



# Fact Sheet

December 2020

## Rate setting

### Background

The Bonneville Power Administration is a federal power marketing administration. Although it is part of the U.S. Department of Energy, Bonneville uses its revenues from electric power and transmission rates to pay all its costs and does not receive annual appropriations. The agency must recover all operations and maintenance costs and repay the federal investment in hydropower generation, fish and wildlife mitigation, conservation and transmission from revenues it receives from the sale of power and transmission services to eligible customers.

Bonneville establishes the rates it charges for power and transmission services through formal rate proceedings, or rate cases, as described in Section 7(i) of the Pacific Northwest Electric Power Planning and Conservation Act of 1980, also called the Northwest Power Act.

### What costs are included in Bonneville's rates?

Bonneville's rates are established to recover its costs consistent with statutory directives. These directives require rates to be set as follows:

## PROVIDER OF CHOICE

— POST - 2028 —

- With a view to encouraging the widest possible diversified use of electric power at the lowest possible rates to consumers consistent with sound business principles.
- With regard to the recovery of the costs of producing and transmitting electric power, including amortization of the capital investment allocated to power over a reasonable period of years.
- At levels that produce such additional revenues as may be required to pay, when due, the principal, premiums, discounts, expenses and interest in connection with bonds issued under the Transmission System Act.

Bonneville's program spending levels for the agency are developed through a public process called the [Integrated Program Review](#) (IPR). The forecast spending levels developed in the IPR inform the assumptions about the costs Bonneville must recover in power and transmission rates established in a formal rate proceeding.

Bonneville's power rates must recover costs associated with generating electricity, including, but not limited to:

- Operation, maintenance and capital-related costs of the Northwest federal dams.
- The Columbia Generating Station.



- Other power purchases.
- Fish and wildlife mitigation.
- Energy conservation.
- The Residential Exchange Program.

The agency's transmission rates must recover all costs to build, operate and maintain Bonneville's transmission grid.

## Rate proceeding

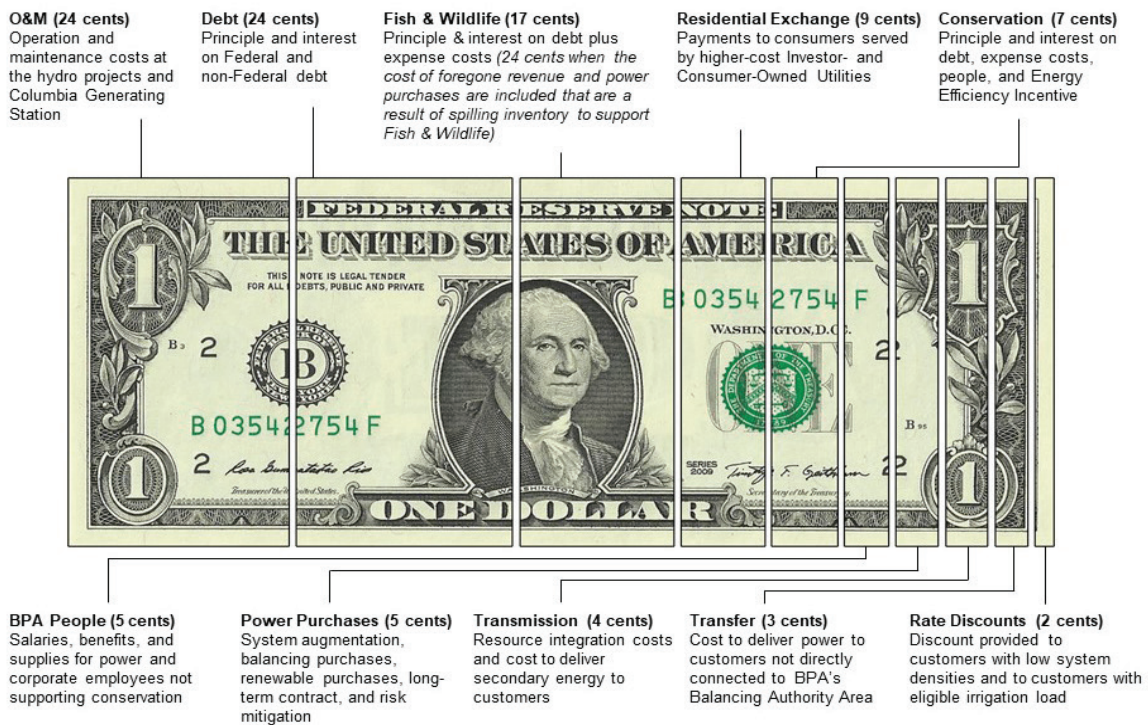
Bonneville is required to periodically review and revise its power and transmission rates no less frequently than once every five years. Under the [Tiered Rate Methodology](#), Bonneville has committed to developing its power rates every two years, with certain limited exceptions, through the expiration of the Regional Dialogue contracts in 2028. As a result, Bonneville's current practice is to conduct a formal rate proceeding every other year to establish rates for the next two fiscal years.

