

Serving the NW

Public responsibilities of the Bonneville Power Administration

The Bonneville Power Administration is not just another utility. True, it markets power and transmission services, but it also exists to provide public

service. BPA's earnings go to cover the costs of delivering its products and a unique array of programs that bring value to the Pacific Northwest, a value that is determined with input from Northwest citizens. As a public steward of the Federal Columbia River Power System, BPA has a broad range of responsibilities to consumers, the environment, U.S. taxpayers, states, tribes and, ultimately, to all the citizens of the Northwest region. The following is an overview of those responsibilities.

Providing low-cost power

BPA provides power at cost – that is, at the cost of generating and transmitting power. There are no private shareholders to whom a profit must be delivered. Power at cost was designed to stimulate growth of the region's economy and keep rates low. In its early years, BPA implemented postage stamp rates so that communities "at the end of the line" paid the same rate as those near power centers. This policy helped develop rural Northwest areas that would have been too expensive for private utilities to serve. Today, despite recent

rate increases, BPA's cost-based power still ensures that the Northwest has the lowest electricity rates

of any region in the nation.

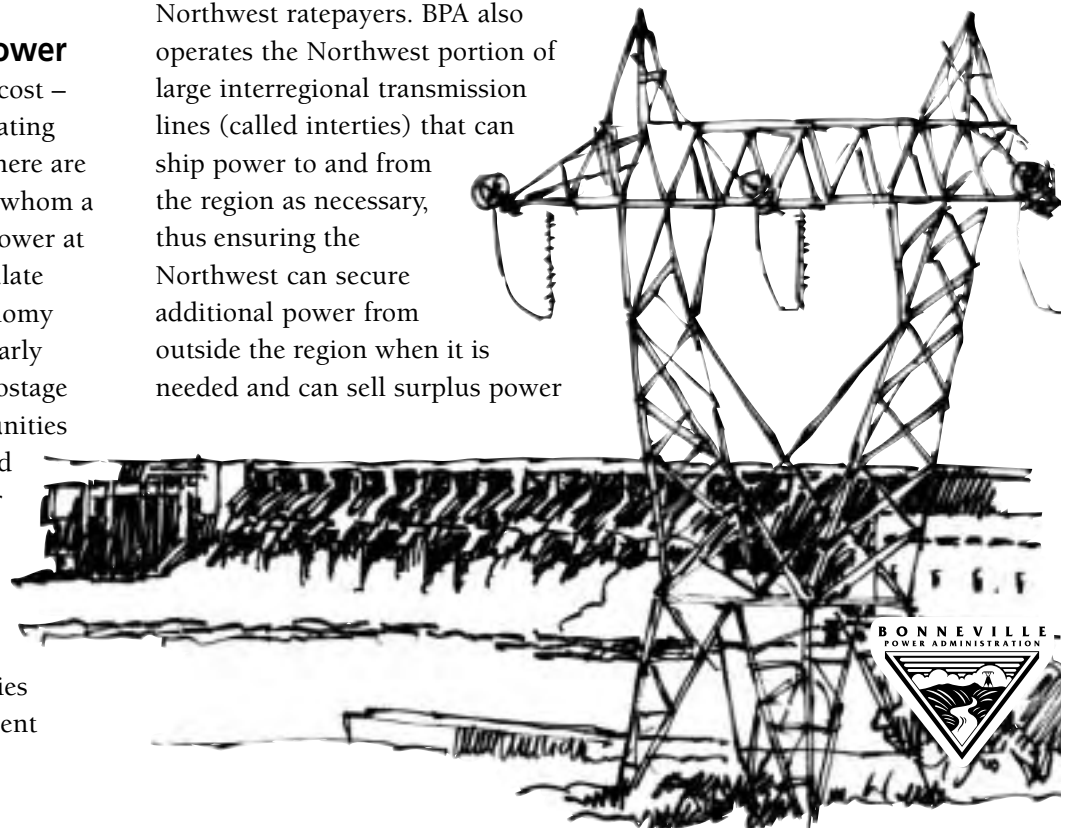
Providing a reliable transmission highway

BPA owns, operates and maintains about three-quarters of the Northwest's high-voltage transmission system. The interconnections of the huge federal transmission network give the region tremendous flexibility to handle problems. The high degree of reliability provided by this sophisticated system is a significant benefit to the economy and Northwest ratepayers. BPA also operates the Northwest portion of large interregional transmission lines (called interties) that can ship power to and from the region as necessary, thus ensuring the Northwest can secure additional power from outside the region when it is needed and can sell surplus power

when it is available.

