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Strong public support for conservation, renewable energy reflected in cost-control recommendations for the Bonneville Power Administration

Experts point the way to a leaner, more-focused agency in the 21st Century

**Joint News Release: [Northwest Power Planning Council](#)
and
Bonneville Power Administration
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- The Cost Review panel's [final recommendation report](#), and
- the [BPA summary](#) of the final report.

PORTLAND, Oregon -- To attract and retain Northwest customers in the future, the Bonneville Power Administration should cut the cost of its power by cutting its planned spending in areas ranging from its own personnel, power and electricity transmission to costs associated with the U.S. Army Corps of Engineers, the Washington Public Power Supply System and the Northwest Power Planning Council, a committee of experts in corporate financial management says.

Responding to public concerns, however, the experts revised their earlier recommendation for the federal power marketing agency's future investments in energy conservation and renewable resources, adding back about \$13 million in annual spending.

Bonneville supported the cost review process and worked closely with the Northwest Power Planning Council and the cost review experts in providing information on its cost structure and spending plan.

The experts said Bonneville should contribute to the development of a market for energy-conserving products and services, reduce the cost of ongoing conservation projects and staffing, and continue financing a program to weatherize the homes of low-income people. The committee also recommended Bonneville pay for three already-planned renewable-energy projects and for data collection, research and development of renewable resources. Because renewable energy is more expensive than Bonneville's hydroelectric power, the committee recommended a ceiling for the agency's losses from such projects.

The committee determined that by far the single biggest savings could accrue through greater cost management and coordination in managing the 29 dams of the federal hydropower system in the Columbia River Basin. Currently, Bonneville funds the bulk of the system's operation, but decisions about its management are made by three different agencies -- Bonneville, the Corps of Engineers and the Bureau of Reclamation. This results in inefficiencies and unnecessary costs. The potential annual savings, including enhanced revenues, amount to \$40 million for the Corps of Engineers, and \$8 million for the Bureau of Reclamation.

The 11-member committee, which included five current or former corporate executives and representatives of the Power Planning Council and Bonneville, issued its draft report in January. The draft called for spending cuts in conservation and renewable energy totaling \$22.4 million, but the final recommendations, released today, recommend cuts of \$9.3 million. In all, the Cost Management Review Committee recommended \$145.7 million in cost reductions for Bonneville's Power Business during the next five-year rate period, 2001-2006. The total includes cost reductions that would be achieved at Bonneville, the Corps of Engineers, the Washington Public Power Supply System and the federal Bureau of Reclamation. A summary of the committee's recommendations is enclosed with this release.

The cost-cutting recommendations are intended to help Bonneville reduce the costs it must recover through rates, currently about \$2.3 billion, and attract customers after 2001, when 90 percent of its existing power sales contracts expire. The recommended cuts would be in addition to \$89 million in cuts already planned by Bonneville.

"The committee listened carefully to public comments," said Committee Chairman Todd Maddock of Lewiston, an Idaho member of the Northwest Power Planning Council. "We believe the committee's recommendations now reflect Northwest concerns about the future of Bonneville and how to ensure the agency can meet its legal obligations and sell power in a competitive marketplace in the future."

The committee's recommendations will be forwarded to the administrator of Bonneville for decision and action and to the four Northwest governors and the Northwest congressional delegation. The report completes a task that began last August.

"In the last four years, BPA has made heroic and very successful efforts to cut its costs. In fact our current staffing levels are the lowest since the mid-1960s. We realize, however, that agencies of the Federal Columbia River Power System need to still cut more, and the cost review committee's work will be enormously helpful in giving us the guidance we need," said Jack Robertson, Acting Bonneville Administrator. "Columbia River power has always been the lowest-cost and highest-value power in the nation, and we intend to keep it that way."

In another key recommendation, the committee said the region's only operating nuclear power plant, Washington Nuclear Plant 2 at Hanford, should continue to be operated only if it is economical based on market prices for electricity. The committee also called for appropriate cost management to hold expenses at the plant to \$19 million per year less than currently planned. Bonneville is the only customer for the plant, which is operated by the Washington Public Power Supply System.

The committee recommended reductions in spending by the Northwest Power Planning Council that would be consistent with the reduced role of both Bonneville and the Council in new energy resource development in the region, as foreseen by the 1996 Comprehensive Review of the Northwest Energy System. The Bonneville cost review grew out of that year-long effort, which was initiated by the governors of Idaho, Montana, Oregon and Washington. In the Comprehensive Review, a 20-member committee recommended ways the Northwest could take advantage of increasing electricity industry

competition and also retain the benefits of the federal Columbia River power system. One key recommendation was to market Bonneville's power long-term to regional customers.

Following the Comprehensive Review, the governors asked the Power Planning Council to work with Bonneville to appoint a cost-review committee. The work began last June. The committee included four Council members, five experts in corporate management and finance and two non-voting representatives from Bonneville.

"I'm pleased that the committee's recommendations regarding conservation and renewable energy are consistent with both the Comprehensive Review and with the Council's own historic perspective," Maddock said.

For a copy of the Cost Management Review Committee's report, contact the Power Planning Council, 800-222-3355 or visit the Council's World Wide Web site, www.nwppc.org.

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