



NW Energy Coalition

for a clean and affordable energy future

Rules of thumb for the bill impacts of changes in Bonneville Power Administration costs or revenues: *\$100 million example*

Recently, analysts have been evaluating various proposals for increasing the amount of spill over Columbia and Snake river dams to improve survival of endangered wild salmon and steelhead. Increasing spill could reduce the amount of power the dams generate and thus reduce BPA's revenues from the sale of that power.

Those cost estimates can look large, but it's important to remember their actual effects on Northwest families' electric bills. Here are some rules of thumb for making those calculations.

1. Generally speaking, it takes about a \$25 million increase in costs or reduction in income to force a 1% rise in Bonneville Power Administration's wholesale rates. So a \$100 million increase in costs or reduction in revenue could lead BPA to raise its wholesale rate by 4%.¹
2. Power costs typically are responsible for one half or less of the rates utilities charge their customers for electricity. Thus, a 4% hike in the wholesale power rate translates to a 2% increase – at most – in customers' retail rates.
3. The effect of a BPA rate increase on residential electric bills varies according to the percentage of BPA power in a particular utility's resource mix.
 - **Customers of a utility that gets all of its power from Bonneville** could get the full 2% rate increase in the \$100 million example, adding \$1.40 per month at most to a typical \$70 per month bill.² Inland Power & Light is an example of a utility in this situation.
 - **Customers of utilities that do not get all their power from BPA** would see smaller increases. For example, customers of a utility that gets 50% of its power from Bonneville would face about half of the increase experienced by customers of utilities that get all their power from BPA, or about 70 cents per month in the \$100 million example. Utilities that get only a portion of their power from BPA include Tacoma Power and the Eugene Water & Electric Board.
 - **Customers of investor-owned utilities that get no firm power from BPA**, such as Puget Sound Energy or Avista Utilities, would see zero increase in their bills in the \$100 million example.

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¹ Bonneville takes in about \$2.5 billion in power revenues and another \$800 million in transmission revenues each year.

² Northwest residents use an average of about 1,100 kilowatt-hours of electricity per month, according to the Northwest Power and Conservation Council, and pay monthly bills of \$60-70. We use the higher figure to avoid "low-balling" any potential increase.