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NEWS RELEASE

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BPA Budget Proposal is Alarming
by Senator Larry Craig

As you may know, the President's budget for fiscal year 2007 was recently released to the public. This year, as in many years and many administrations past, the budget included a proposal that would change the way the Bonneville Power Administration (BPA) repays its debts. Sounds like exciting stuff, doesn't it? It gets more interesting, because the more you look at the proposal, the more you can see how it reaches right into your pocketbook.

But before I talk about the proposal, allow me to provide a little background information.

When the rivers and streams of the region are running high and BPA-operated dams are generating high levels of electricity, BPA can sell the extra electricity inside and outside the Pacific Northwest. The profits generated are used in the rate calculations to help determine the rates. The ability to use secondary revenues is important to BPA in order to manage shocks to the system and cushion shocks to the rate payers. BPA is able to use this extra revenue to maintain lower rates. For example, during the 2000-2001 energy crisis BPA spent \$600 million in secondary revenues in one summer to manage rates.

Under the new proposal, any revenues BPA generates over \$500 million in a year must go toward repaying debts BPA owes to the federal treasury, even though the agency has not fallen behind on its payments. In fact, BPA has repaid more than \$1.45 billion in early payments to the treasury over the past five years. The Department of Energy and the Office of Management and Budget argue that this practice will increase BPA's financial flexibility and help BPA build more transmission capacity. You may be surprised to find that nearly all members of the Northwest Congressional Delegation, myself included, find this proposal completely unacceptable as it now stands.

There are numerous reasons why the proposal is bad for Northwest businesses. Does it sound like a good business practice to raise energy rates and possibly push jobs out of the region? The proposal may not even be legal, for that matter. The Transmission System Act of 1974 calls for the BPA Administrator to set rates at the lowest possible level. However, the proposed change would hamper the BPA Administrator's ability to keep rates down.

Because of the Transmission System Act and the good practice of returning revenues into the system to manage costs, electricity rates in the Northwest are the lowest in the country. These low rates help attract businesses to the region that provide jobs for working families, which was the intended

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result of harnessing the abundant hydro resources. These low energy costs help make the Northwest economically competitive with the rest of the nation.

As a consequence, BPA has built more transmission capacity than any one else in the country in recent years, allowing capacity to keep up with the demands of a growing economy and population. But designating BPA revenues to pay off debts instead of keep costs down will result in higher electricity rates, less flexibility, not as much new transmission capacity and a negative impact on the regional economy and possibly your power bill.

The Senate's Energy and Natural Resources Committee says that designating BPA revenues years in advance for discretionary purposes is inconsistent with sound business principles, and would seriously undermine BPA's ability to operate as a self-financed agency. Therefore, I and my Northwest colleagues are blocking any federal action until a full study of the impacts of the proposal are developed and there is a discussion in the region about these impacts.

Our goal is a solution that will preserve BPA's flexibility and good financial standing. On February 16, Energy Secretary Samuel Bodman and David Anderson from the OMB came to my office to discuss this topic with me and several other Northwest senators. I was pleased by the secretary's attention and his willingness to hear our concerns. He agreed to work with us to find a solution, and we intend to do just that.

The Northwest is growing very rapidly, and our economy is heavily dependent on hydropower. I will work diligently to resolve this issue favorably, so that the region's lifeblood – a clean, economical hydropower system– remains a boon, not a burden.