Coordinating the hydroelectric system

The Columbia River Basin covers nearly 260,000 square miles, an area roughly the size of France. Hydroelectric dams and other generating plants in the region are owned by a variety of entities, both public and private. Through a coordination agreement, BPA, along with other regional utilities and agencies, operates the system as if it had a single owner. This coordination allows optimum use of the system's water and storage capabilities, resulting in additional generation that is worth millions of dollars annually.



Providing open access to transmission

BPA provides open access to its transmission by offering all users of its transmission services the same terms, conditions and prices that it charges BPA's own power business. Open access promotes competition, which is expected to lead to lower prices.

Providing regional preference

To ensure that benefits from the Columbia River hydropower system flow to the Northwest, BPA gives preference to Pacific Northwest utilities in power sales. BPA sells power outside the region, but only after the power has been offered within the region first and is surplus to regional needs. The sale of seasonal surplus power provides a real benefit to the Northwest because it brings in revenues that help keep Northwest rates down.

Making payments to bondholders

BPA has maintained a history of good credit ratings on its obligation to private bondholders. The bonds are for nuclear plants sponsored by Energy Northwest and for other resources such as conservation and small hydro projects. Maintaining good credit lowers financing costs and thus lowers customer rates.

Supporting research and development

BPA has responsibility for research and development that keeps its system reliable and safe. BPA's technical expertise has led to a number of developments that have improved system performance or reduced system costs. Several of these technological

advances have been adopted by other utility systems nationally and internationally. Currently, BPA is installing fiber optics lines on its transmission system to shore up system operations control and eventually to replace the existing microwave communication system.

Protecting and enhancing fish

To compensate for the harmful effects of hydropower, BPA spends millions of dollars each year for hundreds of measures throughout the region to help both ocean-migrating fish such as salmon and resident fish such as bull trout and sturgeon. These projects include habitat restoration, hatcheries, monitoring and evaluation, fish screens and ladders at dams, education and training, water and vegetation management, predator control and research. BPA works in partnership on many projects with state and federal agencies and Indian tribes. In addition to program costs averaging about \$350 million annually, BPA invests many more millions of dollars a year – the amount fluctuates with water conditions and power markets – to operate the hydro system to protect endangered salmon during their migrations. A portion

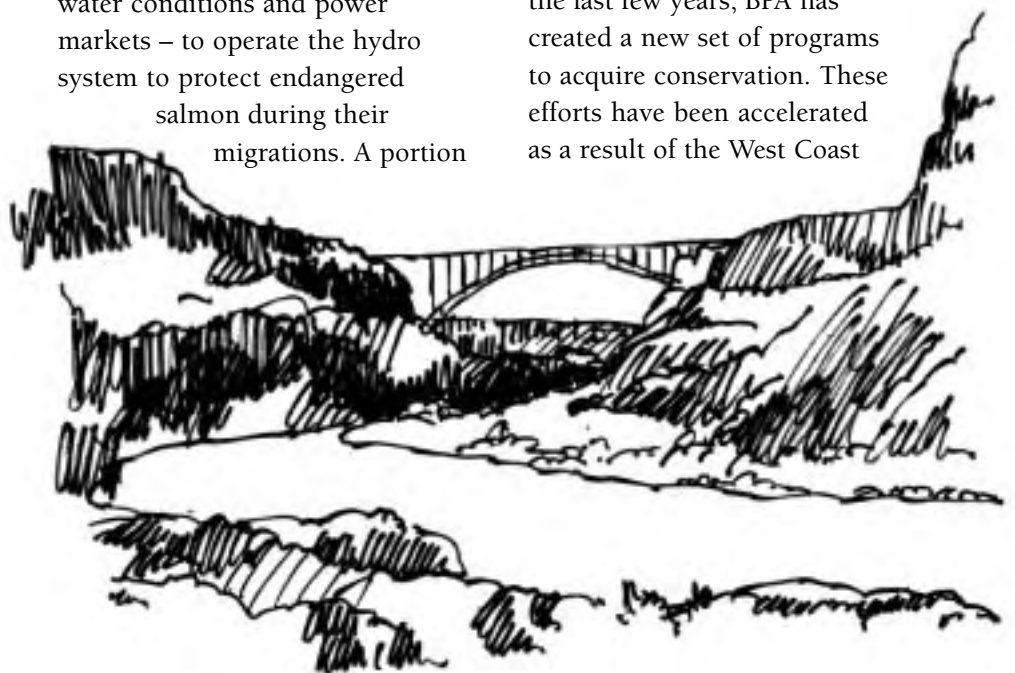
of this money is the value of foregone revenues, while a portion is for power purchases.

