able to take advantage of unique opportunities that decrease capital-related costs for the upcoming rate period. In particular, BPA was able to capture ratepayer benefits in regard to fuel financing for Energy Northwest's Columbia Generating Station, the region's only nuclear power plant. This fuel purchase agreement, the Depleted Uranium Enrichment Program, reduces costs by \$22 million per year. In addition, Energy Northwest and its governing boards also agreed to extend the Columbia Generating Station bonds due in 2014 and 2015 and reduce the annual contributions to the plant's decommissioning fund due to a Nuclear Regulatory Commission decision to extend the license for the plant for another 20 years. These actions resulted in an additional \$95 million each year in cost reductions during the rate period.

The combination of all these actions results in the proposed 9.6 percent increase.

Consistent with existing policy, the proposed power and transmission rates are each set to provide a U.S. Treasury payment probability of at least 95 percent over the two-year rate period. The Cost Recovery Adjustment Clause is included in power rates as a proposed risk mitigation tool that can address under-recovery by adjusting fiscal year 2014 or 2015 wholesale power rates after the rate case concludes.

The proposed wholesale power rate would affect Northwest consumer-owned utilities including public utility districts, tribal utilities, cooperatives, municipalities and federal entities.

Transmission rates

If adopted, this would be the first transmission rate increase in eight years. A number of factors are leading to increased spending and the proposed transmission rates.

- Construction of new lines and replacements to maintain reliability and facilitate the integration of renewable resources, such as wind, accounts for approximately 7 percent of the proposed transmission rate.
- Increased mandatory compliance requirements and additional cyber and physical security requirements and other operational and maintenance expenses account for approximately 6 percent of the proposed transmission rate.

Variable Energy Resource Balancing Service rate

BPA's rate to balance renewable resources, primarily wind generation, is going down slightly. But, BPA's rate also has built-in flexibility to recover any additional costs that may be needed to keep the system reliable as the wind fleet increases.

BPA holds a portion of the hydro system in reserve to move up and down with wind and other renewable resources as their production varies to ensure that the amount of power being produced matches the amount being consumed to maintain system reliability.

Oversupply rates

BPA has been actively pursuing new tools and strategies to manage the occasional seasonal oversupply of electricity that comes from large concentrations of renewable generation. As part of the oversupply (OS-14) rate case that will be held at the same time as the power and transmission (BP-14) rate case, BPA is proposing to collect 50 percent of the oversupply costs from its power customers and 50 percent from the generators.

BPA is a nonprofit federal agency that markets renewable hydropower from federal Columbia River dams, operates three-quarters of high-voltage transmission lines in the Northwest and funds one of the largest wildlife protection and restoration programs in the world. BPA and its partners have also saved enough electricity through energy efficiency projects to power four large American cities. For more information, contact us at 503-230-5131 or visit our website at www.bpa.gov.

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