

Pacific Northwest Investor-Owned Utilities'

Perspective on

Bonneville's Regional Dialogue Proposal

for Post-2011

Investor-Owned Utility Residential Exchange Program

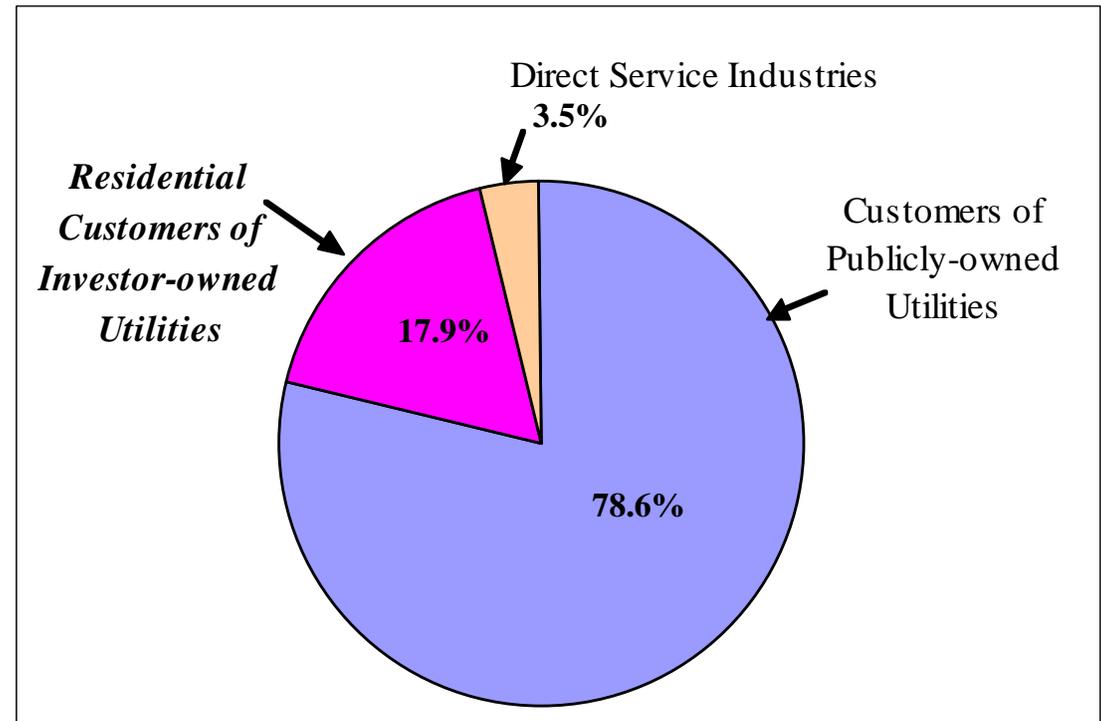
August 2006



Sharing the Benefits of the Federal Columbia River Power System (FCRPS)

FY 2007 Allocation of the Federal Power System Benefits

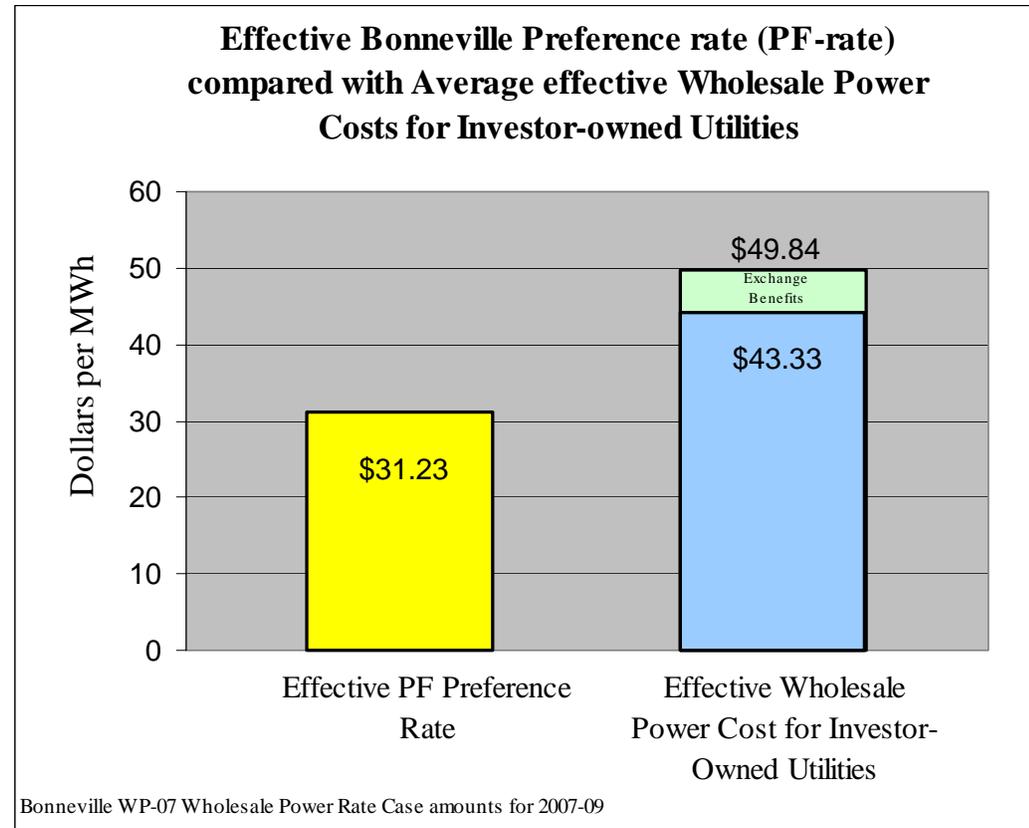
- We, the Northwest Investor-Owned Utilities, serve approximately six out of every ten residents of the Pacific Northwest. Our residential customers currently receive 18% of the annual federal system benefit, or approximately \$300 million per year.
- Bonneville's proposal would represent an offer of about \$200 million in today's dollars – a one-third reduction in current benefits.
- The Bonneville proposal would inequitably decrease benefits to our residential customers even as the federal hydro system is increasing in value and providing greater benefits to consumers served by publicly-owned utilities.



