

HOUSE BILL REPORT

HJM 4021

As Amended by the Senate

Brief Description: Requesting that the Bonneville Power Administration not raise rates.

Sponsors: By Representatives Wallace, Crouse, Morris, Condotta, Lovick, Kessler, Darneille, Berkey, Hatfield, Hudgins, Moeller and Blake.

Brief History:

Committee Activity:

Technology, Telecommunications & Energy: 3/3/03 [DP].

Floor Activity:

Passed House: 3/14/03, 95-0.

Senate Amended.

Passed Senate: 4/16/03, 46-0.

<p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">· Requests that the Bonneville Power Administration not raise its rates at this time but use other tools at its disposal to manage costs.

HOUSE COMMITTEE ON TECHNOLOGY, TELECOMMUNICATIONS & ENERGY

Majority Report: Do pass. Signed by 16 members: Representatives Morris, Chair; Ruderman, Vice Chair; Sullivan, Vice Chair; Crouse, Ranking Minority Member; Nixon, Assistant Ranking Minority Member; Anderson, Blake, Bush, DeBolt, Delvin, Hudgins, Kirby, McMahan, Tom, Wallace and Wood.

Staff: Pam Madson (786-7166).

Background:

The economy of the state has been built on affordable and reliable electric power. Electricity rates in the last few years for some utility customers have increased dramatically. A recent survey of electricity rates done by a northwest company found that electricity rates in the northwest for certain industrial customers were higher than in other parts of the country.

During regional discussions on the financial circumstances of the Bonneville Power

Administration (BPA), businesses indicated that their operations were at risk, unemployment is increasing, and customers are not able to pay electric bills.

The Bonneville Power Administration supplies about half of the electricity demand in the region. In 2001 BPA increased wholesale rates of electric power by 46 percent. BPA is beginning the process to increase rates again by as much as 15 percent by October 1, 2003.

Congress recently authorized an increase in the borrowing limit for BPA by \$700 million. Some argue that BPA should borrow money to relieve the pressure to increase rates now.

BPA is looking at cost reductions, deferrals, and other actions that can address its worsening financial condition for the remainder of the 2003 to 2006 period. The conditions it seeks to address are low reserves, low projected revenues, and limited borrowing authority. BPA does have financial tools available to increase liquidity under critical circumstances.

Concerns over a second drought year are increasing. The January to July runoff forecast is 70 percent of normal and the snow pack used to feed the Columbia River system is extremely low. This along with a struggling economy adds to the pressure on electricity prices.

Summary of Bill:

The Legislature makes its request to the President of the United States, the United States Congress, the Administrator of the Bonneville Power Administration, the Secretary for the Department of Homeland Security, and the Secretary of Energy that the Bonneville Power Administration not adopt a rate increase at this time but use other tools at its disposal to manage costs until economic recovery is in sight.

EFFECT OF SENATE AMENDMENT(S):

Requests that BPA not increase its electricity rates unless absolutely necessary to preserve its bond ratings.

Appropriation: None.

Fiscal Note: Not Requested.

Testimony For: This is a critical issue for this region. Bonneville does have tools they can use rather than raise rates. Bonneville has done some internal cost cutting but they

can do more to reduce their costs. They have received increased borrowing authority from Congress. This region has lost its economic advantage because of energy prices. This is not the time to raise rates. No aluminum company can afford to pay rates that are being proposed. Industries cannot operate with these high electricity rates. Jobs will be lost and rural communities will suffer.

Testimony Against: None.

Testified: Representative Wallace, prime sponsor; Kristen Sawin, Association of Washington Business; and Mellani Huges and Vicki Henley, Alcoa, Inc.