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Bonneville Power Administration
P.O. Box 12999
Portland, Oregon 97212

Ladies and Gentlemen:

This letter is in response to your invitation to comment in "Fact Sheet on the Regional Dialogue."

First, and most important, the provision of electric power to residences, commerce, industry, government and other users must be regarded as an essential public service which should be rendered by the public itself for public use at cost. Ideally, all capital invested in electric power facilities should be public capital and the facilities should be publicly owned and operated. Electricity should not be regarded as a commodity which can be traded like vegetables.

If private capital is permitted to invest in electric facilities of any kind that investment should be strictly regulated so that all stock issued represents a genuine investment of capital. The issuance of "stock options" as a means of compensation to executive officers of a private utility firm should be permanently outlawed because it amounts to the watering of existing stock and reduces the value of the owners' investment.

No further thought should be given to the notion that "competition" will somehow automatically drive the price of electricity down and that somehow "competition" will serve as a form of regulation. In the electric industry where the service must be produced simultaneously with its consumption and the means of producing the service and delivering it to the consumer requires the investment of large quantities of capital and careful planning long in advance, there can be no serious competition. The concept should simply be abandoned as inapplicable to electric service.

Deregulation should therefore be abandoned as a public policy in all phases of electric service. The fiasco in California followed by the Enron scandal has provided the nation with ample proof that deregulation will not work. The States of Washington and Idaho will not deregulate. Oregon's "deregulation" is so far limited to a few commercial and industrial customers of private power companies who are showing very little interest in switching providers. Montana's deregulation has been a disaster and should be repealed. The evidence that Enron and its sister traders were able to "game" the

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California market and that their leaders engaged in highly unethical and possibly criminal practices to run up the price of power is simply overwhelming. Added to that has been the additional scandals of many major corporations which have engaged in improper accounting practices to keep the price of their publicly traded stock well above its real value. WorldCom is only the latest example of this dishonesty. Moreover it appears that a major accounting firm was a party to the dishonest bookkeeping and that firm has now gone under. The investing public has lost confidence in the honesty and integrity of corporate management as is demonstrated by the huge decline in the stock market in recent days. Under these circumstances, we will not and cannot entrust an essential public service like electricity to corporate managers.

Second, the Bonneville Power Administration (BPA) must continue to be the regional transmission organization (RTO) for the Pacific Northwest. We do not need and do not want a private company, even if it is supposedly not-for-profit, and even if the BPA and British Columbia Hydro are major players. No private company, no matter how well regulated, will be as responsive to public needs as a federal agency. The RTO idea being pushed by the Federal Energy Regulatory Commission (FERC) may have some merit and some applicability in New England and other parts of the nation which have not had a unified grid system and do not have a major commitment to public ownership, as we have long had in the Pacific Northwest. But the New England situation is not applicable here and should not be used as the model, nor should the region permit FERC to force it upon us.

BPA was authorized in the Columbia River Transmission System Act of 1974 and the Pacific Northwest Electric Power Planning and Conservation Act of 1980 to serve all electric utilities in the region. This meant building and operating the transmission necessary to move power to and from all participants and also acquiring additional generating resources to meet additional loads which would be put upon it. That the investor-owned utilities have by and large preferred to provide their own new generating capacity rather than acquire it from BPA does not change the authority BPA has to provide for everyone.

When the Pacific Northwest Regional Planning Commission made its report in 1935 which led to the Bonneville Project Act of 1937, discussion within the Commission, later within the Roosevelt administration, and still later during debate in Congress, made it abundantly clear that control of transmission was the key to making electricity available at cost to the people of the Pacific Northwest. The private power companies opposed the construction of a new extra-high voltage transmission grid and claimed that the large quantity of additional power which would be generated by Grand Coulee and Bonneville dams could be moved by displacement over their existing 60 kv lines. Engineers for both the Corps of Engineers and the Bureau of Reclamation were firm in rejecting the displacement notion. In writing the BPA act, U.S. Senator Homer T. Bone made clear that he recognized that control of transmission was the key to control of power marketing and of cost-based pricing. That is why he settled on the "Bone red line formula" for operating the Federal Columbia River system. The agencies (Corps and Bureau) which built the dams and would operate them, would run the dams for all

purposes and thus operate the generators. A new federal agency, the BPA, would take the power at the bus bar of the dams and build and operate a new extra-high voltage transmission grid to market the power throughout the region. Keeping control of transmission in a public agency was the key concept of the law. He never considered or would have considered letting the private power companies form a private company to build and operate the new regional grid.

I therefore believe that the four northwest governors were wrong in 1996 when they urged BPA not to acquire additional power to meet new loads, but to confine itself to marketing the output of the existing federal system, including WPPSS #2, and other small acquisitions. BPA should be planning ahead to meet regional loads by acquiring new generating facilities.

