

## BPA ISSUES A FINAL ROD IN THE BP-18 RATE CASE

On July 26, 2017, Bonneville Power Administration (“BPA”) Administrator Elliot Mainzer issued his Final Record of Decision (“Final ROD”) in the BP-18 rate case proceeding. BPA’s Priority Firm (“PF”) Tier one power rates will increase by about 2.7% annually, or around 5.4% over the BP-18 rate period—covering Fiscal Year (“FY”) 2018 and FY 2019, with new rates scheduled to go into effect on October 1, 2017. Tier one rates will rise to an average of \$35.59/MWh during the BP-18 rate period, as projected from current rates. Additionally, the Administrator approved a new “Spill Surcharge” rate increase mechanism, which is intended to recover costs attributable to environmental litigation, and will likely add another 2.6%-5.2% to power rates over the BP-18 rate period (i.e., on top of the main 5.4% BP-18 rate increase). In sum, the overall PF power rate increase could amount to between 8.0%-10.6% in the 2018 and 2019 fiscal years (“FY”), cumulatively.

Three BPA proposals have caused the vast majority of this significant power rate increase. First, BPA’s Financial Reserves Policy (“FRP”) accounts for about 1% of the overall 5.4% rate increase. Additionally, the FRP obligates BPA to add \$20 million to power rates in each rate proceeding for the foreseeable future, for the purpose of increasing BPA cash reserves. The FRP is intended to shore up BPA’s credit rating, even though some parties to the BP-18 rate case contended that the FRP will ultimately harm the agency’s rating, by forcing customers and large end-users off a BPA power system that many now view as uncompetitive.

Second, the Minimum Required Net Revenues policy (“MRNR”) will materially increase BPA’s revenue requirement above its actual costs in the BP-18 rate period. Theoretically, the MRNR is designed to ensure a higher probability of repayment of U.S. Treasury debt. For FY 2019, the MRNR will add over \$68 million to BPA’s revenue requirement, which translates to nearly a quarter of BPA’s overall power rates growth during the BP-18 rate period. The MRNR was challenged during the BP-18 proceeding as being contrary to federal statute and administrative orders governing BPA. Third, the Spill Surcharge will likely add another 2.6%-5.2% on top of the 5.4% increase already discussed. These estimates are based on BPA projections in federal court, rendered in February 2017.

For BPA transmission customers, the BP-18 rate result is notably brighter. Transmission customers in the Pacific Northwest should see an overall rate *decrease* of approximately 0.7% for network transmission, including reductions of 1.2% for Point-to-Point (“PTP”) and 0.5% for Network Integration (“NT”).