Protecting and enhancing wildlife

BPA also provides compensation for wildlife whose habitat was lost or disturbed as a result of hydropower development. This effort includes purchases to protect and enhance thousands of acres of habitat throughout the Northwest. Again, BPA works with other agencies, tribes and local interest groups, many of whom manage the habitat that BPA purchases. BPA also has set up state wildlife trusts.

Promoting energy efficiency

Guided by the Northwest Power Planning Council's plan, BPA built and funded a significant portion of the region's conservation infrastructure. Since 1982, BPA has developed over 800 average megawatts of conservation – the equivalent of a large power plant output. BPA's total investment in energy efficiency since 1980 is over \$2 billion. In the last few years, BPA has created a new set of programs to acquire conservation. These efforts have been accelerated as a result of the West Coast



energy crisis. Initiatives include a rate discount for utility customers who invest in conservation and renewables, conservation as part of augmentation to meet contractually committed loads, and the ENERGY STAR® compact fluorescent coupon rebate program. BPA continues to fund market transformation (such as energy-efficient appliances) and to provide technical expertise.

Developing renewable energy

BPA has provided funds for research and development of renewable energy and is marketing a “green power” product backed by wind and endorsed hydropower projects. BPA’s renewable program currently includes 198 megawatts of wind capacity, which is approximately 40 percent of the operating wind capacity in the Northwest. Another 580 megawatts of wind capacity is in the permitting or contract negotiation stage. One geothermal project is already under contract and, by 2005, BPA expects more geothermal will come under contract, making BPA’s renewable program one of the largest in the nation. BPA also has purchased a small amount of solar power and funds research and testing of solar energy and fuel cell systems.

Complying with environmental statutes

As a federal agency, BPA is subject to stronger environmental review than a private entity. BPA must comply with federal environmental statutes such as the National Environmental Policy Act and the Endangered Species Act. These statutes set high standards for federal agencies. Under NEPA, BPA must consider all environ-

mental values and consequences before making public policy decisions and must provide the public with opportunities to influence decisions. BPA works with the states and tribes and provides the public with comprehensive information about proposed transmission projects, resource acquisitions, conservation programs, power marketing initiatives and fish and wildlife projects.

Sharing benefits with consumers

BPA is responsible for sharing the benefits of the region’s federal hydropower system so all Northwest citizens can enjoy its benefits whether or not they are served by public or private power. Through a program called the residential exchange, BPA exchanges its lower cost power with electric utilities that have higher power costs. The savings these utilities get is passed on directly to the utilities’ residential and small farm customers in the form of lower electric bills. In addition, BPA provides low-density discounts for rural customers who are widely dispersed and have higher costs of service. BPA also provides assistance for low-income Northwest families to help them with weatherization.

Reacting to emergencies

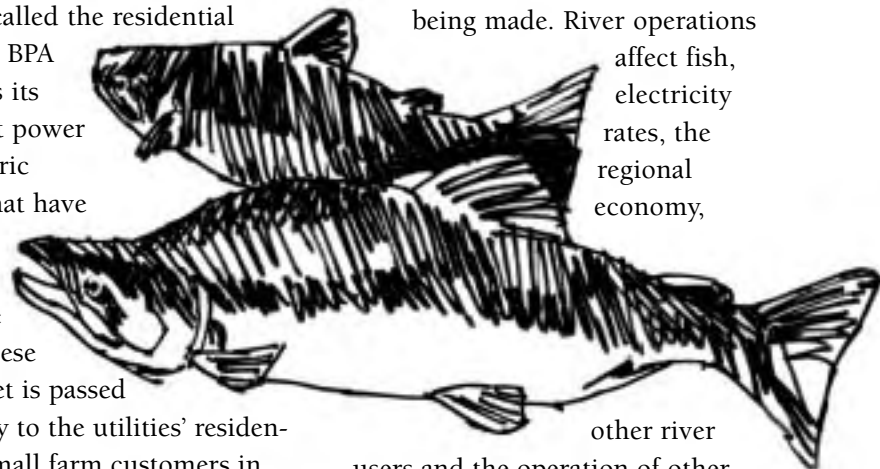
BPA has a major responsibility for public health and safety. During extreme conditions, BPA has moved swiftly to protect the region whether it’s been to keep the lights and heat on in a frigid spell or to forego drafting at

