

Committee on Resources

Chairman Doolittle's Statement, May 21, 1996

Opening Statement of The Honorable John T. Doolittle, Chairman

Subcommittee on Water and Power Resources
Committee on Resources

Oversight hearing on
Bonneville Power Administration operations
and the status of the Comprehensive Review
of the Northwest Energy System

Tuesday, May 21, 1996 at 10:00 A.M. in
Room 1334 Longworth HOB

Bonneville Power Administration

The Bonneville Power Administration (BPA), an agency of the Department of Energy, has played a dominant role in Northwest power markets for 50 years. BPA sells and exchanges power under contracts with over 100 utilities in the Pacific Northwest and the Pacific Southwest and with seven large industrial customers. BPA estimates that its service area of nearly 300,000 square miles has a population of approximately nine million people.

The Regional Review Process

An independent review committee, convened by the governors of Oregon, Washington, Idaho and Montana, is currently reviewing the Northwest electric utility industry. The pressure brought to bear on BPA by deregulation and national competition in the wholesale power industry has provided the impetus for this regional self-examination. The review is seen, among other things, as a major regional decision mechanism to determine what should happen to BPA. The range of options under consideration includes shrinking the role of BPA, divesting the federal government of its responsibility for BPA, and splitting the generation and transmission assets.

The review began on January 4, 1996, and is expected to conclude on December 5, with the release of the committee's final report. Since this Subcommittee has a major oversight role for Bonneville, we are taking this opportunity to hear from some of the participants in the review process and to look more closely at the issues which are being raised.

The changing competitive situation

Since the early 1980s, BPA's costs have risen dramatically while the cost of alternative power supplies has dropped. Where BPA once had a significant price advantage, competition has begun to affect its market share. With these developments and the increased pressure on the federal budget, it is appropriate to re-evaluate the policies and proper role of this federal activity.

There is a concern that BPA may be pursuing policy decisions during the Regional Review process which broaden BPA's responsibilities at a time when the federal government is trying to downsize and which are inconsistent with the BPA's stated intent to maintain the status quo until the Review is complete.

A Record of Decision (ROD), issued in October 1995, states that BPA has decided to offer new products and services beyond those which BPA is obligated to provide by statute.

"In order to increase business and enhance BPA's revenue potential, BPA may provide products and services other

than power, transmission, and delivery products." Examples of these products or services include:

- Design, and construction of power or transmission facilities for other utilities;
- Fish, wildlife, and environmental consulting;
- Brokering of power and other services

While each of these items may or may not have merit, there is a question if this now is the right time for BPA to implement an expansion of its responsibilities. The ROD does not place objective restrictions on the breadth of these endeavors. It is my understanding that BPA is now involved in designing overseas transmission lines.

Regional Review outcome could affect BPA credit

Another issue which is raised by the review process is the affect of any decision on BPA's credit rating. Moody's Investors Service has issued a report stating that the outcome of the Comprehensive Review of the Northwest Energy System could affect BPA's credit.

Environmental Compliance Reviews

The Department of Energy has recently proposed a policy change which would reduce the responsibilities the federal power marketing administrations have for environmental compliance when engaging in certain activities. Included is a proposal to exempt them from environmental studies for transmission lines less than 10 miles long. The proposed amendments appear to substantially expand the universe of PMA actions that will be presumed to not require an environmental impact statement or perhaps even an environmental assessment.

On May 10, 1996 I sent a letter to Secretary of Energy O'Leary raising questions about the proposed policy. On May 20, 1996 DOE announced a reopening of the comment period to address those concerns.

Expansion of the BPA Service Territory

In the FY 1996 Appropriations Conference, BPA was authorized to begin selling power outside the region when the power became available from existing customers leaving the BPA system. The issue did not get raised by BPA in this or any other authorizing committee. This is the type of issue that should be raised early and brought to this Subcommittee for consideration, rather than to address it through the appropriations process.

The future of BPA is a complex issue involving both regional and national interests. I look forward to the testimony of each of our witnesses.

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