



## **BPA announces proposed rate agreement**

### **Bonneville Power Administration**

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**PORTLAND, Ore. - The Bonneville Power Administration today announced the first of a series of key agreements with its wholesale customers that are expected to lead to a Northwest electric power and transmission system that is more efficient, more stable and more competitive - all good news for consumers. Other agreements on BPA customer power sales contracts are anticipated shortly.**

On April 4, BPA and the vast majority of its Northwest customers, as well as the British Columbia Power Exchange Corp., jointly proposed a five-year settlement of BPA transmission rates, terms and conditions that BPA would apply to the use of its transmission lines. Agreement also was reached on a proposed settlement for the level of five-year wholesale power rates for BPA's public utility customers. The agreements would go into effect Oct. 1 of this year.

The power rate would drop from the current 2.8 cents a kilowatt-hour to 2.4 cents a kilowatt-hour, an average 13 percent reduction for public utility customers. While the transmission rate will increase from \$10.58 per kilowatt-year to \$12.01, the settlement is just under half the previously proposed 25 percent increase. Under the original rate proposal, transmission would have gone up to \$13.28 per kilowatt-year.

"This joint agreement shows how firmly BPA takes its commitment to succeed in a competitive power market," BPA Administrator Randy Hardy said. Hardy also said he expected the rate reductions to require further aggressive cost cutting by BPA, as well as introduction of new energy products and services.

In addition, the agreement proposes a way to resolve a number of other major issues in BPA's current rate-setting process. While additional signatures on the joint proposal are still necessary, it is expected that they will be provided during the next week, as utility representatives bring this agreement to their boards.

The electric power industry in the United States is undergoing deregulation. A key element in creating a competitive, deregulated industry is open access to transmission lines. This agreement also includes a proposal for implementing the current open access transmission requirements of the Federal Energy Regulatory Commission (FERC) under the National Energy Policy Act of 1992. Hardy said, "BPA is committed to providing a level playing field to both BPA's customers and competitors in the newly deregulated electric utility environment. It is a very significant achievement that so many parties were able to find common ground on such difficult issues."

The FERC proposal would require transmission providers to open access to their lines to other utilities and power suppliers. A final FERC rule is expected later this spring. FERC has required utilities to file

open access transmission tariffs that provide comparable treatment for their own power uses and those of others. "BPA has made a commitment to be a leader in transmission, and we plan to comply with FERC's open access rules to the maximum extent allowed by law," Hardy said. BPA owns more than three-fourths of the high-voltage transmission system in the Pacific Northwest.

"This settlement proposal would set the stage for utilities and new market entrants to use BPA's transmission grid in the new open, competitive power market," Hardy explained. "Because of the deregulation of the power industry and increasing demand for third-party transmission, BPA's transmission rates are much more important to the marketplace than ever before," he added.

The transmission rates proposal announced today covers both the rates BPA would charge to transmit power for other utilities and power brokers, and for BPA's own use of its transmission grid to deliver its power sales to its customers. The settlement proposal also would solve contentious issues involved with the pricing of lower-voltage delivery facilities such as substations for smaller BPA customers.

BPA is in the process of setting rates, terms and conditions for use of its transmission lines and rates for sales of electric power for the period Oct. 1, 1996, through Sept. 30, 2001. The formal hearings process began last July and is scheduled for completion in June, when the BPA administrator makes a final decision on all issues. While it does not include all parties, the joint settlement proposal greatly reduces the potential contentiousness of the remaining case, which should save all parties significant legal costs. The BPA hearing process is spelled out in detail in the Northwest Power Act of 1980 and the Federal Power Act. This is a tentative agreement, subject to final approval by the BPA administrator, and ultimately by FERC.

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