

BPA NEWS

PR 22 16

BONNEVILLE POWER ADMINISTRATION
FOR IMMEDIATE RELEASE: Thursday, Nov. 10, 2016
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BPA rate proposal focuses on cost management, maintaining value

Portland, Ore. – The Bonneville Power Administration today released its [initial rate proposal](#), which will support investments in the Federal Columbia River Power System that provides renewable hydropower to 142 Northwest public utilities. The proposed rates for fiscal years 2018 and 2019 will also support investments to sustain and expand the federal transmission system. BPA is proposing a 3.5 percent average wholesale power rate increase and a 1.1 percent average increase to transmission rates for the two-year rate period.

“These rates represent months of work to reduce budgets and focus on cost-management measures to lower expected rate increases,” said Elliot Mainzer, BPA’s administrator and chief executive officer. “The steps we have taken so far for the 2018-2019 rate period have begun to shift BPA onto a more sustainable rate trajectory and demonstrate our commitment to remaining our customers’ wholesale provider of choice.”

BPA started discussions on expense and capital spending levels for fiscal years 2018 and 2019 in June during the [Integrated Program Review and Capital Investment Review](#) process. Customers, constituents and stakeholders from around the region participated in the process by taking a thorough look at BPA’s proposed spending levels. BPA has used aggressive cost management, disciplined budgeting practices, operational efficiency and revenue enhancements to lower expected costs in the [final spending levels](#) released in October.

The average proposed wholesale power rate is \$34.94 per megawatt hour, an increase of 3.5 percent for the rate period, or 1.7 percent annually. About half of the rate increase is due to higher program costs such as the operations and maintenance expenses BPA pays to the Corps of Engineers and the Bureau of Reclamation to run the federal hydro facilities, and increased costs of

the fish and wildlife program. The other half of the rate increase is due to lower forecast sales due to general regional load loss and a slight reduction in forecast system generation. In addition, many power customers will see a lower proposed rate increase of 2.3 percent due to a one-time credit that was generated from savings created from Regional Cooperation Debt transactions that were initiated in 2014.

Transmission Services was able to minimize spending increases by focusing on mission-critical work and planning investments that provide the greatest benefit to ratepayers, which is reflected in the 1.1 percent average transmission rate increase for the rate period or 0.5 percent annually. BPA believes it will still be able to provide reliable transmission service to its customers and invest in substantial capital projects during the upcoming rate period while delivering a rate increase that is less than the rate of inflation.

BPA is also proposing a new financial reserves policy in this initial rate proposal that will set targets for financial reserves levels. The proposed policy is intended to maintain and strengthen BPA's financial health, as well as support BPA's credit rating.

"BPA is committed to working with customers and other constituents to identify additional cost-management alternatives through the IPR 2 process," said Mainzer. BPA will hold an IPR 2 process in February to discuss a few unresolved cost areas where the greatest potential exists to further reduce near-term spending as BPA continues to focus on cost containment.

The rate-setting process begins in November and will culminate with final rate decisions in July 2017; the new rates will take effect on Oct. 1, 2017.

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 local retail utilities differently depending on the amount of power and type of services they purchase from BPA. Local utilities ultimately determine the impact of BPA rates on individual businesses and residents.

About BPA

The Bonneville Power Administration, headquartered in Portland, Oregon, is a nonprofit federal power marketer that sells wholesale electricity from 31 federal dams and one nuclear plant to 142 electric utilities, serving millions of consumers and businesses in Washington, Oregon, Idaho, western Montana and parts of California, Nevada, Utah and Wyoming. BPA delivers power via more than 15,000 circuit miles of lines and 261 substations to 475 transmission customers. In all, BPA markets about a third of the electricity consumed in the

Northwest and operates three-quarters of the region's high-voltage transmission grid. BPA also funds one of the largest fish and wildlife programs in the world, and, with its partners, pursues cost-effective energy savings and operational solutions that help maintain affordable, reliable and carbon-free electric power for the Northwest. www.bpa.gov

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