

# SENATE BILL REPORT

## SJM 8018

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As Reported By Senate Committee On:  
Water, Energy & Environment, February 23, 2005

**Brief Description:** Requesting that the proposal to transition the Bonneville Power Administration from cost-based rates to market-based rates be rejected.

**Sponsors:** Senators Fraser, Parlette, Poulsen, Hewitt, Berkey, Zarelli, Prentice, Doumit, Rockefeller, Fairley, Rasmussen, Kohl-Welles, Schoesler, Brandland, Schmidt, Shin, Pridemore, Mulliken, Honeyford, Brown, Kline and Regala.

**Brief History:**

**Committee Activity:** Water, Energy & Environment: 2/22/05, 2/23/05 [DPS].

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### SENATE COMMITTEE ON WATER, ENERGY & ENVIRONMENT

**Majority Report:** That Substitute Senate Joint Memorial No. 8018 be substituted therefor, and the substitute joint memorial do pass.

Signed by Senators Poulsen, Chair; Rockefeller, Vice Chair; Morton, Ranking Minority Member; Fraser, Hewitt, Honeyford, Mulliken, Pridemore and Regala.

**Staff:** William Bridges (786-7424)

**Background:** Created in 1937, Bonneville Power Administration (BPA) is a federal agency headquartered in Portland, Oregon. BPA serves the Pacific Northwest by operating an extensive electricity transmission system. It also markets wholesale electrical power at cost from federal dams, one non-federal nuclear plant, and other non-federal hydroelectric and wind energy generation facilities.

While BPA is part of the Department of Energy, it is not tax-supported. Rather, BPA recovers all of its costs through the sales of electricity and transmission and repays the U.S. Treasury in full with interest for any money it borrows.

The current U.S. presidential administration has recently issued a budget proposal to have BPA transition from cost-based rates to market-based rates. The proposal also seeks to increase the types of transactions that would count against BPA's borrowing authority debt limit. Washington state's entire congressional delegation opposes this proposal.

**Summary of Substitute Bill:** The President of the United States, Congress, and the Secretary of the U.S. Department of Energy are petitioned to reject the administration's proposal to: (1) transition BPA from cost-based rates to market-based rates and (2) increase the types of transactions that would count against BPA's borrowing authority debt limit.

Among other things, the joint memorial notes the following:

- BPA supplies 70 percent of the electrical power consumed in the state of Washington;

- wholesale power rates in the Pacific Northwest have increased 50 percent since 2001-2002; and
- the budget proposal would cost the Northwest region \$480 million next year and \$2.5 billion over three years.

**Substitute Bill Compared to Original Bill:** The following statements are added: (1) BPA rates are not subsidized and BPA's costs are fully covered by ratepayers; (2) BPA pays market-based interest rates on its loans; (3) the administration's proposal would harm BPA's ability to upgrade its existing infrastructure or to build new infrastructure; (4) the administration's proposal would limit investment in an already constrained transmission system; and (5) the proposal to increase the types of transactions that would count against BPA's borrowing authority debt limit should be rejected.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Committee/Commission/Task Force Created:** No.

**Testimony For:** The Northwest region was surprised at the recent proposal to sell BPA power at market rates, which would violate the basic premise of BPA's creation. Northwest ratepayers pay the full cost of their power; there is no subsidy. The recent proposal also includes limits on BPA's borrowing authority, which would limit its authority to modernize transmission lines and other equipment. Limiting BPA's modernization efforts would affect public safety and national security. BPA already pays market-based interest rates for its loans. BPA brought economic opportunities to the WWII generation--the greatest generation. BPA provided jobs and promoted prosperity and is a lasting legacy to the generation that created it. A raise in BPA rates is like a tax on rural Washington.

**Testimony Against:** None.

**Who Testified:** Senator Fraser, prime sponsor; Robert Hemsley, Assn of Western Pulp & Paper Workers; Dave Clinton, Wash. Rural Electric Cooperative Assn; Dave Warren, Wash. PUD Assn; Sandi Swarthout, ALCOA; Vicki Henley, International Assn of Machinists and Aerospace Workers/ALCOA.