The Benefits of BPA’s Proposed Power Prepayment Program for Non-Participants

BPA’s proposed Prepayment for Power program should be attractive to our customers regardless of participation in the program because all customers benefit from the capital investments into the Federal Columbia River Power System (FCRPS). BPA’s capital needs over the next 10 years far exceeds its ability to finance from Treasury, and assuming no further actions, BPA could exhaust its Treasury Borrowing Authority as early as 2016. BPA is conducting the Capital Investment Review (CIR) process to get customers input on the appropriate capital spending levels to rebuild and maintain our hydro infrastructure.

Given the capital needs detailed in the CIR process, and the non-discretionary nature of many of these needed investments, BPA is exploring customer interest in a Prepayment Program. Without a Prepayment for Power program, BPA may be forced to revenue finance a portion of the hydro capital budget to maintain reliability and avoid unsustainable O&M maintenance costs. In the fall of 2011, BPA presented material showing the projected rate impacts of revenue financing. The rate impacts for the near-term rate cases are shown below and reflect the application of anticipated accumulation of cash as reflected in the fall of 2011. These projections will be updated in the summer of 2012.

While the effect of significantly lower rates is the largest benefit to non-participating customers, there are other benefits as well. The Prepayment for Power program keeps the funding and transaction costs within the regional economy. It is in the spirit of the Regional Dialogue contracts – to keep, preserve, and share the benefits of the 75-year-old FCRPS – that this Prepayment Program was developed.