



BPA/PNGC sign an agreement in principle on load commitment

**Joint news release:
Bonneville Power Administration
Pacific Northwest Generating Cooperative**

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PORTLAND, Ore. — The Bonneville Power Administration and Pacific Northwest Generating Cooperative today announced an agreement that paves the way for a new mutually beneficial arrangement between BPA and its customers. Under the proposal, PNGC's 10 member utilities will buy the majority of their power from BPA but also will have the right to diversify a portion of their power purchases.

The agreement, which lays down principles for finalizing new contracts, is considered a landmark in that it is one of the first major agreements between BPA and its public utility customers in a new deregulated, highly competitive wholesale electricity market.

BPA has been working with PNGC to offer its member utilities the ability to access this market. PNGC is the first group of utilities to reach an agreement with BPA on how to diversify their power supply while remaining BPA customers.

"Under this agreement, everyone wins," said Kimberly Leathley, BPA account executive for PNGC. "The customers get to try out new power sources, they get valuable side-benefits and BPA remains whole. We want to help our customers diversify without raising rates to other customers or hurting our ability to pay our debts, fish costs and operating costs. This agreement does the trick."

David E. Piper, executive vice president and general manager of PNGC, said, "We applaud BPA for recognizing our desire to diversify and working with us to achieve that goal. This agreement will allow us to diversify the risk associated with our resource base and give us flexibility to obtain the financial benefits of low-cost wholesale power markets for our cooperative customers. As a result, PNGC member systems will be in a better position to remain competitive as the electric utility industry undergoes major structural change and deregulation."

Under the agreement, the 10 PNGC member utilities collectively would be able to purchase about 30 percent of their power from other sources on average over the life of the contract. BPA would, however, receive as much net revenue as it would have if the utilities had continued to buy at least 85 percent of their power from BPA. This will be accomplished through a combination of revenues BPA will get from marketing the freed-up power to other buyers, reductions in costs to BPA, purchases by PNGC of BPA services and exit fees.

"I'm glad we came up with a creative solution that meets the needs of BPA and its customers," said Rick Poon, BPA account executive for five of the utilities in the agreement. "We're looking forward to

reaching similar agreements with other customers."

Together, the 10 participating utilities will continue to buy about 300 average megawatts of power from BPA. This is enough power to serve about 166,000 homes. BPA's 1995 revenues from these utilities totaled \$78 million.

The terms of the agreement announced today are included in a "Memorandum of Principles" signed by PNGC and BPA. BPA, PNGC and the 10 participating utilities will negotiate and sign contracts based on these principles. The contracts are scheduled to go into effect on Aug. 1, 1996.

BPA sells power to about 125 publicly owned utilities in the Pacific Northwest under contracts that expire in 2001. Many of these utilities would like to buy some power from other suppliers in the newly competitive market. BPA has been working with all of its customers, offering them alternatives to their existing contracts in light of the newly competitive wholesale power market. Almost 60 utilities have already signed new agreements under which they will continue to buy all their power from BPA.

PNGC is a non-profit generating and transmission cooperative headquartered in Portland, Ore. Utilities participating in the agreement through the PNGC include:

Oregon

- Blachly-Lane Electric Cooperative
- Central Electric Cooperative
- Consumers Power, Inc.
- Coos-Curry Electric Cooperative
- Douglas Electric Cooperative
- Lane Electric Cooperative
- Oregon Trail Electric Cooperative
- Umatilla Electric Cooperative

Idaho

- Lost River Electric Cooperative
- Raft River Electric Cooperative

Other utilities that wish to join this agreement through PNGC may do so until Oct. 1, 1996. BPA currently is negotiating individually with 25 entities representing the remaining half of BPA's customers. Some are individual utilities and some are agents or organizations acting on behalf of a group of utilities.

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For more information, contact Kimberly Leathley, BPA, 503-780-9037, kaleathley@bpa.gov; Joe Nada, PNGC, 503-288-1234.
