



Fact Sheet

August 2020

Residential Exchange Program

The Residential Exchange Program (REP) was created by Congress when it passed the [1980 Pacific Northwest Electric Power Planning and Conservation Act](#), also known as the Northwest Power Act. The REP was designed to provide a measure of wholesale rate parity between the cost of resources paid by residential and small farm communities served by utilities with higher-cost resources, typically investor-owned utilities, or IOUs, and the lower cost of federal power sold by Bonneville to publicly owned utilities, also called consumer-owned utilities. Through the REP, all regional residential and small farm consumers, whether served by a publicly owned utility or IOU, may gain access to the benefits from the low-cost federal hydropower system that serves the Pacific Northwest without reducing the supply from the federal system that would otherwise be used to serve public customer loads.

How it works

Under the REP, any utility in the region can offer to sell power to Bonneville at that utility's cost for resources, called the average system cost, or ASC. Bonneville must purchase that power and in return sell an equivalent amount of power back to the utility at Bonneville's Priority Firm (PF) Exchange rate, or PFX. The amount of power sold is equal to the utility's residential and small farm load.

In practice, no actual power is delivered; Bonneville pays the utility the difference between the utility's ASC and Bonneville's PFX rate. The larger the cost difference, the greater the benefit the utility receives. Utilities must pass on the benefits received under the REP to their residential and small farm consumers as credits on their retail power bills. The cost of the REP payments is recovered in Bonneville's power rates.

PROVIDER OF CHOICE

— POST - 2028 —

Today, Bonneville pays more than \$270 million a year in REP benefit payments to several utilities across the region. They include six IOUs (Avista, Idaho Power, Northwestern, PacifiCorp, Portland General Electric, and Puget Sound Energy) and two publicly owned utilities (Clark Public Utilities and Snohomish County Public Utility District).

History of the REP

The REP originates from a congressionally brokered compromise to address disparate resource costs between public and private utilities in the Pacific Northwest. Historically, the region's IOUs have invested and relied upon thermal generating resources to meet their retail load demands. In comparison, the federal power sold by Bonneville that went mostly to the publicly owned utilities and the direct service industrial customers (DSIs) — such as aluminum and steel plants — reflected the lower costs of the federal dams. In the 1970s, the Pacific Northwest faced a projected power shortage that would have resulted in an allocation of federal power by Bonneville to its preference power customers.

IOUs, like publicly owned utilities, also wanted to purchase the inexpensive federal power from Bonneville, but were precluded from doing so because of the "preference" provisions of law which require that



Bonneville sell power first to public entities. Soon, stark differences between the retail rates of publicly owned utilities and IOUs throughout the region emerged. Residential customers of IOUs were paying up to three times as much as those served by publicly owned utilities. These disparities led to calls for revisions to the “preference” clauses contained in federal statutes and efforts by state legislatures to place all rural and domestic customers under the preference clause, whether served by public or private utilities.

In 1980, Congress stepped in and passed the Northwest Power Act, a sweeping piece of legislation encompassing a wide array of topics, including the REP. Through the REP, regional publicly owned utilities and IOUs could access the low cost of the Federal Columbia River Power System resources for the benefit of their residential and farm consumers.

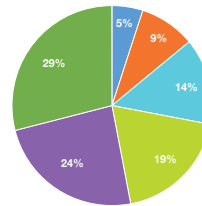
Statutory Limits of the REP and the 2012 Settlement Agreement

Congress included certain statutory protections that limit the amount of REP costs that can be recovered from publicly owned utilities that pay Bonneville’s priority firm (PF) rate. Specifically, the Northwest Power Act requires Bonneville to perform a rate test that compares the proposed PF rate with a hypothetical rate that excludes, among other items, the cost of the REP. If the level of the hypothetical rate is lower than the proposed PF rate, Bonneville reduces the PF rate by allocating the additional costs to other base rate cost pools that apply to power sold to other firm power customers, including IOUs. The effect of this reallocation of cost is to reduce REP benefits.

Because of the complexity of the REP, Bonneville and IOUs attempted to settle the REP in 2000. Publicly owned utilities filed lawsuits over the settlements, questioning whether they violated the statutory rate protections. In 2007, the Ninth Circuit Court of Appeals agreed that the settlements did not provide the publicly owned utilities with the protections that Congress intended and remanded Bonneville’s power rates and the REP settlement contracts. In 2011, IOUs and representatives of most of the publicly owned utilities reached a new settlement agreement for REP payments through 2028. Bonneville, through a public process, agreed with the utilities’ settlement and

Annual IOU REP Benefits for FY 2020-2021

- Avista (\$14,578,383)
- Idaho Power (\$22,292,122)
- NorthWestern Energy (\$6,133,642)
- PacifiCorp (\$63,717,749)
- Portland General Electric (\$58,927,068)
- Puget Sound Energy (\$79,551,488)



Annual Publicly Owned Utilities REP Benefits for FY 2020-2021

Average forecast benefits per fiscal year	
Clark Public Utilities	\$2,086,570
Snohomish County PUD	\$2,479,925

All benefit amounts represent a two-year average.

Annual IOU REP Benefits for FY 2012-2028

Fiscal Year	Millions per Fiscal Year
2012-2013	\$182.10
2014-2015	\$197.50
2016-2017	\$214.10
2018-2019	\$232.20
2020-2021	\$245.20
2022-2023	\$259.00
2024-2025	\$273.60
2026-2028	\$286.10
TOTAL	\$1,889.80

Notes:

- Data per Administrator’s Final Record of Decision, REP-12-A-02.
- Amounts are not subject to direct including inflation or interest.

REFUND AMOUNT

\$76,537,617
(FY 2012-2019 only)

KEY FEATURES OF THE 2012 REP SETTLEMENT

- Investor-owned utilities receive fixed REP payments from 2012 to 2028. The total of these payments in FY 2012-2013 was about \$182 million annually. Payments increase each rate period until FY 2026-2028 when it will be about \$286 million annually.
- Publicly owned utilities received annual refunds of \$76 million through FY 2019 to repay past overcharges due to IOUs’ REP benefits.
- No single IOU is guaranteed any payments. If an IOU’s ASC is lower than Bonneville’s PFx rate, then that utility receives no REP benefits. However, IOUs with ASCs higher than the PFx each receive a portion of the total fixed annual amount of REP benefits.
- Bonneville must revisit its implementation of the statutory rate protection in a public process before September 2028.

signed the 2012 Residential Exchange Program Settlement Agreement. Legal challenges against the 2012 REP Settlement were also filed, but the Court sustained the settlement.

Visit the Bonneville Power Administration website to learn more about the [Residential Exchange Program](#).