



WRECA
Washington's Electric Cooperatives

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Bonneville Power Administration Issues: Long-Term Rate Competitiveness

As consumer-owned utilities that have preference to federal power, Washington's electric cooperatives buy much or all of their power from the Bonneville Power Administration (BPA) and use the Bonneville transmission system to deliver that power. Issues impacting the agency weigh heavily on these utilities, their members, and their ability to sustain job creation and economic health throughout Washington state.

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 the clean, renewable hydropower generated at federal dams to the region's not for profit, consumer-owned electric utilities at the lowest reasonable cost.
- 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, Competitiveness, and "Focus 2028"

For WRECA members, the agency's charges for power and transmission constitute a majority of the cost of operating their electric cooperatives. Increases in BPA rates directly and significantly affect the pocketbooks of residents and the vitality of businesses.

BPA's recent upward 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.* With the cost of alternative power supplies suppressed for the foreseeable future, BPA's rate trajectory is not sustainable.

Current power supply contracts between BPA and Washington's electric cooperatives will expire in 2028. While BPA has long been a low-cost power supplier and economic engine for the Pacific Northwest, WRECA members are concerned that—absent significant budget reforms and cost controls—the trend line suggests a threat to the agency's position. Unless BPA controls its costs and rates, many public power systems will be faced with the tough choice of either greatly reduce their BPA purchases or not renew their BPA contracts. Under this scenario, the loss of customers could lead to further spiraling costs that can undermine BPA's viability. Moreover, without long-term power sales contracts and with rates above market, BPA will be unable to collect funds or receive other financing for energy efficiency, fish and wildlife programs, and other regional priorities.

WRECA members are heartened that BPA recognizes this challenge and has started the "Focus 2028" initiative 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 with its customers, 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, WRECA members believe there are several areas needing serious consideration. These include:

- *Budget Culture:* BPA must fundamentally alter its approach to annual and long-range budgeting. BPA should adopt a top-down budget prioritization that includes critical review of program retention, design, scope and expenditure. The performance reviews and bonuses of managers should be directly tied to success in identifying and implementing budget reductions.
- *Capital Investments and O&M:* Maintaining the infrastructure of the Columbia River Power System – the dams and transmission lines – is critical. However, given the incredible expense associated with these programs, it is essential that BPA, acting both independently and in partnership with the Army Corps of Engineers and Bureau of Reclamation, prioritize expenditures, defer some when appropriate, and seek efficiencies whenever possible.
- *Appropriate Financial and Reserve Policy:* It is essential that BPA meet its annual payment to the Treasury, and BPA has a variety of financial tools toward that end. Yet the most critical step for BPA to ensure both repayment to Treasury and a high credit rating for issuing other debt is to maintain long-term contracts with public power customers. Consequently, BPA must carefully structure its financial policy to maintain a healthy financial position without unnecessarily compounding the upward rate pressure.
- *Fish and Wildlife Programs and Operations.* While concerning in many respects, Judge Simon’s recent ruling against NOAA Fisheries 2008 Biological Opinion could also provide an opportunity to revisit and refocus fish and wildlife programs. Success should be defined not by dollars spent, but by the results of wise investments.
- *Energy Efficiency Program.* Public power utilities have achieved great energy savings and are committed to continuing this proven record of success. BPA program revisions underway to provide enhanced flexibility and more direct utility funding are a step towards improving program implementation, market transformation, and turnkey programs.

WRECA members appreciate the initiation of BPA’s *Focus 2028* process and encourage the Northwest congressional delegation to support the effort and remain committed to needed reforms that support BPA future stability and competitiveness.

About the Washington Rural Electric Cooperative Association –Established in 1942, WRECA provides its members with a variety of services. Its main function is to serve as a single, cohesive voice for its members. Its mission is to proactively influence the regulatory environment in the best interest of the consumer-owned electric utilities in the state of Washington. Furthermore, WRECA identifies and monitors issues potentially affecting the membership and serves as a resource center for issues concerning its membership. For more information, see www.wreca.coop.