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Choice in California's electric industry becomes reality with agreement between BPA and New Energy Ventures, Inc.

**Joint news release:
Bonneville Power Administration and
New Energy Ventures, Inc.**

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Pasadena, Calif. — New Energy Ventures, Inc. and Bonneville Power Administration have signed an agreement that creates the first opportunity for California electricity customers to obtain lower-cost electric power in the soon-to-be competitive electric utility industry.

"For the first time in California history, electric utility customers will have a choice," said Michael R. Peevey, President of New Energy Ventures. "They can choose high-cost electricity from their local utility or lower-cost electricity from New Energy Ventures. This is a perfect example of what choice is all about."

The agreement covers a major power purchase and establishes a comprehensive strategic relationship between BPA and New Energy Ventures. It was announced by Peevey and BPA Deputy Administrator Jack Robertson at a joint press conference at the headquarters offices of New Energy Ventures in Pasadena.

In 1995 the California Public Utilities Commission (CPUC) established a new regulatory framework - scheduled to become effective in 1998 - that will allow utility customers to purchase electricity from someone other than their monopoly local utility. The power will still be delivered by the local utility. The new California regulatory framework is considered the nation's most sweeping introduction of choice into the electric utility industry.

"This agreement is a winner for everyone - the Pacific Northwest, California, the environment and the U.S. taxpayer," Robertson said. "The California consumers represented by New Energy Ventures will have access to one of the lowest-cost hydroelectric-based power supplies available. Moreover, that low cost is guaranteed for the next five years." Robertson emphasized that BPA sells power outside the Northwest only when it is not needed in the Northwest.

BPA is a federal power marketer that sells electricity generated at 29 federal dams located on the Columbia and Snake rivers and at one nuclear plant. Its electricity sales provide BPA with \$2.4 billion annual revenues, which the agency uses to cover its costs, maintain and operate its high voltage transmission system, and fund other programs in the Northwest. They include a salmon recovery program in which BPA invests \$435 million a year. A major portion of BPA revenue goes to repay the U.S. Treasury for federal investments in dams in the Northwest and BPA's transmission system. Surplus

power sales agreements such as this one will help BPA continue to make its Treasury payments in the future, Robertson said.

New Energy Ventures, based in Pasadena, California, was formed in 1995 to act as a buyer's agent for companies and other entities seeking to lower their electricity costs in the deregulated electric industry environment established by the CPUC. New Energy Ventures also provides a wide range of energy services to clients. Its clients include the Association of Bay Area Governments, the Southern California Cities Joint Powers Consortium, the California Retailers Association, various Building Owners and Managers Association Chapters, the Society of Plastics Industry, Inc., and a large number of individual companies.

Under the agreement announced today, New Energy Ventures has agreed to purchase of 200 megawatts of surplus electricity from BPA for five years beginning January 1, 1998, with an option for an additional 200 megawatts of surplus firm power for five years from the time the option is exercised. New Energy Ventures will also purchase seasonal economy power under a companion agreement. This seasonal energy is traditionally the lowest cost power available in the Western United States, typically selling for less than 1.5 cents per kilowatt hour.

Under the agreement, New Energy Ventures has the ability to make advanced purchases of this seasonal energy. The price of the surplus firm power purchases was not disclosed for competitive reasons, but the total value of the electricity to be purchased "is hundreds of millions of dollars," Peevey said. The basic 200-megawatt power purchase would provide enough electric energy to meet the electricity needs of 200,000 homes.

The cost of power generation is only a portion of the total bill customers pay to their local utility, however. In addition to generation costs, utilities also charge customers for the cost of long distance power transmission lines, local distribution lines, meter reading, administration, customer services, and even social programs like subsidies for low-income customers. Except for the lower generation cost, all those charges will continue under the new regulatory structure, because the local utility will continue to provide those services. In addition, the CPUC has imposed a "competitive transition charge (CTC)" to allow regulated utilities to recover their investment in high-cost power plants. It will be included on the bills of all customers who buy power from someone other than the utility, but will be phased out by 2005.

Even with the surcharge, "this agreement will allow our customers to realize savings of more than 10 percent, and eventually more than 25 percent, compared to price charged by their local electric utility. For a business whose electric bill takes a big bite out of profits - a grocery store chain, for example - this can make an enormous difference," Peevey said. "Local utilities may struggle to keep these customers, but we know their costs to produce electricity, and they can't come close to the low cost of BPA's no-pollution hydroelectric power," he said.

Both executives are enthusiastic about the advantages of serving California consumers with environmentally friendly electricity generated from renewable hydroelectric resources. "Hydroelectric power does not carry the fuel supply price or carbon tax risk that is associated with most other power sources," Robertson said. "Our Federal hydroelectric projects in the Northwest will continue to produce low cost renewable energy for decades to come."

The agreement between New Energy Ventures and BPA establishes a strategic relationship between them. In addition to the power purchases themselves, the agreement provides that New Energy Ventures and BPA will:

- work together to arrange power services for particular clients or group of clients.
- maintain an active and ongoing working relationship, while each respecting the other's right to work independently to secure power sales commitments.
- agree to set terms and conditions for BPA to serve as a primary supplier of New Energy Ventures' energy, ancillary and other related services needs.
- agree to set terms and conditions for New Energy Venture's option to purchase blocks of seasonal economy energy.

With the agreement, BPA is making the same commitment to New Energy Ventures and its clients as it has to its Pacific Northwest customers.

"BPA has undertaken an intense program to manage costs. We will put in place a 13 percent reduction in power rates beginning October 1, 1996, and will keep our rates flat for at least five years," Robertson said. "New Energy Ventures clients will enjoy that same low cost and cost stability."

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