

HOUSE BILL REPORT

HJM 4030

As Reported By House Committee On:
Energy & Utilities

Brief Description: Petitioning Congress to designate the Bonneville Power Administration a government corporation.

Sponsors: Representative Bray.

Brief History:

Reported by House Committee on:
Energy & Utilities, February 4, 1994, DPS.

HOUSE COMMITTEE ON ENERGY & UTILITIES

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Bray, Chair; Finkbeiner, Vice Chair; Casada, Ranking Minority Member; Chandler, Assistant Ranking Minority Member; Caver; Johanson; Kessler; Kremen and Long.

Staff: Fred Adair (786-7110).

Background: The Bonneville Power Administration (BPA) was created in 1937 to market electric energy produced in federal dams. The Army Corps of Engineers built dams for flood control and navigation and the Bureau of Reclamation for irrigation development. Bonneville and Grand Coulee dams, respectively, were the first of these on the Columbia River. Rock Island Dam, a utility dam, preceded these. As more dams were built, BPA grew in size and significance.

BPA became more than a mere transporter of power, adding the capability to shape electric load and provide a reserve capability. As a result, BPA grew into a regional power planning and grid system control agency.

The majority of consumer-owned utilities in the region became BPA customers, relying wholly or partly on BPA for electric energy supply.

The electric power industry is moving toward deregulation and dispersal, not unlike the telecommunications industry a decade ago. Entities other than the traditional electric utility which generates, distributes, and markets electricity are emerging and creating a competitive situation.

BPA was created as an agency under the Department of the Interior and currently is under the Department of Energy. As such, BPA must go through the federal budgeting process and other steps as an integral part of a parent agency. Many of these requirements, notably the budgeting process, would be eliminated if BPA became a government corporation.

BPA is currently undergoing a streamlining process, the Competitiveness Project.

Legislation is being prepared in Congress to reshape BPA into a government corporation similar to the United States Postal Service and the Tennessee Valley Authority. Most of the consumer-owned utility customers of BPA favor this transition, predicting a more efficient BPA with lesser charges for electric energy. There is concern over how conservation and fish and wildlife issues will be handled.

Summary of Substitute Bill: The President and Congress are urged: to support BPA's Competitiveness Project; to work through Vice President Gore's National Performance Review to assist BPA in becoming more responsive to the needs of the Pacific Northwest; and to designate BPA as a government corporation that would continue to operate under the terms and conditions of existing federal legislation.

Substitute Bill Compared to Original Bill: The substitute bill expressly states the expectation that conservation and fish and wildlife responsibilities will be carried forward into a corporate Bonneville Power Administration.

Fiscal Note: Not requested.

Testimony For: The Bonneville Power Administration was clearly the source of least expensive electric energy. Its rates have risen dramatically in recent years. The rural consumer-owned utilities are particularly sensitive to the increased Bonneville power costs because of their high cost of serving dispersed customers. Moreover, other local government services costs are escalating rapidly, compounding the adverse impact of higher electricity costs. A change to corporate status should enable operational and management efficiencies in Bonneville, resulting in holding down electricity costs. The State Energy Office (SEO) advocates moving to corporate status, but believes a number of important questions should be answered first. Many of these will be answered in the Competitiveness Project now underway; and others in the Business Plan, now under revision. The SEO wants to be a part of developments.

Testimony Against: The change to corporate status is favored, but the state should not be encouraging it now

before key questions are answered and assurances that conservation and fish and wildlife programs will be carried forward with undiminished intensity.

Witnesses: (Pro) Aaron Jones, Washington Rural Electric Cooperatives Association; Dick Rosenberg, Ohop Mutual Electric; Gale Rettkowski, Lincoln Electric Cooperative; Leonard Sanderson, Mayor, city of Milton and Association of Washington Cities; Steve Johnson, Washington Public Utility Districts Association; and Kirk Hall, Deputy Manager, Puget Sound Area, Bonneville Power Administration. (No position) Judith Merchant, Director, Washington State Energy Office. (Con) K. C. Golden, Northwest Conservation Act Coalition.