STATEMENT OF

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BEFORE THE

SUBCOMMITTEE ON WATER AND POWER

COMMITTEE ON NATURAL RESOURCES

U.S. HOUSE OF REPRESENTATIVES

MARCH 10, 2009

Thank you Madame Chair.

My name is Steve Wright, and I am the Administrator of the Bonneville Power Administration (BPA) which is headquartered in Portland, Oregon. I appreciate the opportunity to describe the significance of the $3.25 billion in additional Treasury borrowing authority provided BPA by the American Reinvestment and Recovery Act (ARRA) and how BPA plans and executes capital investments for its mission to serve the Pacific Northwest region.

Created by Congress in 1937, BPA markets at wholesale the electric power generated from 31 Federal dams, one non-Federal nuclear power plant and several small non-Federal power plants. BPA serves about one-third of the electric power used in the Pacific Northwest and its over 15,000 circuit miles of transmission lines provide about three-quarters of the high voltage transmission in the region.

Introduction: BPA makes the best use of its Treasury borrowing to meet regional environmental and energy efficiency goals.

The ARRA raised the ceiling on the borrowing that BPA conducts under the Federal Columbia River Transmission System Act of 1974 (Transmission System Act) by $3.25 billion. Prior to 1974, BPA received annual appropriations for all of its expenditures and the revenues BPA raised through its rates were deposited in the General Fund of the Treasury. BPA has always been required to set its rates to cover all of its costs, so this

was essentially a zero-sum arrangement. Recognizing this, and seeking to increase the efficiency of government and enable BPA to enter into multi-year commitments with its business partners in the Pacific Northwest electric power system, Congress provided BPA with "self-financing" authority in 1974 establishing a separate fund in Treasury – the Bonneville Fund – that BPA manages. Into the Bonneville Fund go BPA's revenues, and from it BPA pays all of its costs, eliminating the need for Congress to provide annual appropriations of taxpayer funds. The Transmission System Act also authorized BPA to borrow from Treasury, at Treasury's current cost of money plus an amount to be comparable to prevailing electric utility market determined borrowing costs, for its capital expenditures. BPA fully repays these loans with interest at market rates. There is no subsidy to BPA. BPA's borrowing authority has been increased several times since 1974 to now total $7.7 billion which I will describe in more detail.

BPA is authorized to use its borrowing authority for multiple purposes; including to expand and upgrade its transmission system, including the facilitation of new renewable electricity resources while keeping electricity rates as low as possible; energy efficiency; and to meet its obligations under the Pacific Northwest Electric Power Planning and Conservation Act of 1980 (Northwest Power Act). The obligations under the Northwest Power Act include significant capital investments for fish and wildlife. Today, Bonneville's transmission, power and environmental programs are being called upon by the Pacific Northwest region and, in fact, much of the West Coast, to provide the backbone for supplying new renewable electric resources to reduce greenhouse gas emissions and to continue to restore the sustainability of Columbia Basin fish and wildlife.

The capital financing required to meet these demands is significant as we look over the next two decades. BPA conducts extensive planning with public review for its capital program and manages the wisest allocation of its Treasury borrowing authority after weighing other alternatives to meet its needs. Last year BPA made its 25th consecutive annual Treasury payment in full and on schedule. BPA believes that its use of Treasury borrowing authority is a good deal for U.S. taxpayers.

BPA plans for its capital spending needs carefully.

As I have mentioned, the current drivers of BPA's capital spending needs come from regional goals for clean electricity and environmental restoration and the need to maintain and upgrade an aging transmission and power system. BPA forecasts its capital spending with thoroughly transparent analysis, including regular public reviews with its customers, implementation partners and other interested parties in the Pacific Northwest. BPA initiated its most recent proposed capital spending review last summer.

BPA has had considerable success in meeting some of the demands for its services through innovative non-capital means. Last year BPA conducted a first-of-its-kind Network Open Season to sort out a complicated queue of service requests from customers seeking access to BPA's transmission system. Many of these requests were for delivery of wind-generated electricity that has exploded in development in the Northwest.

