

The BPA and the LSRD

WHO IS BPA?

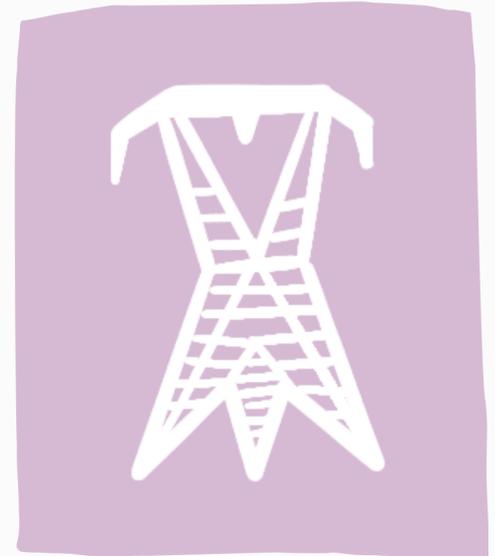
If you live in Washington, Oregon, or Idaho and get your power from a public utility district (PUD), Municipality, or electrical Cooperative, (collectively "Utilities") you likely get most of your power from the Bonneville Power Administration (BPA).

BPA exports 30%-40% of the power it produces.

In terms of competitively priced power, BPA has six "good" dams, the six dams on the main stem of the Columbia.

Those same six dams produce nearly 80% of BPA's power.

The other 25 dams, including the LSRDs, are high cost low production projects.



HOW MUCH POWER DO THE LSRDS PROVIDE?

The LSRDs struggle to produce 10% of BPA's power on an annual basis. During BPA's December-January peak loads the LSRDs struggle to produce 6% of BPA's production.

How much do the LSRDs cost to maintain and operate? For their sub-par output the LSRDs account for 20% of BPA costs at the maintenance and operations level.

Factor in the LSRDs' portion of fish and wildlife costs and the LSRDs account for ~30% of BPA's annual costs (That does not count the ~\$1 Billion coming due to rehab turbines in the LSRDs).

WHAT IS THE COST OF POWER THE LSRDS PRODUCE?

The LSRDs' power costs about \$45/MWh to produce, and is sold, almost exclusively on the surplus market, largely to California, for about \$19/MWh, a loss of \$26/MWh, subsidized by BPA ratepayers.

WHAT IS BPA'S CURRENT STATUS?

BPA is one of the highest leveraged power marketers in the country. It is near its borrowing limits to both the treasury and to private lenders. BPA instituted an accelerated debt reduction program, an effort that raises rates, to enhance its borrowing potential.

The reason for this program is to be able to borrow even more money to spend on its existing uncompetitive portfolio, a process that will also lead to higher rates.

BPA's costs are passed on to residents and businesses of the Pacific Northwest through the electric power bills they pay their local Utilities.

The bad deal that BPA wants its Utility customers to buy into is a 20-year, no exit contract, to purchase energy, for whatever future prices BPA decides to charge, even though BPA is at a point where its power is more expensive than its competition and going higher, and competitive power offerings are undercutting BPA rates and going lower.

The absolutely last thing any Utility decision maker with an ounce of fiduciary responsibility should do is be first in line to sign a 20 year contract to buy power from BPA. BPA's contracts lack both an exit clause and a long-term maximum power price schedule. These are two indispensable provisions any long term power contract with BPA must have.

HOW TO SAVE BPA?

If BPA is to be saved it needs to transition toward a state of the art 21st century utility model.

It needs to develop an integrated resource-planning program that analyzes its entire generation portfolio for the purpose of decommissioning high cost, low production projects like the LSRDs in favor of lower cost projects whose production matches load.

Shuttering the four LSRDs, the Simpson - BPA plan, provides a chance for BPA to shed billions in debt while also avoiding millions in annual costs, both of which will contribute to lower future power rates and enhance the reliability of BPA's power service.

