

Energy and Utility News for the US Pacific Northwest and Western Canada

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The Week in Summary

[1] FBI Investigating Transmission Tower Tampering Incidents

The Federal Bureau of Investigation is looking for a Spokane man in connection with at least one incident of attempted sabotage of high-voltage transmission towers. On Thursday the bureau issued an arrest warrant for Michael Poulin in connection with an Oct. 20 incident near Anderson, Calif., in which bolts were removed from the supports for a Western Area Power Administration 115-KV line. The same day, a similar incident was reported on a 500_KV PacifiCorp line near Klamath, Ore. **Two more tower-tampering incidents have also been discovered at [19].**



[2] Puget to Buy 137 MW Share of Frederickson CT

Connecting more dots in its evolving Least Cost Plan, Puget Sound Energy last week announced plans to acquire nearly a half-interest in EPCOR's 249-MW Frederickson facility near Tacoma, Wash. Power from the combined-cycle gas turbine plant would address short-term needs PSE identified in its LCP. The \$80 million investment would also cover Puget's share of a 26 MW upgrade slated for Frederickson next March, giving the company nearly 137 MW of the 475 aMW needed by 2005. **At [13], PSE will include the deal with a filing to true up baseline costs in Washington state's first-ever power-cost-only rate review.**

[3] With Settlement Signed, Bonneville Takes Giant Leap Toward Certainty

The Bonneville Power Administration and several of its customers signed a proposed settlement last week that could save BPA \$480 million, lead to an average 9.69 percent wholesale power rate decrease and create greater long-term certainty about BPA's future costs and benefits. BPA signed the settlement Oct. 21 and issued a record of decision; Avista, Puget Sound Energy and Spokane's Vera Water and Power had all signed by Thursday. **The 120-day clock begins ticking at [20] to see if all other parties will sign, thus sealing the agreement and ushering in a new chapter of Northwest energy policy development.**

[4] Redfish Lake Sockeye Totals: Three Adults Return in 2003

Only three adult sockeye made it all the way back to Idaho's Sawtooth Valley this year, down significantly from last year's 22 fish. The 900-mile swim was the last

Traders' Meeting Truncates Dealings; LADWP Sets New October Peak

Power traders in the Western region got back to business last Thursday after a two-day hiatus for the Northwest Power Pool's system schedulers meeting on Tuesday and Wednesday. On Monday, trading was conducted for Tuesday-through-Thursday deliveries.

Power supply easily kept up with demand, even in Los Angeles Department of Water & Power's territory. The large muni reported it reached a new peak demand figure for the month of October last Tuesday. LADWP said that demand hit 4768 MW that day. Temperatures in the Los Angeles area reached 100 degrees Fahrenheit last week, though a LADWP spokesman said the muni had ample supply to meet demand. Usage in LADWP territory increased by 40 percent over the prior week in some areas, as air conditioners worked overtime to cool residential and commercial buildings.

Peak loads in the California Independent System Operator's territory kept to the mid-thirties during the week, peaking at 36,464 MW on Tuesday. Day-of load forecasts were revised upward for Friday, on the expectation of warmer-than-predicted temperatures. The day-ahead load for the end of the week was given as 34,093 MW by the system operator but was boosted up to 35,363 MW on Friday morning.

The Pacific DC Intertie began the week derated completely as inspection and maintenance on the line continued. The line was repowered on Wednesday, but only for testing most of that day. By the evening the path was available, but limited to 1086 MW in the north-to-south direction and 1070 MW south to north.

The Western Electricity Coordinating Council daily report this week listed that there were no major transmission outages significantly affecting the California-Oregon Intertie on both Tuesday and Thursday.

Prices at Mid-Columbia slipped significantly on power packages traded for weekend delivery. After opening the week at between 35.25 mills and 38.25 mills/KWh, peak power at the hub sank as low as 29 mills/KWh during Thursday's trading session. Mead prices, on the other hand, remained fairly firm throughout the week. Peak power moved for between 48 mills and 51 mills/KWh at the hub throughout the week.

