



## **BPA announces new rates**

### **Bonneville Power Administration**

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**PORTLAND, Ore. —** The Bonneville Power Administration today announced new wholesale electricity and transmission rates for the next five years. The milestone announcement marks the first time since passage of the Northwest Power Act of 1980 that BPA has proposed a rate package that goes beyond two years. "We believe this longer-term price stability will provide the Northwest with the economic foundation it needs to succeed in the 21st century," BPA Administrator Randy Hardy said. "It has taken and continues to take very, very aggressive cost-cutting at BPA to provide this rate stability."

Responding to its customers' need for price stability, BPA will guarantee a stable rate for the 1997 through 2001 five-year period, with no escalators or provisions for interim changes, to those customers who commit a specified share of their business to BPA. The specific share for each customer, in terms of business commitment or revenues, will be negotiated on a case-by-case basis. In addition, BPA has unbundled its products and services, affording customers a wider choice of options to meet their needs.

The announcement signaled completion of BPA's first rate proceeding in the newly deregulated, competitive wholesale power market. The new rates, which are subject to approval by the Federal Energy Regulatory Commission, go into effect Oct. 1, 1996, and would continue through Sept. 30, 2001.

As a group, BPA's preference customers - public utilities, municipalities and cooperatives - will see a decrease in the wholesale price of power from BPA. However, the amount of the decrease could vary widely depending on the specific mix of products and services each customer purchases from BPA. The average rate for priority firm power will be 2.44 cents per kilowatt-hour, down from the current average rate of 2.81 cents, a 13 percent drop for the average rate.

While the overall news is good, particularly since it reverses a trend of periodic rate increases in recent years, retail customers of public utilities are not assured of a parallel decrease in their electricity bills. Changes in BPA's wholesale rates affect each utility individually. The cost of wholesale power is only one of a number of costs that local utilities must recoup in the rate they charge their retail customers. Other costs include operation and maintenance, staffing and capital outlay for new construction. And, for some rural utilities, the decrease in the wholesale rate has been partially offset by the elimination of an irrigation discount and the reduction of a low-density discount.

Retail customers of some utilities could see some increase in their rates due to a reduction in residential exchange benefits provided by BPA. The residential exchange, created by the Northwest Power Act of 1980, is designed to allow participating utilities to exchange higher-cost power for lower cost-federal power. By law, the participating utilities must pass on the savings directly to residential and small farm customers. While residential exchange benefits for some participating utilities are higher than they were

in the original rate proposal, they are still lower than historic levels due to requirements of the Northwest Power Act.

"BPA went through an extensive process working with customers and interest groups to determine the new rates," Hardy said. "Our goal was to meet the needs of our customers while at the same time fulfilling BPA's financial and legal obligations." As a self-funding agency that does not receive appropriations, BPA must secure sufficient revenues from sales of power and transmission services to cover its costs and meet certain responsibilities such as funding for fish and wildlife protection. The rate proposal includes a modest build-up in financial reserves to help ensure that taxpayer investment in the federal power system is repaid on time and in full.

To bring its rates in line with prevailing market prices, BPA has reduced its projected expenses by an average \$600 million per year for fiscal years 1996 through 2001. As a part of its cost cutting, BPA has been reducing its staff and contractors by the equivalent of 1,000 full-time positions, a reduction of about 20 percent. BPA expects to meet its downsizing goal by the end of this year. In addition, BPA's latest cost reductions will create additional expected staff savings which will be achieved through attrition, additional voluntary separation incentives and continuation of a hiring freeze.

Hardy also credited Congress and the Administration for helping BPA meet its rate targets. "A multi-year fish budget, worked out between the two bodies last fall, as well as expanded ability to make out-of-region sales, contributed significantly to BPA's ability to offer a stable rate for five years," he said.

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**For more information, contact Perry Gruber, [plgruber@bpa.gov](mailto:plgruber@bpa.gov), 503-230-5359 or Dulcy Mahar, [damahar@bpa.gov](mailto:damahar@bpa.gov), 503-230-5360.**

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