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Central Oregon

photo by Tony Morrell

Customer demand, volatile market prompt BPA to revise rate provisions

High prices and higher customer demand are driving BPA to alter its proposed power rates for the next five years. On Aug. 31, BPA announced it intends to revise the Cost Recovery Adjustment Clause (CRAC) of its 2002-2006 rates so the agency can strengthen its ability to cover its costs over the five-year rate period. The agency is not proposing an increase in its basic power rates for the 2002-2006 rate period and does not expect to make any change in its basic rates or the CRAC in the first year.

“Our intent is to limit the scope of the modifications primarily to a revision of the Cost Recovery Adjustment Clause to make it more robust in years two through five of the rate period,” explained Judi Johansen, BPA

administrator. “Over the next few weeks we’ll be meeting with rate case parties to try to reach agreement on how to modify the rate proposal. There’s a lot of work to be done. But I’m confident we’ll craft a rate case revision that will work.”

The CRAC is an automatic temporary increase in power prices that is triggered when BPA’s financial reserves fall below a certain threshold. CRAC is one of several risk mitigation tools BPA will use to maintain a high probability of covering its costs, including its fish and wildlife and U.S. Treasury obligations over the next five years. BPA expects to propose raising the CRAC threshold and the limit of the amount of additional revenues to levels higher than in the rate proposal the agency submitted to Federal Energy Regulatory Commission earlier this year. These changes would provide more protection against years in which BPA’s





costs run higher than expected. Even if the revised CRAC triggers, BPA's rates still will be among the lowest in the country.

Concerned over high wholesale electricity prices, BPA's customers are flocking to the agency to buy BPA's low-cost federal power. Those customers are asking for more power than BPA has available. BPA is planning to meet this potential customer demand with a combination of its own power supplies and market purchases. "But our customers are asking for possibly 1,400 average megawatts more than we anticipated in the rate case," said Johansen. "Had we stayed with our original rate proposal, the amount of power purchases we would have had to make at the prices we might very well see over the next five years, would have put our financial stability at risk."

BPA is scheduling meetings with rate case parties over the next two weeks to attempt to agree how to modify the rate proposal. On Sept. 15, the agency expects to publicly announce its proposal. A BPA record of decision will be published early next year. In the meantime, BPA expects to resume signing subscription contracts on Sept. 5. The window to sign contracts will close Oct. 31.

TBL rate case update

BPA's Transmission Business Line (TBL) issued its final studies and Record of Decision for its 2002 transmission and ancillary service rate proposal on Aug. 18. Customers and TBL settled both the TBL rate case and the open access transmission tariff case in mid-June. These transmission and ancillary service rates will be submitted to FERC for approval to be effective beginning Oct. 1, 2001 for a two-year period. TBL established rates for a two-year rate period to bridge the gap between the expiration of TBL's current transmission and ancillary service rates on Sept. 30, 2001 and the rates that may be set after a Regional Transmission Organization is formed. TBL will also submit its proposed Open Access Transmission Tariff to FERC with a request for a declaratory order finding that the tariff satisfies FERC's comparability (non-discrimination) standards. The new tariff is proposed to be effective on Oct. 1, 2001.

Johansen announces executive office changes

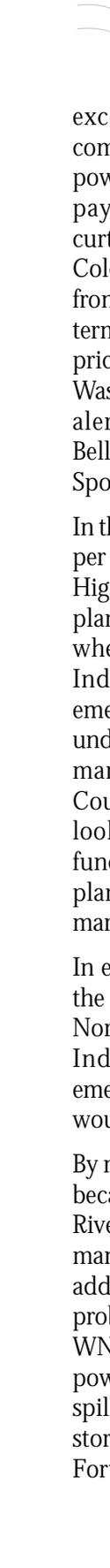
BPA Administrator Judi Johansen recently announced she is reestablishing the deputy administrator role as a permanent position and Steve Wright, currently vice president of Corporate, will be the new deputy. He will focus on national and public affairs issues and will provide policy direction for fish and wildlife as well as overall agency strategic direction. The Corporate vice-president position will be abolished effective Oct. 1. Environment, Fish and Wildlife, Strategic Planning and the public affairs functions of National Relations, Regional Relations, Tribal Relations and Communications will report to the deputy administrator.

Vice President Terry Esvelt, currently acting as deputy administrator, will be the new senior vice president for Workforce/Workplace. He will provide leadership as BPA implements high performing organization initiatives and addresses the human resources issues prompted by the creation of a regional transmission organization. The Shared Services organization will report to Esvelt along with the policy, systems and governance units of Human Resources/Diversity/EEO, Contracts and Property Management, and Safety.

