

## **Shift to Market-Based Rates Short-Changes Ratepayers and Taxpayers**

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By law, the Bonneville Power Administration (BPA) must set rates to recover all costs of generating and delivering power from the federal dams on the Columbia River System. For 34 years, BPA has made its debt payment to the Treasury in full and on time. This year, some are pushing to propose changing the way BPA sets rates from those based on actual costs to rates that reflect market alternatives. This was proposed by prior administrations and rejected by Congress because it creates neither the revenue nor the government reforms intended.

### **BPA Legal Obligation**

By law, BPA must set rates at the “lowest possible cost consistent with sound business principles.” Since the agency’s inception, BPA has used cost-based rates to recover the government’s investment and provide the region with reliable, renewable electricity. In rejecting past proposals, Congress barred the government from funding study of the idea. Any change in the rate-setting standard for BPA requires a change in law, and would still be subject to legal challenge since the current contracts provide for cost-based rates through 2028.

### **Extracting Value from Northwest Ratepayers, Economy**

For decades, one of the Northwest’s economic advantages was its low-cost electricity that attracted businesses and helped families manage their household budgets. It also helped offset higher costs of transportation across the West’s vast expanse. Setting BPA rates equal to the market could undermine these benefits and cause significant harm to local economies.

### **Putting Taxpayers at Risk**

Current rates provide a predictable stream of revenue and ensure that the entire taxpayer investment will be repaid – with interest. Switching to market-based rates puts this at risk:

- At times BPA rates have been above the fluctuating market price; requiring that BPA power be sold at market would result in the taxpayer under-recovering.
- But, if BPA rates should be lower than market, and are mandated to be artificially raised, then customers will not see value in retaining BPA contracts since other suppliers could offer power without the risks associated with BPA.
- Without long-term contracts, BPA would likely be forced to sell power at a loss and into short-term markets—which typically produce even less revenue.

PPC urges Congress to once again reject any proposal to shift BPA to market-based rates.