



## Department of Energy

Bonneville Power Administration  
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EXECUTIVE OFFICE

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In reply refer to: DKR-7

To Customers and Interested Parties:

The Bonneville Power Administration's (BPA) annual report is out, and for the first time in three years, BPA is in the black. This is very good news for the agency and the region. Generally people think that water was good so of course we were in the black.

As I've talked to people, however, they've been surprised by the explanation of the good news.

In Fiscal Year 2010, the January-July runoff was 79 percent of the 30-year average, and we lost money. In Fiscal Year 2011, the volume was 133 percent of average, and we made \$82 million. The correlation seems simple and direct.

This year, the extraordinarily high water and sustained low natural gas prices drove the power market to negative prices during light load hours for much of the spring and summer. Between May 11 and June 30, we sold about 250,000 megawatthours of power for zero dollars as part of our effort to control spill. Columbia Generating Station's extended outage and an unplanned turbine outage at Grand Coulee Dam also contributed to reduce power revenues by about \$65 million.

The net result was, despite the high water volume, Power Service's total revenues (less power purchases) came in \$57 million below the rate case forecast. While Power had total revenues less than its rate case forecast, Transmission Service's total revenues were \$16 million more than the rate case forecast. So, how did Bonneville still come out with \$82 million in net revenues, \$23 million above the rate case forecast?

The answer is cost management.

Despite the challenges of Environmental Redispatch and the impacts of the outages, Power Services was able to reduce Fiscal Year 2011 spending on our total costs, excluding power purchases, \$78 million below the rate case forecast. This was not focused on any one area, but came across the board. In addition, Transmission Services spent \$5 million less than the rate case forecast by managing costs.

While the water volume and power prices are the prime variables in our financial results, our commitment to cost management is unwavering. Cost management is the primary reason the agency finished the year in the black. It is one more way in which we work each day to increase BPA's value to the region.

Sincerely,

**[/s/Stephen J. Wright](#)**

Stephen J. Wright  
Administrator and Chief Executive Officer