

## PRESS RELEASE

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### **Clatskanie PUD Challenges Bonneville Power Administration over resumption of unlawful Residential Exchange Payments**

Following the 9<sup>th</sup> Circuit Court of Appeals Decisions which held that BPA settlements with Investor-Owned Utilities on the residential exchange were unlawful and beyond their settlement authority, BPA has developed a new residential exchange methodology and rate case proposal to modify the residential exchange payments. In an attempt to create a legally sustainable solution that is the best for the Northwest **and** in the current rate case, BPA Administrator Steve Wright has applied the proposed methodology retroactively and a framework to provide future annual residential exchange payments of \$250 million, reduced by \$40 million for past overpayments. These reductions would presumably last over many years, although there is no method to assure that the BPA Administrator might not change his mind in the next rate case. This number is consistent with a proposal from a small group of utilities within the region which recommended a rate-case solution for BPA.

BPA is proceeding to dramatically increase the exchange payments from that provided for under the prior exchange methodology, the very act which was found unlawful by the Court. BPA is attempting to implement a solution through a mechanism which is outside of the guidelines of the Federal Law which governs their operation.

**Clatskanie PUD has filed suit in the 9th Circuit Court to stop BPA from resuming the residential exchange settlement payments in defiance of the previous Court order.** “We believe that BPA’s new exchange settlement payments are just as unlawful as the exchange settlement payments stopped months earlier” stated Greg Booth, Clatskanie PUD General Manager. “The BPA unlawful settlements have cost Clatskanie PUD customers about \$30 million so far, or an amount equal to about 60 percent of the PUD’s annual operating cost. Our biggest concern, however, is what the future will mean if the BPA Administrator is allowed to continue to operate outside the law.”

While we are withholding judgment on the wisdom and fairness of the amount of the exchange payments, the amount of and the mechanism for implementing this proposal is not consistent with the 1980 Regional Power Act. If BPA and it’s customers are going to implement an alternative to what is laid out in the law, then the region should work toward a consensus solution which can be adopted by Congress and implemented by contract. The BPA Administrator can recommend solutions and work to develop regional consensus, but he needs to operate within the law. If the law doesn’t meet the needs of BPA customers and the region, then it should be modified by Congress as it has done numerous times in the past, not by a BPA Administrator through a rate case in which he attempts to be the sole arbiter of fairness for the region.