Development of the rates that Bonneville proposes for adoption in a formal rate proceeding begins long before the start of the formal proceeding itself. Using the IPR cost forecasts and other applicable information, such as customer load forecasts, Bonneville develops

the rates for its initial proposal in the rate proceeding. In simple terms, Bonneville's rates can be calculated by adding up the expected costs for the rate period and dividing these costs by the expected sales. In practice, however, Bonneville's rate development process is complex, involves months of extensive analysis and studies by Bonneville staff, addressing a broad spectrum of issues from market risks to the legal rights of specific customer groups. The rates developed through this process form the basis of the initial proposal that staff presents in a formal rate proceeding under Section 7(i) of the Northwest Power Act.

A formal rate proceeding begins with publication of notice of staff's rate proposal in the Federal Register and usually takes about nine months to complete. Bonneville sometimes will conduct an expedited rate proceeding to address a single issue or limited set of issues. Expedited proceedings typically last 90 to 120 days. At the conclusion of the rate proceeding, the administrator issues a final record of decision, or ROD, which includes Bonneville's final rates. The agency then files its rates with the Federal Energy Regulatory Commission (FERC) for confirmation and approval. The rates do not take effect until approved by FERC.

### How Bonneville spends a dollar of its power revenue



Bonneville's rate proceedings are conducted "on the record." That is, in making a decision on final rates, the administrator considers only information that is contained in the official record developed in the proceeding. Therefore, during a rate proceeding, Bonneville employees cannot engage in "ex parte communications," meaning they cannot have discussions with or listen to input from people outside of Bonneville about substantive issues in the proceeding. The ex parte rule applies to all Bonneville employees and contractors during the rate proceeding and is intended to ensure that the proceedings are fair and transparent. Ex parte begins when Bonneville publishes the summary of its initial proposal in the Federal Register and concludes with the release of the administrator's final record of decision.

## Overview of the rate case process

The formal 7(i) proceeding is intended to allow Bonneville and parties to present evidence on the issues to develop the record for the administrator's final decisions on those issues. The steps follow [rules of procedures](#) Bonneville has adopted for the proceeding and are identical for setting power rates or transmission rates.

1. Bonneville publishes the Federal Register Notice, or FRN, summarizing its initial proposal. This publication begins the period prohibiting ex parte communications regarding rates issues, as well as the formal 7(i) proceeding. The FRN provides instructions for entities able to demonstrate a specific interest in Bonneville's rates to file petitions with the hearing officer to become an official party to the rate proceeding.
2. Shortly after the FRN is published, a prehearing conference is held, at which time Bonneville's initial proposal is formally released. The initial proposal contains Bonneville's direct case and includes testimony, studies and documentation supporting the factors Bonneville's staff considered to ensure the proposed rates recover expected costs.
3. Next, the parties file their direct cases with the hearing officer in the form of written testimony and supporting documentation. The parties' direct cases respond to Bonneville's initial proposal on areas of concern to them.
4. Bonneville and the parties each review the parties' direct cases and then file rebuttal testimony.
5. Bonneville staff involved in the development of the initial proposal and all participating parties are subject to cross-examination by the parties on all testimony and evidence that they have submitted.
6. Parties then submit their initial briefs, which summarize the technical and legal basis for positions. Parties are also offered the opportunity to present oral argument to the administrator.
7. The Bonneville administrator prepares a draft ROD and distributes it to the rate case parties. The draft ROD lays out all the rate case issues with an evaluation of the positions held by the various parties, and includes the administrator's draft decision for each issue. The parties can respond to the draft ROD by filing briefs on exceptions.
8. The hearing officer submits the entire official record of all the above materials to the administrator, who then prepares the final ROD. The final ROD contains a summary of the rate case process and the administrator's reasons supporting the final decision on each of the issues. The final ROD includes Bonneville's final rate schedules and General Rate Schedule Provisions (GRSPs). This document is incorporated into the official record of the rate proceeding.
9. Bonneville submits the final official record to FERC at least 60 days before the date that the agency proposed for the new rates to take effect, which is usually Oct. 1, the start of the new federal fiscal year.
10. FERC typically grants interim approval shortly before Oct. 1 to allow Bonneville to begin charging the new rates by the effective date. Final approval follows FERC's review of Bonneville's filing, which may take several months to more than a year, depending on whether the filing is contested.

Learn more about Bonneville's rate setting processes at [bpa.gov](http://bpa.gov).