reservoirs to hold back flood waters, even when it has meant buying more expensive power later to replenish reservoirs. Whether it’s lightning, earthquakes, fires or vandalism, BPA crews are the first on the scene to repair damaged lines. BPA crews also routinely help other utilities restore their service. BPA also participates with other federal and state agencies in emergency planning to ensure efficient coordination and rapid response.

Involving the public in decisions

Public policy decisions BPA makes affect the economy and the ecosystem of the entire region. Important trade-offs are constantly

being made. River operations affect fish, electricity rates, the regional economy,



other river users and the operation of other resources that affect air quality. BPA must be responsive to Congress and provide extensive opportunities for public participation. In addition to numerous public involvement processes, there are other checks to ensure broad accessibility to BPA information. BPA’s budget is approved through the administration and submitted to Congress. Its rates are reviewed for adequacy by the Federal Energy Regulatory Commission. The Northwest Power Planning Council guides BPA resource acquisitions, such

as conservation, and fish and wildlife mitigation.

Providing long-term perspective

As a federal enterprise, BPA must maintain a long-term perspective for the region. It has underwritten large-scale, long-term projects, such as high-voltage interregional transmission lines and energy-efficient building codes that will provide lasting benefits to future generations. Currently, BPA is working to shore up the region's energy infrastructure to prevent another West Coast energy crisis. This includes encouraging new generation, developing energy efficiency programs that can be sustained through high and low power markets and shoring up an aging transmission system.

Working with the federal government

BPA does not receive government appropriations, but recoups all of its power system costs through sales of power, transmission and related services. This includes BPA's direct costs as well as a significant share of the costs of Bureau of Reclamation and U.S. Army Corps of Engineers' hydro facilities in the Northwest. While BPA borrows from the U.S. Treasury to fund projects such as new transmission lines, it repays these loans with interest, guaranteeing a return on the taxpayers' investment. BPA has made its Treasury payment on time and in full for the last two decades.

Working with tribal governments

BPA recognizes its federal trust responsibility and government-to-government relationship with

federally recognized Northwest tribes as sovereign entities. BPA works closely with the tribes on energy, environmental and cultural issues. BPA is strengthening its Tribal Relations Program at its Power, Transmission and Environment/Fish and Wildlife organizational levels to enhance its working relationship with tribes in business, resource management and government-to-government consultations. BPA also is working with tribes who are interested in developing their own utility districts. BPA was the first federal agency in the Northwest to work hand in hand with tribes to formulate its Tribal Policy.

Working with Northwest states

BPA funds operation of the Northwest Power Planning Council, a regional entity whose members are appointed by the governors of the four Northwest states to assure a balance between state and federal interests in the region. BPA works on a day-to-day basis with the council members and staff to ensure a close working relationship with the states. BPA takes the council's regional power plan and fish and wildlife program into careful account in its decision making so that its actions are consistent with the council's measures. BPA also works closely with state public utility commissions, governors' offices and other state agencies on a wide range of issues from energy efficiency programs to emergency planning.

Working with Canada

Along with the Corps of Engineers, BPA administers the Columbia River Treaty of 1964, an international agreement with Canada that produces downstream benefits for flood control and power production. This and other agreements with B.C. Hydro provide additional water storage, enhanced flood control, greater operational flexibility and access to additional water for fish and other needs. The reservoirs built in Canada under the treaty doubled the storage capacity of the Columbia Basin hydro system and increased downstream firm energy production in 1968 by about 1,500 average megawatts. In addition, BPA has nontreaty storage agreements with B.C. Hydro for releases of water for fish and power, which have become increasingly important as the region faces constraints on dam operations required by the Endangered Species Act.

For more information

For more information about BPA, go to <http://www.bpa.gov>. To request additional copies of this publication, call 1-800-622-4520 or (503) 230-7334.

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