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***NEWS RELEASE:***  
***Tenaska ruling substantially cuts BPA losses;  
no rate increases will result.***

**FOR IMMEDIATE RELEASE:**  
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**PORTLAND, Ore.** – An arbitration panel has awarded Tenaska Washington Partners II, L.P., \$158.6 million in a lawsuit against the Bonneville Power Administration. Most of the money compensates Tenaska for profits it might have earned had BPA not pulled the plug on construction of a power plant that was no longer needed.

"We are very pleased with the arbitrators' ruling," said BPA Administrator Judi Johansen. "It means we cut our losses by \$400 million to \$700 million, compared with proceeding with the original deal for 20 years. And BPA will be able to pay the award without a rate increase."

BPA retains ownership of the uncompleted facility, located at Frederickson, near Tacoma, Wash. The agency plans to sell the assets, which would further reduce the costs associated with the project.

The Tenaska project was terminated by BPA when deregulation of the electric utility industry abruptly and radically changed assumptions about the need for power. In April 1995, BPA withdrew from a contract to buy the output of the combustion turbine project.

Only a year earlier, utilities in the Northwest measured a regional power shortage of 600 average megawatts and growing. However, these forecasts didn't anticipate deregulation, which dissolved barriers to wholesale competition and flooded the market with cheap power. These changes drove BPA's customers to lower-cost suppliers.

The 1995 biological opinion of the National Marine Fisheries Service also changed operation of the Columbia River hydropower system such that more power was available in spring and summer. This gave BPA customers the opportunity to make market purchases rather than continuing to buy firm power from BPA.

"In hindsight, BPA and the industry at large were unable to appreciate the magnitude of the changes ahead," Johansen said. "It was a costly mistake, but it would have been much more costly had we not terminated the project when we did and vigorously defended against this lawsuit."

BPA was willing to settle the case out of court in 1995 for about the same amount rendered by the arbitration. But Tenaska elected to press its suit for more than \$1 billion in the Court of Federal Claims. The decision means BPA will have saved nearly \$1 billion, including interest, compared to Tenaska's original claim.

BPA earlier settled other claims for \$157.7 million. The payments satisfied some of Tenaska's claims and those of all other parties involved in the project. With this arbitration decision of \$158.6 million, there are no further outstanding claims related to the project.

"The reasons for ending the agreement were compelling at the time and are still sound today," said Johansen. She said that although wholesale electricity prices have begun to rise recently, the power purchase agreement with Tenaska would still be uneconomic.

The Court of Federal Claims is expected to convert the decision to a judgment soon and issue an order for payment. Rates and revenues as currently projected should produce sufficient income to satisfy the Tenaska judgment.

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