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## **BPA Efforts to Retain Industrial Power Sales Will Help Keep Rates Low for Northwest Ratepayers**

### **Bonneville Power Administration**

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**PORTLAND, Ore. - Contrary to other assertions, the Bonneville Power Administration is moving to get load commitments from all its customers in order to maximize its revenues. This will help ensure that BPA will have adequate funds to cover its costs and keep rates low for the greatest number of electricity ratepayers in the Northwest. These funds also are essential for BPA to assure the reliability of the power system and to continue its \$400 million annual investment in fish and wildlife enhancement.**

Several large direct-service industries (DSIs), primarily aluminum companies, will decide this September whether or not they will remain BPA customers. If they leave BPA's system, rates for utility customers would likely increase. Given current market conditions, many could leave if BPA's rates are not competitive.

Last month, BPA proposed a general rate reduction, including a 12.5 percent reduction to these industries. BPA plans to offer new five-year contracts to the DSIs in the next month. If the DSIs sign contracts this September, BPA will have assurance that they will remain with BPA for five years. The price is contingent upon the outcome of the rate case, which will be final next April.

"Negotiating contracts now does not pre-empt or prejudge the rate process," BPA Deputy Chief Executive Officer Jack Robertson said. "The contracts would not be final until the rate process is completed and would be contingent upon the outcome of the rate process and on the amount of load the DSIs commit to BPA. These contracts have been developed in a lengthy public process, that began last September."

Thus far, four aluminum companies have arranged to buy part of their power from other Northwest utilities or new suppliers at prices lower than BPA's current rates. Lost sales total 185 megawatts, or about \$30 million of annual revenue for BPA. Other industries have said they may buy part or all of their power in the future from other suppliers. BPA's proposed rate reductions would help meet this competitive challenge.

"BPA is in a highly competitive market with other utilities aggressively offering the industries prices lower than our current rates," said Robertson. "We are working to have competitive rates and keep these customers. Revenues they provide help pay for regional fish and wildlife enhancement, resource investments and other costs," Robertson said. "Keeping the industries as BPA customers helps keep BPA's rates for the rest of the region down."

If the DSIs turn to other suppliers, BPA could be forced to sell excess power on the spot market at relatively low prices. BPA likely would have to raise rates to other customers to cover its fixed costs. Under current agreements, the DSIs have the option of leaving BPA on a year's notice. BPA also is

negotiating new contracts with its utility customers. These contracts also will begin to be offered in September. Power deliveries would begin Oct. 1, 1996.

BPA has proposed to pursue stranded investment rate surcharges if it is unsuccessful in getting adequate load commitments from its customers. Because the concept of such a charges is new, it is likely to lead to significant and lengthy litigation. To the extent BPA can retain its customers, it will not have stranded investments to worry about.

"Our preference is to find a way to mutually agree with the DSIs that they will remain our customers," Robertson said. BPA is pursuing a similar load-retention strategy with its utility customers. "If we are successful, it gives BPA a stream of revenues that can help assure that BPA has enough money to cover its costs without raising rates to others in the Northwest."

DSIs typically provide about one-fourth of BPA's \$2 billion annual revenues. They also provide important power stability reserves. BPA can interrupt DSI power in emergencies to ensure that lights stay on for residential customers. The value of these reserves serves to lower slightly the rates the DSIs are charged under the Northwest Power Act. Their rates are otherwise linked to the rates publicly-owned utilities pay.

Robertson stressed, "We welcome public comment in our rate hearings and will consider public comments along with all other sources of information. There are many other issues to be resolved in the rate case as well as DSI rates."

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