The best solution to the region's power needs would be giving BPA by law public utility responsibility to meet the region's loads. That should include authority to build and operate hydro, steam-electric, wind, solar, and other types of generating facilities so that it can plan, build, and deliver to meet the region's needs, very much as the Tennessee Valley Authority can do. This would require a considerable enlargement of BPA's borrowing authority so that both generating and transmission facilities could be built. As part of this responsibility, BPA should try to acquire all of the extra-high voltage transmission in the region and should especially see to it that the BPA grid is extended into and operates in southern Idaho.

Now to the specific question which you posed:

"Should the DSI's receive cost-based power from BPA after 2006?" Only if BPA is made the region's future wholesale power supplier. The power price should not be the old hydro price, but a melded price, including the cost of building or acquiring and operating new generating capacity at a much higher price. They should continue to enjoy a discount for using reserves (interruptible power). If they are willing and can afford to pay the price of the higher cost power, then I would support meeting their requirements. No rationing should be necessary.

If BPA is to be limited to selling only the existing federal resources, then BPA should make available to the DSIs on a withdrawable basis such firm power as it estimates will be surplus to the needs of the preference customers and the exchange customers of the investor-owned utilities. BPA should also warn the DSI's that there is no likelihood that BPA power will be available in the long run.

"Should the residential and small farm customers of regional IOUs receive Federal Power, or only financial benefits?" Only financial benefits and these should be phased out under a residential exchange agreement. This end seems to be in process.

"What provisions should be made for service to newly formed public utilities?" BPA should plan ahead, working with potential new public customers, with the expectation that it will offer all requirements contracts to such entities as they become

energized. This should especially be the case if the Portland area should decide to acquire Portland General Electric through creating a People's Utility District. A new PUD for the PGE properties would probably have some generating resources with it. BPA should acquire the necessary resources to accommodate such new loads.

“Should steps be taken to minimize the additional loads that BPA would have to serve?” No. Ideally, BPA should have the borrowing authority to acquire the generating capacity and to build necessary new transmission to carry such loads.

“Should BPA buy power in the market or by purchasing it directly from developers of new resources?” Ideally, BPA should obtain authority to build and operate generating facilities of its own. Lacking that, it should acquire the entire output or a share of the output of new plants as they come on line, as it did with #2. at Hanford. Using the market risks being victimized by games-playing traders.

“Should power from the existing Federal system be sold among BPA's regional customers, with customers themselves meeting their additional power needs? If so, how should the power be sold?” Of the five Power Marketing Administrations (PMAs) for which I was Coordinator from 1978 to 1984, only BPA had sufficient power to offer all requirements contracts to its preference customers. All the rest had always rationed their available power by notifying eligible preference customers of the availability of federal hydropower and, when requests were received for far more power than the PMA had, to pro-rate the available power among the applicants. In many cases all the applicants got was peaking power Monday – Friday. BPA by contrast, has long had all requirements contracts with a majority of its small preference customers. So long as the resources permit, I strongly recommend that BPA continue to carry the load growth of these small cities, REA co-ops and PUDs. However, there are also several very large preference customers in the Pacific Northwest, most of whom have their own generation and therefore depend on BPA for only part of their power. Among them are the fastest growing utilities in the region: The cities of Seattle, Tacoma, and Eugene, Snohomish PUD, and Clark Public Utilities. If BPA cannot expand its generating resources as I recommend above, these utilities should be expected to meet their own growth needs. Three small PUDs in central Washington have large hydroelectric dams on the Columbia and should be expected to meet all their own needs indefinitely. The IOU exchange should be held to its present level if BPA is not permitted to expand its generating base. The power should be made available to these customers at cost, using negotiated contracts for special cases like the big cities.

“If BPA does acquire resources. . how should its power be priced?” New resources should be melded with old resources to keep the price as low as possible for preference and exchange customers. Even the long-time all-requirements preference utilities should not expect to get an all-hydro rate. Tiered rates should be used for the DSI's if they wish long-term contracts on favorable terms at the cost of new resources. BPA can still offer the best deal because it can, in effect, sell its reserves as interruptible power. The resulting rate might still be attractive, depending on the world price of aluminum.

“What kind of power products should BPA offer?” No comment. I will depend on the customers themselves to answer.

“What flexibility should utilities have regarding the use of Federal power they purchase from BPA?” BPA should not permit customers to shut down and resell BPA power for a profit as Kaiser aluminum did in 2001. If power is unused, it should stay with BPA to be resold. BPA should also have resale control provisions in its contracts, as it used to I believe, in which BPA could control the price of resale or prevent resale altogether.

I wish you and the Council good fortune and consensus in pursuing the Regional Dialogue.

Sincerely,

A handwritten signature in cursive script that reads "Daniel M. Ogden, Jr.".

Daniel M. Ogden, Jr.