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More industries stay with BPA

Bonneville Power Administration

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PORTLAND, Ore. - A new round of agreements is expected to increase the Bonneville Power Administration's revenues associated with industrial customers to near the half-billion dollar mark, BPA announced today. "We asked Northwest industries to make a solid commitment to the region's federal power system, and they've done so," BPA Administrator Randy Hardy said. "This will go a long way toward helping BPA meet its fish and wildlife obligations while keeping prices down for other ratepayers,"

On Sept. 28, agreements were announced with six direct-service industrial customers for approximately 1500 megawatts collectively, representing both a bulk power sale and additional surplus power sales. Since then, BPA has signed up more companies and has negotiated some increases in the sales to the original group. BPA now estimates annual revenues of about \$495 million and loads of 2100 megawatts from nine companies under both the block sale and other arrangements. The current revenue figure is just \$10 million under the \$505 million projected in BPA's 1996 rate case.

Hardy noted that, "The Department of Energy set a threshold requiring the industrial customers to place at least 80 percent of their current firm power load on BPA for the next five years to qualify for a special five-year block sale that included an exemption from stranded investment cost recovery charges. This gave companies that fell below 80 percent a significant incentive to increase their load commitment to BPA. We have worked with the companies to find arrangements that meet their needs."

BPA's efforts are still proceeding to sign up remaining DSIs and to increase sales to those that had already agreed to buy. BPA now expects total firm sales to the industrial customers to exceed 2100 average megawatts. Of that, 1900 average megawatts are for the block sale.

"We have actually realized more business than we expected when we began this marketing effort," Hardy said. "This is good news for both the region's economy and environment. A viable BPA will allow us to provide regional benefits while keeping power rates down."

The industrial customers historically had provided one-fourth of all BPA power revenues. This year, companies received competing offers in the deregulated wholesale power market. BPA met the challenge with an offer of a five-year block sale that includes protection from potential future charges for "stranded investments" - investments in the federal power system that might be "stranded" by customers leaving the system. However, the industries are only eligible for this protection if they commit to buy at least 80 percent of their firm power from BPA for five years on a take-or-pay basis. The rate, which is not variable, is approximately 2.26 cents per kilowatt-hour.

Four other DSIs have indicated they will do some business with BPA, but will not meet the 80 percent threshold and, therefore, will not be shielded from stranded cost recovery, if that becomes necessary.

Prices in these sales are contingent on the outcome of BPA's rate case, expected this summer.

Sales List

September Agreements

Columbia Aluminum Company

Georgia Pacific Corporation

Intalco Aluminum Company

Northwest Aluminum Company

Oremet (Oregon Metallurgical)

Reynolds Metals

October/November Agreements

Columbia Falls Aluminum Company

Elf Atochem

Kaiser Aluminum

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