



## Bonneville Power Administration Issues

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As consumer-owned utilities that have preference to federal power, most members of PPC buy much or all of their power from the Bonneville Power Administration (BPA) as well as using the Bonneville transmission system to deliver that power. Issues impacting the agency weigh heavily on these utilities, their consumers, and their ability to enable job creation throughout Washington, Oregon, Idaho, Montana, and parts of adjacent states.

### BPA Mission

- The agency plays an integral role in the economic vitality of the Pacific Northwest.
- By law, BPA's first mission is to deliver, at cost, the clean, renewable hydropower that is generated at federal dams to the region's not for profit, consumer-owned electric utilities.
- BPA maintains the reliability of the electric grid and, within its statutory authority, helps advance energy efficiency and renewable generation, and protects regional fish and wildlife.

### BPA Rates and Focus 2028

For most consumer-owned utilities served by BPA, the agency's charges constitute a majority of the cost of operating their utilities. Increases in BPA rates affect the pocketbooks of residents and the vitality of businesses.

BPA's recent rate trajectory raises serious concerns about the long-term competitiveness of BPA rates, the economic health of the region, and the numerous programs that depend on BPA revenues. *Since 2009, BPA's average power rates have increased over 30 percent, over twice the rate of inflation.* This trajectory is unsustainable and places enormous burden on distribution utilities in the region and their residential and business customers.

Current power supply contracts between the Bonneville Power Administration (BPA) and its public power customers are set to expire in 2028. While BPA has long been a low-cost power supplier and economic engine for the Pacific Northwest, the Public Power Council (PPC) is concerned that—absent significant budget reforms and cost controls—the trend line suggests BPA rates could be above market when customers are considering their next power contracts. Under those conditions in the past, customers began to seek other power supply options, creating a potential cost-recovery spiral that threatens both the Northwest economy and the initiatives that depend on BPA funding.

PPC is heartened that BPA recognizes this challenge and has started an initiative—"Focus 2028"—to begin to identify potential avenues to ensure BPA's continued competitiveness as a supplier of low cost, reliable power and transmission services. Focus 2028 is a critical process, but it must be more than a discussion or a study; it must result in tangible, meaningful, and sustainable changes in BPA's budgeting process, funding levels, and programmatic design. In order to ensure BPA's

future competitiveness and viability, PPC believes the areas where the largest increases have occurred need serious consideration. These include:

- Fish and wildlife programs and operations. Focus should be on how to meet environmental objectives and legal requirements in an efficient manner.
- Energy efficiency program. Public power utilities have achieved great savings, and would benefit from: a more analytical approach to determining BPA’s goals; enhanced flexibility in the program delivery model with a larger share of direct utility funding; and, enhanced efficiencies in BPA program implementation.
- Capital Expenditures—maximizing limited borrowing authority and other capital resources by strategically investing in BPA transmission and the federal hydro system. The Federal Columbia River Power System is vital, but aging, infrastructure. Ensuring the reliable operation and maintenance of the system while prioritizing and managing expenditures requires greater collaboration between federal agencies and BPA customers.
- Reform BPA’s budget process to recognize and address competitive rate realities. Rather than assuming that budgets can continue to grow, BPA must build on the steps it has taken to prioritize expenditures. Realistic budgeting will force greater scrutiny of proposed investments and lead to durable decisions and long-term competitiveness.

PPC appreciates the initiation of Focus 2028 and encourages the Northwest congressional delegation to support the effort and remain committed to needed reforms that support BPA future stability and competitiveness.

### **Energy Balancing and Western Markets**

The rise of intermittent renewable resources in the region, with BPA currently integrating more than 4,500 MW of wind generation, has prompted examination of various mechanisms that could be used to integrate these intermittent resources and efficiently share balancing reserves.

Some of the investor-owned utilities in the Northwest are looking to join the “energy imbalance market” run by the California Independent System Operator. Others had considered a Northwest market option, but BPA determined that, without the participation of the region’s investor-owned utilities, forming a regional market mechanism to address energy balancing would not be economic. Now, BPA is exploring other ways to continue to sell surplus energy into the CAISO and otherwise meet balancing requirements. PPC is continuing to stay involved in the consideration of these interactions between BPA, other Northwest market participants, and the CAISO.

### **Federal Energy Legislation**

As Congress considers federal energy legislation, PPC lends its support to efforts to:

- Streamline the licensing process for non-federal hydropower projects;
- Facilitate vegetation management of utility rights-of-way on federal lands; and,
- Protect local control of consumer-owned utilities to secure their own power supply.

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