

# Congress of the United States

Washington, DC 20515

October 30, 2006

Mr. Rob Portman  
Director  
Office of Management and Budget  
Eisenhower Executive Office Building  
Washington, D.C. 20503

Dear Director Portman:

We are writing to alert you to serious concerns the Northwest congressional delegation has with budget proposals relating to the Bonneville Power Administration that would harm families, farms and businesses in our region. We would strongly urge you to reject the inclusion of any of the provisions mentioned below, or similar provisions, in the fiscal year 2008 budget proposal that you are preparing for submission to Congress early next year.

## Market-Based Rates

The Administration's FY06 budget included a provision that would require federal power marketing administrations, including Bonneville, to sell power at market-based rates. At the time, we wrote to then-Director Bolten (February 10, 2005) about our "emphatic opposition" to this proposal due to the significant rate increases that would be required. We also refuted OMB's faulty logic used to justify the rate increase. OMB relied on the supposed "subsidies" received by Northwest ratepayers, an issue that was resolved a decade ago through negotiations between Congress, the Department of Energy, and OMB. The market-based rates proposal was wisely dropped from the FY07 budget proposal. We remain strongly opposed to it.

## Secondary Sales Revenue

In the FY07 budget proposal, OMB recommended applying a portion of Bonneville's secondary sales revenue towards accelerated federal debt repayment. This proposal represented the worst of all worlds: it guaranteed a rate increase, but, contrary to the stated rationale by OMB, the infrastructure investment benefits were purely speculative and not likely to materialize. We strongly oppose this flawed proposal being revived in the FY08 budget.

Accounting Treatment of Third-Party Financing Arrangements

Finally, in the last three budget submissions, OMB has included a proposal to change the accounting treatment of third-party financing arrangements Bonneville has used to finance transmission infrastructure improvements in the Northwest. On page 94 of the FY07 budget, the Administration praised the Shultz-Wautoma electric transmission line project, which was funded in a deal between Bonneville and third-party investors. Yet, the OMB proposal to count such third-party arrangements against Bonneville's borrowing authority would effectively end these types of financing arrangements. This would effectively bring regional transmission investment to a halt or force dramatic electric rate increases. In fact, the proposal is inconsistent with previous directives from OMB to Bonneville to seek third-party financing. And, it would limit Bonneville's ability to make capital investments, threatening regional reliability. Contrary to OMB assertions, these third-party financial transactions create no taxpayer liability. We remain strongly opposed to this proposal.


We have been very disappointed with OMB repeatedly ignoring the substantive concerns raised by members of the Northwest congressional delegation about these Bonneville-related budget proposals. We urge you to reject their inclusion in the FY08 budget.


Sincerely,

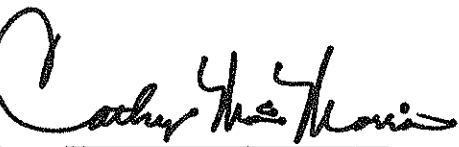
  
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Member of Congress


  
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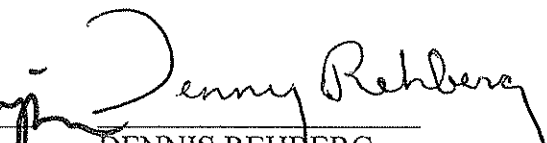
  
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MIKE SIMPSON  
Member of Congress

  
DENNIS REHBERG  
Member of Congress

Letter to OMB Director Portman  
Re: BPA and FY08 Budget  
October 30, 2006

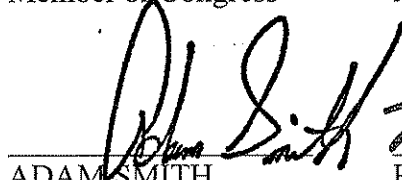


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DARLENE HOOLEY  
Member of Congress

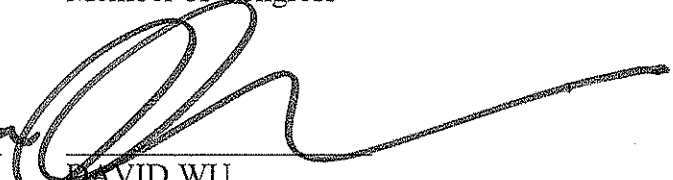
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