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BPA power proving attractive to buyers

Bonneville Power Administration
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PORTLAND, Ore. – BPA is seeing a big pay-off as a result of cost cutting and other initiatives it has carried out over the past four years. Despite the fact that BPA's subscription process (signing up customers for electrical power for the year 2001 and beyond) doesn't officially start until this July, a number of customers have come knocking on the agency's door seeking power deals.

In the past six months, BPA has either signed contracts or is near signing contracts with customers for up to 700 average megawatts (enough power to supply the entire city of Portland) for post-2001 delivery. BPA is talking with an additional 15 customers who have expressed interest in buying 500 average megawatts, although these talks are still in the tentative stages. The healthy interest in BPA's power is extremely good news, because approximately 75 percent of BPA's power sales contracts expire by 2001. BPA, a federal agency that markets electrical power from the Columbia River hydropower system, sells at wholesale. Its customers are primarily retail utilities and major marketers who will re-sell to other retailers.

BPA credits a combination of cost management and a commitment to better customer relations with attracting buyers. Cost cuts, which include reducing staffing to the lowest level since 1965, have earned both customer respect and AA ratings from bond rating agencies. And a new marketing approach, instituted in 1994, places full-service sales representatives in the field to work directly with individual buyers. The approach has won plaudits from customers for cutting red tape, reducing response time and making BPA more accessible.

BPA expects more good news this coming Tuesday (Jan. 20) when a special panel reviewing BPA's cost structure unveils its recommendations. "We look to the Cost Review panel to give us some substantial ideas for ways we can increase efficiency even further, and that is going to make BPA power an even better deal for customers," Acting BPA Administrator Jack Robertson said. "We are a steward of a great renewable resource, the Columbia River hydro system, and attractive power products will enable us to maximize and deliver to consumers throughout the region the full value of this wonderful resource. That's what we're in business for."

BPA plans to sell most of its post-2001 power through a subscription process. This process was defined by the 1996 Comprehensive Review convened by the four Northwest governors to prepare the Northwest electricity community for deregulation. The subscription process retains preference to

Northwest buyers, but any power not sold in the process will be made available to out-of-region entities.

The official subscription begins in July, but a number of buyers came forward indicating they needed to secure BPA's power earlier in order to attract their own customers' future business. As a result, the governors' transition board, set up to supervise implementation of the Comprehensive Review recommendations, agreed that it made sense for BPA to sell up to 500 average megawatts in the region and up to 800 average megawatts outside the region prior to subscription. The sales are within these figures and adhere to transition board guidelines developed through discussions with the transition board.

Knowledgeable buyers are showing confidence that BPA's cost-based prices will be competitive with market-based prices after 2001. With uncertain and volatile electricity markets, BPA's willingness to make long-term sales at cost-based prices, rather than market-based prices, has proven attractive.

In addition to these sales, in the past year BPA has signed 10-year contracts with eight Montana utilities for a total of 170 average megawatts for Hungry Horse reservation power. Under federal law, Montana customers have priority access to power produced by Hungry Horse Dam on the Flathead River. When Columbia Falls Aluminum did not renew a contract with BPA, it freed up Hungry Horse power to be sold to other Montana customers.

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