The new positions must be approved by the Department of Energy. Steve Hickok will continue in the number-two position as chief operating officer (COO). The chief financial officer, chief information officer and chief auditor will report to the COO.

Summer proves challenging for BPA and the West Coast electric industry

The past few months brought new challenges to BPA and other utilities in the Northwest and California. For BPA, it began this spring with slower than normal runoff from the Canadian side of the Columbia River Basin due to cooler temperatures along with below average snow pack in the Snake River Basin. Generally, BPA expects to be in a power surplus in May and June but, this year, the agency had to purchase power. Power prices in June reached record high levels as demand



exceeded supply. Industries, including aluminum companies, in the Northwest which chose to purchase power on the open market found they were unable to pay the high electricity prices. This resulted in curtailment of production. In the case of Bellingham Cold Storage, the company chose to purchase power from the short-term market instead of signing a long-term contract with a utility at a fixed rate. When market prices skyrocketed, the company was in trouble and Washington Governor Gary Locke declared an energy alert allowing Avista Corp. to provide power to Bellingham from its Northeast combustion turbine in Spokane County.

In the last week of June, prices reached as high as \$1,400 per megawatt-hour compared to \$40 the previous June. High temperatures, lack of water in the hydro system, plant outages and heavy demand set up conditions where demand outstripped supply. The California Independent System Operator declared a stage 2 emergency where power sold to industries is curtailed under interruptible contracts. The changes in the power market prompted the Northwest Power Planning Council to begin a study on market price volatility looking at the structure of the market and at the fundamentals - gas prices, weather, runoff patterns, plant outages and the general tightening of reserve margins.

In early August, high temperatures in California drove the state's power system to its limits. BPA and other Northwest utilities sent power south as the California Independent System Operator declared stage 2 emergencies again and narrowly averted a stage 3, which would have meant rolling blackouts.

By mid-August, BPA faced a potential power emergency because of low natural streamflows in the Columbia River Basin, the decision by the region's fish and wildlife managers to use more water in early August to provide additional flows for fish and because of a technical problem at the Columbia Generating Station (formerly WNP-2) forcing it to operate at about 60 percent. A power emergency would have required a reduction in spill operations for fish as well as additional drafts at storage reservoirs in order to avoid the power outage. Fortunately, BPA was able to purchase power, although

at very high prices, to meet firm load demand and to avoid reducing fish flows. The power emergency in California occurred in early August when BPA had plenty of power to sell and the California sales did not contribute to BPA's power shortage later in the month. At press time, BPA is now back in load resource balance. To plan for cold weather and high demand for power in the Northwest this winter, the region is planning a preparedness drill. Please see story below.

Region plans cold weather preparedness drill

BPA is working in coordination with the Northwest Power Pool and the Northwest State Energy offices to plan a regional cold weather preparedness drill sometime in the next few weeks. The drill will test preparedness under very cold winter conditions by evaluating availability of resources to meet heavy loads and availability of transmission to import needed resources. The region will examine the amount of interruptible load needed under resource shortage circumstances and, if necessary, find customers willing to give up load under such conditions. The region is planning the drill in response to a Northwest Power Planning Council's study that identifies a likelihood that the region will not have enough power supply to meet load under extreme cold weather conditions, and BPA's internal evaluation of the region's transmission import capability under heavy winter load conditions.

Harvey Spigal leaves BPA

BPA's General Counsel Harvey Spigal left the agency at the end of August to work in the Portland office of the law firm Preston Gates & Ellis. Spigal worked at BPA for 26 years on many important issues including the 1980 Pacific Northwest Electric Power Planning and Conservation Act. He also served as senior vice president for BPA's Transmission Business Line. Spigal was honored at a June 1999 ceremony for the Western Systems Coordinating Council's Reliability Management System for leading a two-year process to develop WSCC's program to improve transmission reliability standards. Spigal also chaired the policy group that oversaw implementation of the new program.

PUBLIC INVOLVEMENT

STATUS REPORTS

Big Eddy-Ostrander Vegetation Management. Ore. — To control vegetation on two segments of the 500-kV transmission line right-of-way. One segment is from Lolo Pass to near Parkdale. The other segment is east of Parkdale. An EA is being prepared. Call to be added to the mail list.

