



PR 25 14

**BONNEVILLE POWER ADMINISTRATION  
FOR IMMEDIATE RELEASE**

**Thursday, Dec. 4, 2014**

**CONTACT: Mike Hansen, BPA, 503-230-4328**

### **Proposed BPA rate increase will maintain value of power and transmission systems**

**Portland, Ore.** – To keep pace with needed investments in the Federal Columbia River Power System, which provides carbon-free hydropower at cost to Northwest public utilities, the Bonneville Power Administration today proposed a 6.7 percent average wholesale power rate increase for the fiscal year 2016-2017 rate period. BPA is also proposing a 5.6 percent increase in its transmission rates to sustain and expand the federal transmission system to meet regional needs, including renewable resource integration.

“During my time at BPA, I have become acutely aware of the economic impact our rates have on Northwest public utilities and the communities they serve,” said Elliot Mainzer, BPA administrator and chief executive officer. “However, these rate increases are necessary to sustain the tremendous value of the federal power and transmission system and to meet the electricity needs of the Northwest in a reliable and environmentally sustainable way.”

In January, BPA began a discussion with the region about its proposed program levels, future costs and potential rates for fiscal years 2016 and 2017. At the outset of those discussions, BPA forecast double-digit increases for both its power and transmission rates. Over the next nine months, BPA conducted extensive public review of its programs and budgets in a regional process called the [Integrated Program Review](#).

The IPR process allows interested parties to see all relevant FCRPS spending level estimates in the same forum. The IPR occurs every two years, just before each rate case, providing participants with an opportunity to review and comment on BPA’s program level estimates before spending levels are set for inclusion in the rate case. Program levels for fiscal years 2016 and 2017 were included in the [Final IPR Close-out Report](#) released in October of this year.

“Working closely with our customers and other regional stakeholders over the past nine months, we managed to significantly cut the forecasted rate increases,” added Mainzer.

The rate proposals will be considered during a public rate-setting process beginning in early December and culminating in July 2015 decisions on final rates to take effect Oct. 1, 2015.

BPA is a nonprofit federal wholesale utility that receives no Congressional appropriations and must recover its costs through its rates. The new rates will affect local retail utilities differently depending on the amount of power and type of services they purchase from BPA. Local utilities ultimately determine the retail impact of BPA rates on individual businesses and residents.

### **Power rates**

Even though power-related program level increases were kept below the rate of inflation, factors besides inflation make the wholesale power rate increase necessary. About 5 percentage points of the proposed 6.7 percent increase is due to costs associated with past capital spending – an increase of about \$94 million a year.

Also contributing to the rate increase are increases in operating and maintenance costs for the federal hydroelectric program (\$34 million), an automatic cost escalation under the long-term 2012 Residential Exchange Program settlement (\$18 million per year), the need to acquire transmission service to meet obligations to deliver power to customers who are not directly connected to BPA's transmission system (\$12 million per year) and rising fish and wildlife costs.

To offset a portion of these increases, BPA has been able to take advantage of unique opportunities, including: the repeal of the spent-fuel disposal fee that the U.S. Department of Energy charged Energy Northwest's Columbia Generating Station, saving an average of \$7.4 million a year; a reduction in BPA's forecast for the joint-funded Northwest Energy Efficiency Alliance budget, saving about \$2.5 million a year; refinancing of Energy Northwest regional cooperation debt for 2014-17, saving about \$29 million a year; a decrease in operating costs at the Columbia Generating Station, saving approximately \$26 million a year; and a \$20 million undistributed reduction in the power revenue requirement.

### **Transmission rates**

Additional reviews of transmission programs presented in the IPR confirmed that BPA has reduced programs levels as much as possible while still being certain it can meet the needs of the region. Factors contributing to the rate increase include the need to sustain and expand an aging Federal Columbia River Transmission System to maintain reliability and continue the integration of renewable resources, such as wind; increased mandatory compliance and additional cyber and physical security requirements and other operational and maintenance expenses; and the purchase of property insurance for BPA transmission facilities other than transmission lines and towers.

Earlier this fall, the Federal Energy Regulatory Commission approved BPA's [Oversupply Management Protocol](#), a tool to manage the occasional seasonal oversupply of electricity generation, as well as an associated rate through fiscal year 2015. BPA is proposing to

continue the oversupply rate for two more years using the same cost-allocation methodology and rate design.

### **Partial Ancillary and Control Area Services settlement**

In September 2014, parties to the BP-16 rate case reached a settlement on the cost of generation inputs and transmission rates for ancillary and control area services, which include balancing for variable generators. The [settlement agreement](#) included in today's Initial Proposal is posted on the BPA website. Most of the settled rates were kept at the same level as current rates, with a slight increase for Operating Reserves. The settlement will go through the rate case process. BPA staff will propose that the BPA administrator adopt the settlement in his record of decision in July 2015.

The settlement includes use of innovative tools BPA and its customers have created to integrate new resources into BPA's system. The agreement is made possible due to advances in BPA's ability to obtain third-party balancing resources. Given this progress and work being done in market design, the settlement gives BPA time to allow these efforts to mature and become long-term, sustainable solutions for the integration of new resources into BPA's transmission system. The settlement did not address two ancillary services, Scheduling System Control and Dispatch Service and Reactive Supply and Voltage Control from Generation Sources Services.

In October, BPA also began offering its transmission customers the opportunity to schedule energy in 15-minute increments. By offering [15-minute scheduling](#), BPA has removed barriers to integrating variable energy resources, as provided for in Federal Energy Regulatory Commission Order 764. In the upcoming rate period, Variable Energy Resource Balancing Service customers (principally wind) can enjoy a saving of up to 50 percent from their current rate if they commit to schedule every 15 minutes. In addition, BPA believes that 15-minute scheduling could significantly reduce its balancing reserve capacity requirements.

*BPA markets more than one-third of the electricity consumed in the Pacific Northwest. The power produced at 31 federal dams and one nuclear plant in the Northwest is sold to more than 140 Northwest utilities, among other entities. BPA operates a high-voltage transmission grid consisting of more than 15,000 miles of lines and associated substations in Washington, Oregon, Idaho and Montana serving more than 480 customers.*