

Budget Proposals Threaten Ratepayers, Taxpayers and Economy

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The Public Power Council (PPC) extends its thanks to the Northwest Congressional delegation for expressing bipartisan opposition to last year's budget proposals that would divest the electricity transmission system of the Bonneville Power Administration (BPA), and that would impose market-based rates. We appreciate the delegation's continued unified support for the electricity consumers and economic health of the region.

These proposals are expected again in the Administration's FY2020 Budget. PPC's opposition to these specific proposals should not be read as opposition to change. As the electricity industry evolves, we are working diligently to ensure the modernization, and the long-term economic health and rate competitiveness of BPA. However, extreme shifts in the ownership and pricing of BPA would appear to increase uncertainty, artificially raise rates, and jeopardize the economic vitality of the Northwest.

Privatization Leads to Loss of Regional Control and Value

BPA is a regional asset, supporting coordinated utility operations, regional economic development, and fish and wildlife programs. By law, priority is placed on providing benefits from BPA to the Northwest. The effect of these privatization proposals would be a transfer of value from the people of the Northwest to the U.S. Treasury, or to distant private interests. Electricity consumers in the West have paid to construct and maintain a system that would be sold off to fund a one-time revenue boost to the federal government and generate long-term profits for the new owners.

Current BPA long-term contracts, and numerous statutory provisions, include language bringing into question whether the privatization proposal could be implemented in a viable manner, even with legislation, or would set the stage for lengthy litigation.

BPA and its customers are working diligently to ensure the agency's cost competitiveness versus other long-term power supply options. Divesting the transmission needed to deliver electricity from the Columbia River power system could add more uncertainty and likely higher costs as new rates are imposed. This could necessitate a rate increase since BPA currently sets transmission rates to recover the initial investment plus interest to the Treasury.

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

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 35 years, BPA has made its debt payment to the Treasury in full and on time. 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.

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.

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.