



Oregon

Theodore R. Kulongoski, Governor

Public Utility Commission

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Comments of Chairman Lee Beyer

Oregon Public Utility Commission

August 1, 2007

Bonneville Power Administration,

Residential Exchange Program Public Meeting

I have been asked by Governor Kulongoski to convey his perspective on the sharing of benefits from the Columbia Hydro Electric System. The Governor has sent a letter to Administrator Wright, but let me summarize his perspective:

Governor Kulongoski appreciates of the efforts of BPA and the utilities to come to a fair settlement of this regional asset following the May decision of the 9th Circuit Court. While he acknowledges that progress has been made, he understands that the parties are at somewhat of an impasse. Therefore, he encourages the agency to take a stronger lead in bringing parties to a fair settlement.

The Governor believes that all of our state's ratepayers should obtain a collective benefit that is commensurate with the historical investments that they have made in the Columbia river system. To that, the Governor believe that the majority of Oregon ratepayers who buy their electricity from an investor-owned utility should receive a benefit approximating the average amount, in today's dollars, that they have received since the Northwest Power Act was adopted. Further, to ensure that this system share is not devalued, he believes that any new contracts should include some form of escalator to respond to inflation and overall system value.

I would like to now shift briefly to the perspective of the Oregon Public Utility Commission. The Legislature has charged the Commission with the responsibility of representing the ratepayers of private utilities. In Oregon, that is over seven of every ten families. We take this charge seriously.

As we look at the Columbia Hydro system, we see a wonderful asset that is totally dependent on the publicly owned Columbia river, its tributaries and the water flowing through them. These are assets that are owned not by any one group but by all citizens of the Northwest.

By historical choice, our citizens or their heirs have chosen to purchase their electricity in different ways: some from cooperatively owned providers and others from a regulated private provider. But those past choices should not cloud how we fairly share the benefits of a shared regional treasure. It is important to keep the focus on our fellow citizens receiving their share of benefits, not which utility flows the benefits to them.

From an equity standpoint, it is hard to rationalize why a citizen in Aberdeen should get BPA power cheaper than one in Coos Bay or a citizen in Seattle cheaper than one in Portland or Boise.

The four Northwest state public utility commissions, early in the regional dialogue process strongly stated their belief that the customers of IOUs should be treated fairly. Recognizing that 60 percent of the regions ratepayers were receiving less than 15 percent of the systems benefits,



at that time, the commission said that these customers should not see this share further diminished.

The outcome of that regional dialogue was a tentative decision that the Residential Exchange, in the next contract period, should be based at approximately a \$250 million level with an economic escalator. This represented a significant drop from current benefits, but was roughly in the range of the average benefits ratepayers received since the Act was passed.

While some may argue that the recent court decision changes things greatly, we disagree. We believe that the court decision was basically about process. The Court said BPA needed to follow the process outlined in the Power Act. We believe the Act provides very broad discretion to BPA and that consistent with that discretion, following the required process, the agency can still reach a decision that shares the regions resources fairly.

As we move forward in this process, we urge BPA and all parties to work together to quickly resolve the equity issues and bring stability with fairness once again to the Northwest.