

# Bonneville Power Administration Rates Overview

**Michelle Manary**  
**Vice President Transmission Marketing and Sales**  
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## BPA is a Self-financed Federal Agency

- BPA does not receive annual appropriations or tax dollars for operations and maintenance from the federal government.
- BPA pays its expenses from revenues it receives from the sale of power and transmission services to eligible customers.
- BPA sets rates for two primary functions:
  - Transmission Rate (transmitting power)
  - Power Rate (selling power)
- BPA's Administrator makes a final decision on rates, and BPA files the rates with the Federal Energy Regulatory Commission after an official hearing process.

# Bonneville's Rates & Customers

- Ratepayers:
  - Pacific Northwest consumer-owned utilities
  - Investor-owned utilities
  - Federal agencies
  - Direct-service industries
  - Independent power producers and extra-regional customers.
- Rates are wholesale for power and transmission services.
- Local distribution utilities that buy power or transmission services from BPA include BPA costs, along with other utility operating costs, in the retail rates they charge their residential and business customers.

# What do BPA Costs Include?

- **Transmission Rate**
  - BPA's transmission rates recover all costs to build, operate and maintain BPA's transmission grid.
- **Power Rate**
  - BPA does not own any generation facilities (i.e., dams, nuclear, gas, or coal plants). However, BPA is responsible to help pay for the operations, maintenance and repayment of the federal investment of the federal generating facilities. Power rates recover costs associated with generating electricity, including:
    - Power-related costs of Northwest federal dams;
    - Certain non-federal nuclear projects where BPA has purchased the output;
    - Power purchases to meet BPA's customers' needs; and
    - BPA's work in:
      - fish and wildlife protection;
      - energy conservation; and
      - renewable resource development.
  - Funds to reduce rates to Northwest residents and small farms that receive their electricity from investor-owned utilities (the Residential Exchange Program).

# Ratemaking Governed by BPA Statutes

- Early statutes give overall, general guidance—recover BPA’s costs
  - The Bonneville Project Act (1937)
  - The Flood Control Act (1944) – market power “in such as manner as to encourage the most widespread use thereof at the lowest possible rates to consumers consistent with sound business principles”
  - The Federal Columbia River Transmission System Act (1974)
- The Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act, 1980)
  - Reaffirms cost recovery mandate
  - Specific guidance on allocation of resource costs
  - Specific guidance on allocation of Residential Exchange costs
  - Specific guidance on rates for DSIs
  - Specific requirements for a public rates process
  - Specific guidance for FERC oversight
  - Grants discretion on other ratemaking issues

# The Ratemaking Prime Directives

- **Recover Costs (Statutory Mandate)**
  - Through its rates, BPA must recover the costs of:
    - Operations and Maintenance
    - Acquisition of power
    - Conservation
    - Transmission of electric power
    - Amortization of the Federal investment (including irrigation)
    - Other costs and expenses
  - Determined in the Revenue Requirements Study
    - Cost recovery demonstrations are mandatory for FERC
- **Address Risk to Ensure Cost Recovery (BPA Policy)**
  - Account for risk of forecasts of rate inputs being wrong
  - Sets forth risk mitigation strategies
  - Avoid early 1980s problem of not making full payment to Treasury

# Ratemaking Fundamentals

$$\frac{\textit{Cost of Production} - \textit{Revenue Credits} + \textit{Risk Protection}}{\textit{Amount of Sales}}$$

BPA has many different customers, but they tend to be grouped by the following:

- Customers who take all their power and transmission from BPA (greatest sensitivity to BPA rate changes)
- Customers who take a portion of their power and transmission from BPA and have other resources to also generate and transmit electricity
- Customers who only buy transmission from BPA (typically your Investor-Owned Utilities and Independent Power Producers)

# Transmission Costs

**O&M Expense (47 cents)**  
Operation and Maintenance  
Expense

**Depreciation (28 cents)**  
Capital related costs for capital  
investments for sustain and  
commercial

**Net Interest Expense (12 cents)**  
Interest expense for the capital  
related costs



**Transmission Acquisition & Ancillary Service (9 cents)**  
Expenses related to balancing reserves and SCD

**Planned Net Revenues (4 cents)**  
Cash required to meet cash flow or  
Treasury Payment Probability needs.



# Power Costs

BP-24 rate period (Oct. 1, 2023, through Sept. 30, 2025)

Updated 7/15/2023

## How BPA spends a dollar of its power revenues

**O&M (26 cents)**

Operation and maintenance costs at the hydro projects and Columbia Generating Station.

**Debt (20 cents)**

Principal and interest on federal and nonfederal debt.

**Fish & Wildlife (17 cents, plus the impact of lost power generation)**

Principal and interest on debt, expense and people costs total 17 cents. But the full impact is 26 cents due to the cost of lost power generation that results from spill and other operational requirements to support fish and wildlife.

**Residential Exchange (9 cents)**

Payments to consumers served by higher-cost investor- and consumer-owned utilities.

**Power purchases (8 cents)**

System augmentation, balancing purchases, renewable purchases, long-term contracts and risk mitigation.



**Conservation (6 cents)**

Principal and interest on debt, expense costs, people and Energy Efficiency Incentive.

**BPA people (5 cents)**

Salaries, benefits and supplies for power and corporate employees not supporting conservation and fish and wildlife.

**Transmission (4 cents)**

Resource integration costs and cost to deliver secondary energy to customers.

**Transfer (3 cents)**

Cost to deliver power to customers not directly connected to BPA's transmission system.

**Rate discounts (2 cents)**

Discount provided to customers with low system densities and to customers with eligible irrigation load.

## Setting Rates

- BPA establishes rates for power and transmission services in a rate proceeding, a formal evidentiary hearing process.
- BPA's rates must enable BPA to recover its total costs, including obligations to repay its debt to the Federal Treasury.
- BPA's rate proceeding enables BPA staff to present its rate proposal to customers and other parties for review and can result in updates
- BPA determines its forecast spending levels through a public process, the Integrated Program Review. BPA also conducts pre-rate case workshops for rate-related topics of interest.
- BPA's initial rate proposal is based on the outcome of the IPR, input from the pre-rate case workshops, market forecasts, inventory forecasts and other factors.

## Setting Rates

- At the conclusion of the rate proceeding, the Administrator issues a Final Record of Decision, which includes BPA's final proposed rates.
- BPA files its rates proposal with the Federal Energy Regulatory Commission for confirmation and approval.

# Draft Timeline for BP-26 Rate Case Process

