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Customer demand, volatile market prompt BPA to revise rate provisions

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Bonneville Power Administration

FOR IMMEDIATE RELEASE: FRIDAY, Sept. 1, 2000

PR 70 00

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PORTLAND, Ore. – High prices and higher customer demand are forcing the Bonneville Power Administration to alter its proposed power rates for the next five years.

BPA announced yesterday that it intends to revise the Cost Recovery Adjustment Clause (CRAC) of its 2002-2006 rates so the agency can strengthen its ability to cover its costs over the 2002-2006 rate period. The agency is not proposing an increase in its basic power rates for the five-year rate period and does not expect to make any change in its basic rates or the CRAC in the first year.

"Our intent is to limit the scope of the modifications primarily to a revision of the Cost Recovery Adjustment Clause to make it more robust in years two through five of the rate period," explained Judi Johansen, BPA administrator. "Over the next few weeks we'll be meeting with rate case parties to try to reach agreement on how to modify the rate proposal. There's a lot of work to be done. But I'm confident we'll craft a rate case revision that will work."

The CRAC is an automatic temporary increase in power prices that is triggered when BPA's financial reserves fall below a certain threshold. CRAC is one of several risk mitigation tools BPA will use to maintain a high probability of covering its costs, including its fish and wildlife and the U.S. Treasury obligations over the next five years.

BPA expects to propose raising the CRAC threshold and the limit of the amount of additional revenues to levels higher than in the rate proposal the agency submitted to Federal Energy Regulatory Commission earlier this year. These changes would provide more robust protection against years in which BPA's costs run higher than expected. Even if the revised CRAC triggers, BPA's rates still will be among the lowest in the country.

Concerned over high wholesale electricity prices, BPA's customers are flocking to the agency to buy BPA's low-cost federal power. Those customers are asking for more power

than BPA has available. BPA is planning to meet this potential customer demand with a combination of its own power supplies and market purchases.

"But our customers are asking for possibly 1,400 average megawatts more than we anticipated in the rate case," said Johansen. "Had we stayed with our original rate proposal, the amount of power purchases we would have had to make at the prices we might very well see over the next five years, would have put our financial stability at risk."

BPA is scheduling meetings with rate case parties over the next two weeks to attempt to agree how to modify the rate proposal. On Sept. 15, the agency expects to publicly announce its proposal. A BPA record of decision will be published early next year.

In the meantime, BPA expects to resume signing subscription contracts on Sept. 5. The window to sign contracts will close Oct. 31.

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