Bringing Public Power Together

Creating Value for Preference Customers

The Public Power Council (PPC) was organized in 1966 to provide consumer-owned utilities in the Northwest with a united voice in regional resource planning. Today the organization represents its members’ interests regarding wholesale power and transmission issues in all Bonneville Power Administration (BPA) proceedings, in matters before the Northwest Power and Conservation Council (NWPCC), in other regional power venues, and in our nation’s capital and the courts.

PPC has a diverse membership, with electric utilities ranging in size from ten to 400,000 customers in seven western states – including Washington, Oregon, Idaho, Montana, Nevada, Utah, and Wyoming. They include municipal utilities, public or people’s utility districts, and electric cooperatives. All of these utilities have a legal and historic first right to federal power. Protecting this right, known as “preference,” is among PPC’s most vital charges.

In addition to providing a forum where BPA preference customers can gather to address critical federal power and transmission challenges, PPC offers detailed information as well as technical, legal, and political expertise. PPC’s mission remains centered on access to a reliable, affordable power supply for consumer-owned utilities. Being informed and involved on behalf of the region’s public power consumers gives our members a strong voice in the direction of the electric power industry in our region.
Now in our 49th year, the Public Power Council (PPC) was as busy as ever protecting preference customers’ most basic rights to affordable, reliable power. Some of the issues we faced were very familiar, as described in the following pages. But, 2015 was also a year of transition in the electric power industry as new state and federal climate-related policies took hold, and as evolving technologies drove new markets proposals and business models.

On the central power cost issues for BPA, our advocacy in the budget process and rate case mitigated the size of the final rate increase. That said, the rate trajectory over the last six years creates serious concern about BPA’s costs. So, PPC worked with BPA to begin a process focused on pointing the agency toward a more sustainable and competitive position as the preferred power supplier when preference customer utilities’ contracts expire in 2028, and we are working with the Northwest Congressional delegation to provide appropriate engagement and oversight. We also worked with the agency on moving funding for the energy efficiency program from the capital to the expense category in order to achieve long-term interest savings and preserve federal borrowing authority.

This year saw BPA’s administrative operations begin to return to normal. BPA’s hiring authorities and critical reporting relationships have been restored back to the Administrator. PPC will continue to monitor BPA’s interactions with the Department of Energy to make sure that BPA is not asked to give up regional control in any key areas.

PPC works both in the region and in Washington, D.C. to ensure that important issues, like the need to modernize the Columbia River Treaty, are addressed. We made some progress this year in that arena, but there is a long road ahead of us in advocating for the State Department and other negotiators to take a tough stand with Canada to rebalance the Treaty in the interest of Northwest ratepayers.

While the prospect of a regional centralized energy market is not a new topic, 2015 saw a flurry of action at the Northwest Power Pool and the California Independent System Operator as regional utilities tried to chart a path through a set of intra-hour energy market options that are evolving even as this Annual Report goes to print. PPC will continue to track these matters and look out for the interests of preference customers in this changing landscape.

The PPC Executive Committee and the PPC staff work tirelessly, together with member utilities and other regional trade groups, to keep members informed and to protect the interests of all consumer-owned utilities in the Northwest. We would like to give our sincere thanks to all of the PPC members and staff within the public power community who make the work of PPC possible.
Power Rates

PPC spent much of 2015 working intensively in the BPA BP-16 rate case and related processes that set the rates that went into effect October 1st. Though the final average increase of 7.1% in power rates was disappointing, PPC made significant progress in limiting the size of the increase. This progress included a $10 million per year credit in the final rates resulting from PPC’s arguments regarding secondary revenues, as well as an additional $12.6 million in cost cuts from BPA’s initial proposal. PPC’s advocacy was also instrumental in stopping potentially damaging financial policy changes during the rate case. Finally, as noted previously, PPC was central to reaching an agreement among various parties to move the financing of the energy efficiency program from capital to expense. This move will save ratepayers a significant amount in interest payments and will help to preserve borrowing authority for other uses.

Long Term Cost Control

As the year drew to a close, BPA kicked off “Focus 2028,” an effort to ensure that the agency is a competitive power supplier when preference customer’s contracts expire in 2028. This new effort was motivated in part by PPC’s advocacy in BPA’s budget processes and in the BP-16 rate case where we expressed grave concerns about the impact to consumers of increasing costs and the upward trajectory of BPA’s rates over the last six years. In this new BPA process we will be working not only with BPA staff but also the lead asset managers at the Army Corps of Engineers, Bureau of Reclamation, and Energy Northwest. We intend to identify what steps can be taken programmatically or in budget mechanisms to find efficiencies or new approaches that prioritize needs and contain costs while maintaining our incredible hydropower system. We are also engaging the Northwest Congressional delegation, BPA’s “board of directors,” to oversee this effort. The goal is to give PPC members the most affordable and most reliable options for future power supply.
Transmission and Federal Regulation

BPA’s final transmission rate increase in the BP-16 case was 4.4% on average, down from 5.6% in the initial proposal. PPC consistently advocated for prudent cost reductions and also made significant progress on policy issues in the case. This included defeating damaging proposals regarding the Montana Intertie rate, oversupply management cost allocation, and financial policy changes.

