

SENATE BILL REPORT

HJM 4021

As Reported By Senate Committee On:
Natural Resources, Energy & Water, March 28, 2003

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

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

Brief History:

Committee Activity: Natural Resources, Energy & Water: 3/27/03, 3/28/03 [DPA].

SENATE COMMITTEE ON NATURAL RESOURCES, ENERGY & WATER

Majority Report: Do pass as amended.

Signed by Senators Morton, Chair; Doumit, Fraser, Hargrove, Honeyford, Oke and Regala.

Staff: Richard Rodger (786-7461)

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 Amended 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 unless necessary to preserve its bond rating. BPA should use other tools at its disposal to manage costs until economic recovery is in sight.

Amended Bill Compared to Original Bill: The amended bill encourages BPA to not raise its rates unless needed to preserve its bond rating.

Appropriation: None.

Fiscal Note: Not requested.

Testimony For: Any increase in BPA's rates will have an adverse effect on businesses operating in the state and on the state's economy. Bonneville does have tools it can use rather than raise rates. Bonneville has done some internal cost cutting but it can do more to reduce its costs. It has received increased borrowing authority from Congress and should use those funds to avoid rate increases. This region has lost its economic advantage because of energy prices. Aluminum companies cannot afford to pay the increased rates that are being proposed.

Testimony Against: None.

Testified: Senator Dale Brandland (pro); Representative Kelli Linville (pro); Kristen Sawin, Association of Washington Business (pro); and Mellani Hughes and Vicki Henley, Alcoa, Inc. (pro).