



More utilities, industries must reduce power purchases from BPA to hold rates down

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Bonneville Power Administration

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PORTLAND, Ore. – The Pacific Northwest has reached the halfway point in its effort to hold the Bonneville Power Administration's Oct. 1 rate increase below 100 percent, BPA acting Administrator Steve Wright said Wednesday.

"If we stopped where we are today with about 1,200 megawatts of load reductions, the rate increase would be more than 150 percent in year one," said Wright. "On the other hand, if we push ahead and get another 1,200 megawatts, we can reduce the rate hike below 75 percent. We need those utilities and industries that have not yet taken action to step up to the plate."

Wright said BPA wholesale customers have 16 days left to make commitments to reduce their purchases from BPA. The goal is for all customer groups to reduce their overall purchases by 2,400 megawatts. To date, the aluminum industry has been the biggest contributor to the load reduction effort, having met 75 percent of its share of the load reduction target.

Public and private utilities so far have contributed 11 percent and 25 percent, respectively, of their share. In addition, the private utilities are also negotiating long-term agreements to reduce their purchases from BPA.

Wright noted that some customers can cancel their load reduction commitments if enough other customers do not sign up. That increases the urgency for the region to achieve the additional commitments.

"We could actually lose some of the progress we have made on load and rate reduction unless the rest of our customers make load reduction commitments in the next two weeks," Wright said.

BPA is scheduled to issue its final decision June 20. That rate structure will be submitted to the Federal Energy Regulatory Commission for approval. The rate could include adjustments every six months based on market conditions. The driving factor is the amount of power BPA must purchase in the market to meet the demands of its customers. Market prices have been at all-time highs but recently have been declining.

BPA supplies about 46 percent of the region's power. BPA needs about

3,700 average megawatts of additional supply to meet all of its customers' loads in the six months starting Oct. 1. So far, the agency has purchased 1,300 megawatts, and utilities and industries have reduced their demand on BPA by 1,200 megawatts. That leaves 1,200 to go.

"The more BPA needs to buy, the higher the market price will be because the sellers respond to higher demand by raising prices," Wright explained. "On the other hand, less demand will ultimately cause prices to fall. Absent unforeseen factors, market prices could even decline in the months ahead if the region avoids purchases."

Wright emphasized that a rate increase of 150 percent or more would deal a harsh blow to the Northwest's economy.

"The wholesale customers of BPA can and should do their part by reducing their loads. We have two weeks left to get the job done, and I remain confident that the region can reassert control of its energy destiny," Wright said.

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