In addition to rate case work, PPC focuses on BPA transmission tariffs and policies with the twin goals of protecting preference customers’ rights and ensuring high-quality, cost-effective delivery of resources to preference customer loads. PPC strives to ensure that BPA makes transmission facility investments needed for load service and correctly allocates costs and risks of commercial projects to the appropriate customers. Our aim is to fend off proposals that would have preference power customers paying for facilities they do not need and do not use. PPC’s advocacy also led to BPA starting a new process to protect the value of long-term firm transmission on the Southern Intertie. We will continue to pursue reforms to BPA’s Network Open Season and transmission service that meet these goals.

In 2015, PPC remained involved on matters before the Federal Energy Regulatory Commission (FERC) that affect BPA transmission or may create costs for BPA’s preference customers. Although FERC’s direct oversight of BPA is limited by statute, FERC has jurisdiction over matters that can impact BPA’s costs and its ability to deliver power to transfer customers. Ensuring that BPA can keep its costs low and maintain its independence from FERC oversight remain PPC’s priorities.

PPC intervened on the side of BPA in the FERC proceeding regarding PacifiCorp denying BPA transmission service to serve southeast Idaho preference loads. PacifiCorp’s actions, if not remedied, have the potential to increase BPA’s cost to serve those preference customers and increase overall power costs as a result. PPC also advocated for members’ interests at FERC by drafting comments and pleadings on transmission service and pricing issues, on BPA’s independence in Northwest transmission planning, and on the price of energy sales in the California Independent System Operator’s Energy Imbalance Market.
Western Markets and BPA

The region has long debated how best to design, control and optimize Northwest energy markets, and PPC has been involved in the latest iteration of that effort at the Northwest Power Pool. Growing challenges from increased amounts of variable generation on the power system and the expanding footprint of the California Independent System Operator’s Energy Imbalance Market (CAISO EIM) have sharpened the region’s focus on these matters. Some investor-owned utilities in the region have opted to join the CAISO EIM and others are focusing on regional solutions developed through the Power Pool. This past year, PPC led discussions with BPA and a broad group of preference customers regarding the evaluation of alternatives for organized intra-hour economy energy markets, regional regulation reserve-sharing programs, related resource-sufficiency requirements, as well as potential legal and regulatory implications. PPC will continue to advocate for members’ interests around proposed markets in order to ensure that BPA’s revenue stream continues to function to keep power costs low, and to retain BPA’s ability to meet its contractual and statutory obligations to preference customers over the long term.

Energy Efficiency

In response to broad member support, PPC spearheaded the effort to work with BPA to move the agency’s energy efficiency acquisition financing from capital financing to expensing. This shift away from treatment as a capital cost was done with minimal impact to rates. Moving the program back to expense financing allows ratepayers to better understand the costs of the program, encourages BPA to diligently manage its funding, and creates long-term financial savings. In the coming year, PPC will be active in the process to identify and advocate for changes to BPA energy efficiency programs that will allow greater flexibility for customers in both administration and funding.

Fish and Wildlife

In an area that is one of the larger BPA rates drivers, PPC consistently advocated for cost-effective management of the fish and wildlife program. Where new mitigation opportunities arose, PPC pushed for retirement of outdated mitigation projects so that funding of new projects came from within existing budgets. PPC also worked with the U.S. Army Corps of Engineers to manage spending on large capital projects across the federal hydropower system to minimize future rate impacts. And, PPC teamed up with Northwest RiverPartners to remain involved in the federal Columbia River power system Biological Opinion as the region readies for a ruling from the U.S. District Court that could have significant impact on BPA’s fish and wildlife program. Moving ahead, PPC will continue to promote effective and efficient mitigation to counter programmatic pressures toward rate increases.
Pushing for a Modern Columbia River Treaty

PPC worked ardently this year in the region and in Washington, D.C. to help lead the push for opening the negotiation with Canada to correct the unequal distribution of power benefits under the 1964 Columbia River Treaty. As part of the Treaty Power Group, PPC met multiple times with the U.S. State Department and members of Congress. In response to Power Group concerns, all 26 members of the Northwest Congressional delegation sent a letter to the State Department requesting action. The State Department has appointed a full-time negotiator, and indications are that soon the United States will formally engage on this with Canada. In addition, we have been raising awareness among policy-makers that the delivery of the ten-year notice of intent to terminate the power provisions of the Treaty is a viable tool that the U.S. should not hesitate to use if needed to create a meaningful negotiation with Canada. In the coming year, PPC will continue to push for a more equitable distribution of power benefits and for an approach to funding of future flood control operations that does not harm electricity ratepayers.

7th Power Plan

While PPC works with the Northwest Power and Conservation Council (NWPCC) on a number of issues, the focus this past year has been on the NWPCC’s development of the 7th Power Plan, which in part informs BPA’s energy efficiency objectives. PPC staff provided input and analysis to the NWPCC during the Plan’s development; this analysis provided the NWPCC with important information that otherwise may not have been considered in the final plan. PPC will continue to work with the NWPCC and BPA as the 7th Power Plan moves from the development stage into the period when it will impact BPA’s budgets and energy efficiency efforts.

PPC Budget

The total approved budget for PPC for 2015 was $2,275,080. PPC collects no additional fees for its budget beyond this annual member assessment.
Mission Statement
PPC’s mission is to preserve and protect the benefits of the Federal Columbia River Power System for consumer-owned utilities.