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Rise in BPA reserves timely as region faces El Niño

Bonneville Power Administration

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PORTLAND, Ore. – The financial news is both good and timely for the Bonneville Power Administration. Preliminary (unaudited) results show that, for the fiscal year which ended Sept. 30, BPA reserves were \$430 million, up from \$279 million last year. "This has been a major turnaround for us. Today our reserves are more than twice what they were in 1995, despite the fact that we're facing competition for the first time due to deregulation," Acting Administrator Jack Robertson said.

Reserves, a combination of cash and deferred borrowing, are important as a cushion against unpredictable and uncontrollable events. They are especially critical for BPA, which sells electrical power and transmission from the nation's only hydropower-based system. Unlike fossil fuels, the availability of BPA's clean hydropower depends both on the weather and the needs of migrating fish. BPA's revenues from sales of hydropower can swing by as much as half-a-billion dollars in any given year depending on weather.

Healthy reserves could be crucial this coming year because no one is quite sure what effects El Niño will have on the Northwest's federal hydropower supply, which accounts for nearly 40 percent of the region's electricity. While meteorologists caution that the effects are uncertain, they say that the likelihood is that El Niño could mean wetter conditions in California, but drier conditions in the Pacific Northwest. Drier conditions would reduce the availability of hydropower, in turn decreasing BPA revenues.

However, healthy reserves ensure that, even if such conditions occur, BPA will be able to cover its costs, including purchasing power when the region needs it and meeting BPA's obligation to U.S. taxpayers by paying its U.S. Treasury debt. "BPA's financial stability is key to our ability to continue providing unique benefits to the Northwest, such as funding for fish and wildlife, conservation and renewable energy programs," Robertson said. "This year's good financial news shows that a number of difficult decisions we've made in the past are paying off. We are committed to a stringent cost-cutting program to assure we continue to have good news in the future."

A major factor that helped the overall financial picture was that BPA's expenses were down \$190 million over the previous year, due in part to better water conditions that facilitated fish operations and

in part due to continued cost cutting. As a result, despite inflation, BPA's total expenses dropped below the level of expenses of five years ago.

Total revenues for the year reflected increased competition – BPA cut its prices from 1996 levels – but they also reflected BPA's ability to hold its own in a competitive market. Revenues were approximately \$2.3 billion compared to \$2.4 billion in 1996. However, because of the large drop in expenses, **net** revenues actually went up despite the slight decline in gross revenues. Net revenues for 1997 were \$132 million compared to \$98 million the previous year. The increase in net revenues helped bolster BPA reserves.

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