

BPA adopts settlement on Residential Exchange Program; will raise rates in October

The Bonneville Power Administration on July 26 adopted a settlement over its controversial Residential Exchange Program and said it hopes the pact will lead to the end of years of dispute over the way consumers share the benefits of low-cost hydroelectric power from the Columbia River federal hydro power system. Bonneville also said it would raise its wholesale power rates by an average of 7.8% on Oct. 1.

The Residential Exchange Program lets residential and small-farm customers of investor-owned utilities in the region have a share of the hydro power generated by the federal system.

BPA said the parties supporting the settlement include all six regional investor-owned utilities, three state utility commissions, several consumer-owned utility groups, a retail ratepayer advocacy group and consumer-owned utilities representing 88% of those receiving power from BPA.

BPA Administrator Steve Wright applauded regional utility leaders and others who set aside longstanding litigation to support the settlement. "I'm grateful for the dedication and determination of all those who have helped us find a better path forward," he said. "We all owe them a debt of gratitude for getting us where we are today." Wright had personally appealed to the region in 2008 to pursue a settlement, which he said would provide more long-term stability and equity than any agency decision.

BPA said the settlement's main elements include:

- About \$3.3 billion in payments (in real 2010 dollars) to investor-owned utilities over the 17-year term of the settlement, beginning at \$182.1 million in fiscal 2012 and increasing to \$286.1 million by fiscal 2028.
- About \$612 million in credits to consumer-owned utilities, paid at \$76.5 million per year from fiscal 2012 to fiscal 2019, compensating for overcharges from a 2000 settlement.
- A commitment by the parties to the settlement to seek legislation that would affirm the settlement and direct BPA to implement it.
- Provisions outlining how BPA would set rates for settling parties and the few non-settling parties in the event of further litigation.

Wright urged those who have not yet endorsed the settlement to reconsider their position. "There is an opportunity here to for all parties of the interconnected Northwest system to move together harmoniously," he said.

Wholesale rates to rise an average of 7.8%

The same day it announced the settlement agreement, BPA adopted a 7.8% average increase in its wholesale power rates that will take effect on Oct. 1. The power marketing administration said the main costs behind the rate increase are:

- rehabilitation of the aging federal hydroelectric system, which includes large components such as turbines and cranes that are beyond their planned design life;
- fuel purchases and repairs at the Columbia Generating Station, the region's only nuclear plant; and
- investments to protect Northwest salmon and steelhead trout.

"We need to make careful investments to protect the substantial value of the Northwest power system, but we also need to keep rates as low as possible, especially since the economy is still struggling," said Wright. "This rate strikes a balance that allows us to replace and refurbish aging equipment at the dams and Columbia Generating Station and maintains the momentum of our efforts to protect endangered salmon."

Thanks to this year's above-average water conditions, there will not be an additional within-year rate increase for fiscal year 2012, BPA said. The initial rate proposal had included a one-in-three chance that such a surcharge would be necessary, based on Bonneville's financial performance in 2011.

Tiered rates to go into effect

BPA said its power customers will operate under new long-term contracts for the first time, starting in October. The contracts are a result of BPA's multi-year regional dialogue process. Under those contracts, BPA customers receive a designated amount of BPA power at the new lowest cost, the "tier one" wholesale rate. Any power necessary to serve their energy needs beyond that amount will be purchased from BPA at a slightly higher rate or from the customer's own source, Bonneville said.

"This rate period marks a new era in BPA's relationship with its customers," said Wright. "We are pleased that the transition to a new business paradigm is proceeding smoothly with very little controversy in this rate proceeding."

BPA also said it will reduce the rate for integrating wind onto its transmission grid by 4.7%. The total cost of integrating more wind is increasing, but the reduction is possible because of some additional geographic diversity of the wind projects connecting to the BPA transmission system and modifications to the calculation of necessary reserves, Bonneville said. Today, there are more than 3,500 megawatts of wind connected to the BPA transmission system. By Sept. 30, 2013, the end of this rate period, that amount is expected to grow to approximately 5,500 MW.

— [JEANNINE ANDERSON](#)