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# Carving Up BPA

The new buzzword around the region regarding Bonneville Power Administration (BPA) is "allocate the system." If this happens, each utility will get a percentage, or a piece, of BPA power output based on historical loads, or power demands. Once allocated, the percentage is fixed, and any more power needed must come from other sources.

This allocation plan—offered by the Public Power Council—includes preserving the current rates BPA charges utilities. The council, of which KPUD is a member, is the voice for public power in the Pacific Northwest.

As demands for power increase beyond the set BPA allocation, utilities will be responsible for managing their own growth and tailoring their responses based on individual circumstances. Some will rely heavily on conservation; others will contract with independent power producers (IPPs). Many will build generating resources.

The thinking behind the allocation plan is that BPA is a finite resource. As power needs across the region expand, new power sources must be found. BPA's ability to provide power has decreased during the last several years. As more water is allocated for fish, less water is used to generate power at Columbia River dams. BPA customers are in a situation in which power requirements must meet power resources. This is projected to remain so until existing contracts expire around 2011.

BPA customers around the region now think the utilities themselves, not BPA, should provide for their own growing power requirements. Klickitat PUD has a jump on most other utilities in building and acquiring resources, such as the H.W. Hill Landfill Gas Generating Plant and the McNary Hydro Facility.

The Federal Energy Regulatory Commission advocates that most new resources be built by IPPs, and the power generated be sold on the open market. However, IPPs sell at fluctuating market prices which, as seen in recent years, can be precipitously high. When a utility acquires its own resources, the price goes down as it pays off the obligation.

Ownership also has risks. Projects can have unforeseen costs, and many utilities unwilling or unable to manage these risks will contract additional power purchases directly from IPPs. Most BPA customers think it would be better for individual utilities, not BPA, to negotiate those contracts with IPPs.

Another reason for utilities to find or develop new power resources is price equity. As BPA acquires new power resources and adds them to the federal base system, higher rates will occur across the board. The costs for the new resources would be averaged into the rates BPA charges utilities. Slower-growing utilities would then pick up the tab for faster-growing ones.

With this allocation concept, it is hoped BPA can concentrate on what it does best: keeping costs as low as prudent, while managing the federal base system in the best possible manner.

**Tom Svendsen, General Manager**

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