- ❖ The 60% of residents of the Pacific Northwest served by the Northwest Investor-Owned Utilities have a statutory right to a share of the annual federal hydro system benefits, which are currently valued at approximately \$1.7 billion per year.

The Intent of the Residential Exchange Program

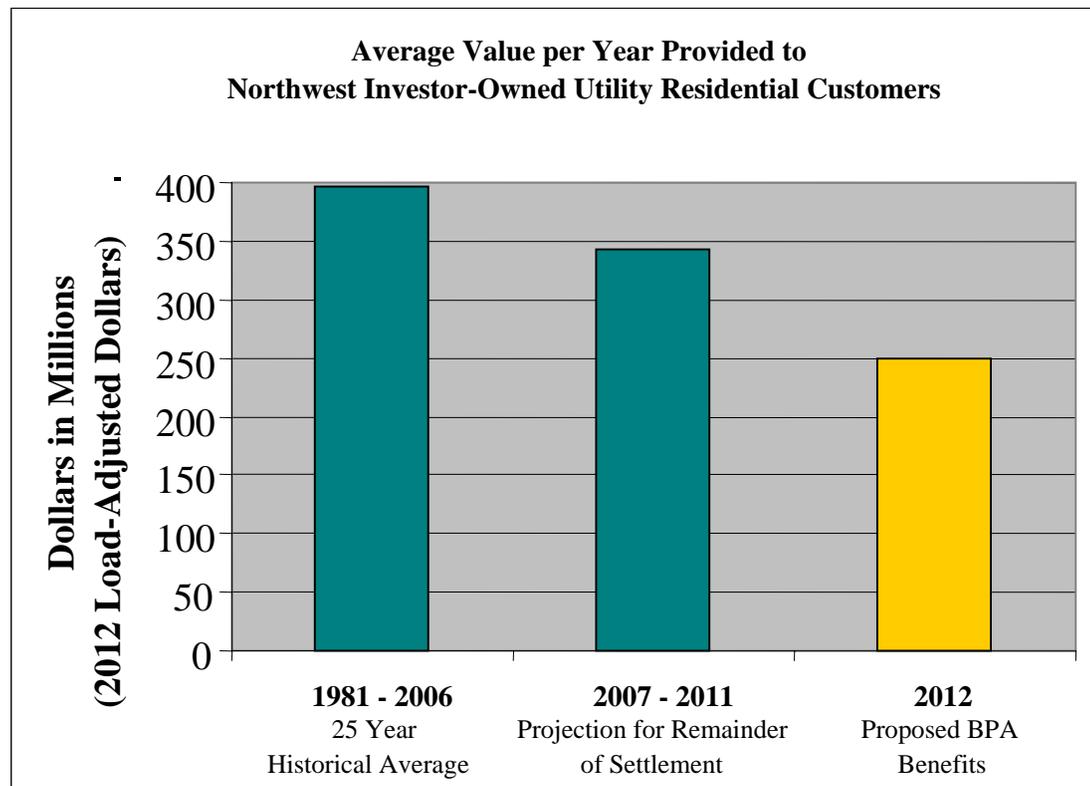
- Congress adopted the Residential Exchange Program in the Northwest Power Act to provide a share of the benefits of the federal hydro system to our residential (including small farm) customers.
- The Residential Exchange Program is intended to reduce the difference between the wholesale power costs of the Northwest Investor-Owned Utilities and publicly-owned utilities.
- The average cost for Bonneville power and transmission paid by publicly-owned utilities to serve their customers (the "Effective PF Preference Rate") for FY2007-09 is \$31.23/MWh.
- The average cost for wholesale power and transmission to serve our residential customers, reduced by Residential Exchange Program benefits, (the "Effective Wholesale Power Cost for Northwest Investor-Owned Utilities") for FY2007-09 is \$43.33/MWh.



- ❖ Even after subtracting the current Residential Exchange Program benefit of \$300 million from our average cost for wholesale power and transmission, the resulting effective cost of power is \$43.33/MWh. This effective cost of power is still substantially greater than the average cost for Bonneville power and transmission paid by publicly-owned utilities to serve their customers of \$31.23/MWh.

Residential Exchange Program Benefit Levels Past, Present and Future

- When adjusted for inflation and customer growth to FY 2012, the *historical* average annual level of Residential Exchange Program benefits for our residential customers exceeds **\$390 million**.
- Similarly, when adjusted for inflation and customer growth to FY 2012, the *current* (FY2007-11) annual level of Residential Exchange Program benefits for our residential customers is almost **\$350 million**.
- Bonneville has *proposed* Residential Exchange Program annual benefits for our residential customers for FY 2012 of **\$250 million**.



- ❖ To be consistent with these historical and current benefit levels, Bonneville should provide FY 2012 Residential Exchange Program benefits of **\$350 million**.