Constraints on the transmission system at critical transfer points prevented BPA from providing service without upgrade and expansion of the grid.

BPA's Network Open Season obtained financial commitments and signed service agreements that allowed BPA to conduct system engineering studies to determine what service could be provided from the existing capacity of the transmission system. We found that we could provide service for 1,780 megawatts of new service without major construction, simply by withdrawing from the queue those not ready to commit to taking service. Just last week, we also began offering Conditional Firm transmission service to more of the service requests we processed in the Network Open Season. Conditional Firm service provides service with the potential for a small amount of interruption if transmission becomes congested, and it is a product that has appeal for some of our customers, including wind generators. We are currently making offers of approximately another 1,200 megawatts of service, and expect to make additional offers of Conditional Firm service on an interim basis in the future.

After these system engineering studies we conducted financial analysis of the construction costs for the remaining service requests we evaluated in the Network Open Season. We are preparing to offer transmission service with four new transmission lines and one system upgrade for 3,700 megawatts, almost 2,800 of which will come from renewable, non-carbon-emitting generation. Three of these projects are about to undergo environmental analyses; but one is shovel-ready, the environmental review having been completed in 2002. That project is a 500-kilovolt transmission line from McNary Dam to John Day Dam along the Columbia River in Washington and Oregon.

With the added assurance of the additional borrowing authority Congress has just provided, we feel confident we can move forward with these projects, and last week we announced that we will begin construction this spring on the 79-mile, McNary-John Day line. We estimate that construction of this roughly $340 million line will create about 700 jobs at its peak. It will deliver more than 700 megawatts of wind energy across BPA's transmission system.

I am pleased with this approach that allowed BPA to find ways to first meet new service requests without needing to borrow for new construction and then make cost-effective decisions on the projects that do need to be built.

It is important to note the planning processes for other proposed capital spending initiatives. Last year, BPA signed historic 10-year agreements with five Columbia Basin Indian tribes and two states. The agreements set a course of action for restoration of salmon and steelhead listed for protection under the Endangered Species Act and other populations important to these partners. The parties agree that these commitments meet BPA's obligations, and those of the U.S. Army Corps of Engineers (Corps) and the Bureau of Reclamation, under the Endangered Species Act and the Northwest Power Act. The agreements specify implementation of a sequence of scientifically-reviewed fish and wildlife projects, including investments that will bring BPA's capital spending for its fish and wildlife obligations to $50 million a year.

BPA also has completed asset management studies of needed capital upgrades and replacements for its aging transmission system and the needs for the aging Federal hydro generation, which BPA finances through direct-funding agreements with the Corps and Bureau of Reclamation. We have a prioritized sequence of projects that are needed to maintain the quality and reliability of the Northwest power system and to optimize the output of this significant source of non-carbon-emitting electrical generation. BPA's rates cover all of the costs of Corps and Bureau power facilities and operations in the Pacific Northwest.

We review all of these schedules with regional stakeholders prior to our rate cases. We conduct public workshops that present and thoroughly discuss our costs and our proposed capital spending. The initial public process preceding our 2010-2011 rate case was initiated last summer. We intend to conduct these public processes every two years.

We also completed a new Financial Plan for the agency that defines strategies and policies for guiding how BPA will manage risk and the variability of electricity markets and water years. Importantly, the Financial Plan describes how we will continue to manage to ensure that we meet our Treasury repayment requirements. As a follow-on to the Financial Plan we are scheduling further discussions with our customers and regional parties to refine our strategies for our access to capital.

BPA's capital investments help accomplish its mission to serve the Pacific Northwest.

The demand for our service to meet regional greenhouse gas reduction and environmental goals continues to increase. BPA's transmission system is a major component of the Western Interconnection which extends from Mexico to Canada and supports long distance transfer of electricity, including increasing amounts of renewable electricity. The growing volumes of renewable power help to meet expanding state goals for greenhouse gas reduction.

