

SENATE BILL REPORT

SJM 8026

As Reported By Senate Committee On:
Environment, Energy & Water, January 22, 2002

Brief Description: Requesting increased borrowing authority for the Bonneville Power Administration.

Sponsors: Senators Fraser, Honeyford and Regala.

Brief History:

Committee Activity: Environment, Energy & Water: 1/17/02, 1/22/02 [DPS].

SENATE COMMITTEE ON ENVIRONMENT, ENERGY & WATER

Majority Report: That Substitute Senate Joint Memorial No. 8026 be substituted therefor, and the substitute joint memorial do pass.

Signed by Senators Fraser, Chair; Regala, Vice Chair; Eide, Hale, Honeyford, Jacobsen, Keiser, McDonald and Morton.

Staff: Andrea McNamara (786-7483)

Background: The Bonneville Power Administration (BPA) owns and operates more than three-fourths of the high-voltage transmission grid in the region. As a public entity, its transmission system is operated to meet its public responsibility of ensuring transmission access to independent power producers and other wholesale electricity providers in order to provide the region with a reliable and competitive wholesale electricity market.

The BPA and other Northwest transmission owners currently have growing limitations on their ability to move power from where it is produced to where it is needed. In particular, Bonneville has identified significant limitations on its ability to move power from eastern Montana to the Seattle area, from the John Day Dam area on the Columbia River to Seattle, and from the McNary Dam area on the Columbia River to Portland.

In addition to existing constraints, integrating the new generating projects being undertaken in the region in response to last year's energy crisis, many of which are in Washington, will require Bonneville to undertake major work to install new equipment, such as circuit breakers, and to reinforce existing transmission lines to carry the new power.

Financing for BPA's transmission infrastructure has historically come in the form of loans from the Federal Treasury, which are paid back through the rates BPA charges its transmission customers. BPA's borrowing authority for capital improvements is currently capped by Congress at \$3.75 billion.

Through its planning process, the BPA Transmission Business Line had included \$1.3 billion in its estimated capital budget for fiscal years 2002 through 2006, which it reports would cover the basics of replacing some aging transmission facilities, reinforcing connections to

existing customers, and interconnecting with some new generation. The estimate was made before the numerous new generation projects were proposed last winter, and it now estimates it will need even more money to remove constrained paths, cope with new demands for power, and integrate the new generation that will be built over the next few years.

Before last winter, BPA had expected its borrowing authority to be sufficient until 2006, but it is now concerned it could reach the ceiling by 2003.

The Governors in the Western Interconnection are currently developing a plan to streamline and coordinate interstate transmission siting and have signed a Memorandum of Understanding with five federal agencies to create a framework for these agencies to cooperate with states in the review of any proposed transmission lines.

Summary of Substitute Bill: The Legislature requests that Congress and the President approve an additional \$2 billion in Federal Treasury borrowing authority needed by the Bonneville Power Administration (BPA) for capital improvements to the Federal Columbia River Power System, principally for the purpose of making critical transmission infrastructure investments.

The Legislature also requests that Congress require the Federal Energy Regulatory Commission to defer to state and regional interstate transmission siting processes and to not preempt state authority in this area.

Substitute Bill Compared to Original Bill: The substitute makes two technical changes: (1) adds the Office of Management and Budget as a recipient of the memorial; and (2) corrects an erroneous reference to the regional transmission organization.

Appropriation: None.

Fiscal Note: Not requested.

Testimony For: BPA's transmission reliability and capacity is the number one energy issue facing the region right now, and increasing BPA's borrowing authority is the single most important thing that can be done to ensure the region has an adequate and reliable transmission system for the next five years.

Testimony Against: None.

Testified: PRO: Steve Weiss, Northwest Energy Coalition; Al Aldrich, Snohomish PUD; Dave Danner, Governor's Policy Office.