

FINAL BILL REPORT

HJM 4021

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.

House Committee on Technology, Telecommunications & Energy
Senate Committee on Natural Resources, Energy & Water

Background:

The economy of Washington 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 BPA supplies about half of the electricity demand in the region. In 2001 the BPA increased wholesale rates of electric power by 46 percent. The 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 the BPA by \$700 million. Some argue that the BPA should borrow money to relieve the pressure to increase rates now. The 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. The BPA has 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:

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 absolutely necessary to preserve its bond ratings, but use other tools at its disposal to manage costs until economic recovery is in sight.

Votes on Final Passage:

House 95 0

Senate 46 0 (Senate amended)

House 98 0 (House concurred)