In the Pacific Northwest, the new renewable electricity resource is wind. Just two years ago BPA and the Northwest Power and Conservation Council completed an Action Plan that confirmed that adding 6,000 megawatts of wind generation in the Northwest by 2020 is technically feasible but assumed that about half of that would be located where BPA supplies transmission. Instead, wind generation is rapidly concentrating in BPA's system and we believe 6,000 megawatts of wind could be attached to our system by 2013.

We're advantaged by a Federal hydrosystem that is a major source of carbon-free electricity for the Pacific Northwest. It is now being called upon to back up the intermittent supply of wind and, especially with fish constraints, is reaching the limits of its ability to meet that need. BPA continues to work with the region to meet the wind integration challenges and adequate access to capital is a key component to modernizing the system for that capability.

BPA also helps the region meet its clean energy goals through its ability to capitalize major investments in energy efficiency. BPA currently budgets about $40 million for annual capital investments in energy efficiency. And, as I have previously mentioned, there is a significant capital component to BPA's commitments under the Columbia Basin Fish Accords.

The ARRA's addition of borrowing authority is a significant addition to BPA's capital resources.

BPA's Treasury borrowing authority originated in the 1974 Transmission System Act when Congress made BPA self-financed and accorded BPA $1.25 billion in Treasury borrowing authority to finance capital investments in the transmission system. This was subsequently expanded to include all BPA functions under the Northwest Power Act.

In the Northwest Power Act, Congress initially authorized an additional $1.25 billion in Treasury borrowing authority for conservation and renewable resource loans and grants. This borrowing authority was then provided in the Energy and Water Development Appropriations Act of 1982. A further $1.25 billion of Treasury borrowing authority was made available to BPA in Energy and Water Development Appropriations Act of 1984, for all of BPA's capital requirements.

In the 2003 Energy and Water Development Appropriations Act, Congress increased BPA's Treasury borrowing authority by another $700 million for BPA's general capital requirements. Before passage of the ARRA, then, BPA's total Treasury borrowing ceiling was at $4.45 million.

Before passage of the ARRA, BPA projected that it would exhaust its capital resources some time between 2013 and 2016, depending on financial market conditions. BPA estimates that the additional $3.25 billion could potentially extend its ability to meet its capital needs, including the initiation of the transmission system expansions I described earlier, for about another ten years, depending on capitol spending.

Treasury borrowing authority is a good deal for U.S. taxpayers.

All BPA costs, including repayments to the U.S. Treasury, are paid from the revenues BPA earns from selling Federal power and transmission services. As a self-financed agency, BPA receives no annual appropriations and is able to fund capital program expenditures through its Treasury borrowing in a business-like way. BPA repays the borrowing at interest rates slightly above Treasury's costs.

BPA's Treasury borrowing authority is a revolving fund, replenished as BPA repays the principal on its borrowing. Since 1978, BPA has borrowed a total of $8.42 billion and repaid $6.17 billion – nearly three quarters of all it has borrowed from Treasury. For 25 years, BPA has made its annual payment to the U.S. Treasury in full and on time. In 2008, it repaid Treasury $963 million in principal, interest, and other payments.

Throughout its 72 year history, BPA has repaid Federal investments within the period prescribed by law. This history is strong evidence of BPA's financial stability, since the payments have been made through good, bad and truly terrible times, including the West Coast energy crisis of 2000-2001. BPA maintains very high credit ratings of AA- by Standard and Poors and Aaa by Moody's. Recently on March 4, 2009, Fitch Ratings upgraded BPA's rating from AA- to AA positive outlook based on BPA's significant financial management control and risk mitigation tools. Overall these ratings reflect the importance of maintaining sound BPA financial management. Such ratings allow BPA to conduct its financial business at lower cost.

BPA is grateful for a long and collaborative relationship with the Treasury Department that has allowed BPA to soundly and effectively manage the assets of the BPA fund.

This concludes my testimony, Madame Chair, and I welcome any questions from the Subcommittee.