Coeur d'Alene Tribe (CDA) Trout Production Facility Project. Idaho — To fund the design, construction, operations and maintenance of the facility to help meet the need for off-site mitigation for losses on the mainstem Columbia River. A final EA is being prepared. Call to be added to the mail list.

Condon Wind Project. Ore. — To acquire about 24.5 megawatts of electricity from the proposed Condon Wind Project. An EIS is being prepared on the wind project and its associated transmission. Call to be added to the mail list.

Fish and Wildlife Implementation Plan. Regionwide — To examine the impacts that may arise from implementing one of the fish and wildlife policy directions being considered in the ongoing regional processes. An EIS is being prepared. Call to be added to the mail list.

Fourmile Hill Geothermal Development Project (Calpine). No. Calif. — A geothermal power plant and new transmission line have been proposed on U.S. Forest Service land in the Klamath and Modoc forests. BLM has the lead. BPA is a cooperating agency. A final EIS and summary are available. Call to receive a copy.

IDFG Snake River Chinook Captive Rearing. Idaho — To fund Idaho Department of Fish and Game's captive rearing project for Endangered Species Act-listed Snake River spring/summer chinook salmon. The EA is being finalized. A FONSI is anticipated. Call to be added to the mail list.

Johnson Creek Artificial Propagation Enhancement. Idaho — Development of a native chinook salmon broodstock for rearing of acclimated smolts to preserve and recover the population. An EA is being prepared. Call to be added to the mail list.

Kangley-Echo Lake Transmission Line Project. Wash. — To build a 500-kV transmission line in central King County that would connect an existing transmission line near the community of Kangley into the Echo Lake Substation. An EIS is being prepared. Scoping reopened to consider added routing options. See Calendar of Events and Close of Comment. Call to be added to the mail list.

Northwest Regional Power Facility. Wash. — To construct a combustion turbine near Creston. The final EIS (#2887) and a supplement analysis are available. Call to receive a copy.

Shelton-Kitsap Transmission Rebuild. Wash. — To rebuild a 31-mile 115-kV transmission line between Shelton and Kitsap

substations as a double circuit 230-kV line within the existing right-of-way. A Preliminary EA will be available in September. Call to receive a copy.

Stateline Wind Project. Wash. and Ore. — To acquire up to 300 megawatts of electricity from the proposed Stateline Wind Project. An EIS is being prepared on the wind project and its associated transmission. Call to be added to the mail list.

Tanner Electric Transmission Line. Wash. — To build a 4.5-mile transmission line that would tie a new substation, proposed by Tanner Electric Cooperative, into an existing transmission line (owned by Puget Sound Energy). The final EA/FONSI (#3323) is available. Call to receive a copy.

Transmission System Vegetation Management Program. Regionwide — BPA has made a decision on the vegetation management program. The ROD (#3315) is available on the Web at www.efw.bpa.gov or call to receive a copy.

CALENDAR OF EVENTS

Kangley-Echo Lake Transmission Line Project, scoping meeting, Sept. 20, 4 to 8 p.m., Maple Valley Community Center, 22010 SE 248 St., Maple Valley, Wash.

CLOSE OF COMMENT

BPA's participation in RTO West, **Sept. 8**

Kangley-Echo Lake Transmission Line Project, Scoping, **Oct. 1**

SUPPLEMENT ANALYSES

Nez Perce Tribal Hatchery Project EIS: SA-01, Modifications to Original Proposal

Watershed Management Program EIS:

SA-37, McCoy Creek/Cunha Ranches Restoration Project;

SA-38, McCoy Meadows Restoration Project;

SA-39, Asotin Creek Channel, Floodplain and Riparian Restoration Project;

SA-40, Tucannon River Watershed Fish Habitat Enhancement Project

SA-41, Meadow Creek/Habberstad Fish Habitat Enhancement Project

EA: Environmental Assessment, EIS: Environmental Impact Statement, FONSI: Finding of No Significant Impact, ROD: Record of Decision

FOR MORE INFORMATION OR TO GET INVOLVED: The Journal is a monthly newsletter of the Bonneville Power Administration for customers and interested publics. To order documents or to be added to a mail list, call: 800-622-4520 or (503) 230-7334 (Portland). For questions/comments call: (503) 230-3478 (Portland) or 800-622-4519. Written comments may be sent to: BPA, P.O. Box 12999, Portland, OR 97212. Public Involvement, Internet, E-mail address comment@BPA.gov, BPA home page: <http://www.bpa.gov>