Palo Verde power also managed to keep to the high end of the range last week, as high-demand deliveries changed hands for as much as 49 mills/KWh on Friday [*Shauna O'Donnell*].

**Western Electricity Prices
October 20-24, 2003**

	Peak	Off-peak
Alberta	33.22-389.93	10.73-223.27
APX California	39-44.75	32.25-44
Mid-Columbia	29.50-38.25	23.25-34
COB	40-46	29-38.25
NP15	43-49.75	31.50-41
SP15	47-52	29.25-37.25
Palo Verde	43.25-49.50	26.50-39.75

Week in Summary

test for fish that migrated 900 miles to sea with extremely poor passage conditions during the drought of

2001. The returning fish, members of the first group of Northwest salmonids listed for protection under the Endangered Species Act in 1991, are products of an intensive captive brood program designed to keep extinction at bay. **Three's not much of a crowd at [18].**

[5] Montana Power Companies Owe Back Lease Payments, Suit Contends

A duo of Bozeman, Mont. residents have filed suit against at least four power companies operating hydroelectric facilities in Montana, seeking decades-old payments to the state's public school trust fund. The suit claims that since the dams are in state-owned riverbeds, the state should have arranged for them to make payments into the trust fund. The lawyer for the plaintiffs says that it's not about property tax disputes and/or a backlash against the state's energy companies. **It's for the children at [21].**

[6] NOAA Says Winter May Be Warmer; Hedges on Precip Forecast

It's not exactly an earthshaking forecast. Federal forecasters are calling for a one-in-three chance that this winter will be warmer than normal. Precip is another matter, however. Without an El Nino or La Nina in the neighborhood, NOAA says there are equal chances that more, less, or an average amount of precipitation will fall upon the region. **Weather computer plays no favorites at [14].**

[7] Election Looms as Courts Volley Oregon PGE/PUD Ballot Measure

A legal tug-of-war has broken out in Oregon over the wording of the ballot measure that would finance the potential creation of a People's Utility District from fragments of Portland General Electric's service area. Oregon District Court Judge Ancer Haggerty ruled on Oct. 17 that state-mandated ballot language falsely implied that a property tax increase of more than 3 percent could result from the measure to provide PUD startup funds, unfairly influencing voters to reject it. The ballot measure is a companion of the one approving PUD formation. But last Tuesday the 9th U.S. Circuit Court of Appeals stayed Haggerty's remedies and set hearings dates on the ballot language's constitutionality for after the Nov. 4 election. **At [15], PUD supporters submit an emergency appeals court request for a partial lifting of the stay that would allow Haggerty's remedies to go forward.**

[8] Chelan PUD Reaches Settlement on Lake Chelan Hydro Relicense

Chelan PUD said last week it has reached a settlement with multiple parties for the issuance of a new license for its 58 MW Lake Chelan hydroelectric project. Chelan notified FERC of the settlement on Oct. 17, but there is still one hang-up: a tribal appeal of the project's

Section 401 water quality certification. Parties have agreed to a 45-year license, and won't object to a 50-year term if FERC grants it. The PUD will spend \$44 million over that period to make improvements, including year-round spills of at least 80 cfs through a four-mile river channel that is currently dry most months of the year. **At [16], Lake Chelan's cost of power will go up 25 percent under the settlement.**

[9] Seams Steering Group Readies Transmission Report for FERC

Whether future energy needs are met with natural gas, coal or renewable resources, it is technically feasible to meet the West's future transmission needs--and the benefits of expanding the system outweigh the costs. That's the conclusion of a report prepared by the Planning Work Group of the Seams Steering Group of the Western Interconnection, which will be submitted to the Federal Energy Regulatory Commission on Oct. 31. The report doesn't identify one scenario as being preferable to the others; more study is needed to get to that step, the work group chairman says. **Broad stakeholder buy-in on the "bookend" scenarios is especially significant at [17].**

Briefs

[10] POTOMAC: Latest Delay of Energy Bill Vote Angers Domenici

A promised energy conference committee meeting set for Tuesday, Oct. 28 was cancelled at the last minute Friday after majority Republicans were unable to reach agreement on the ethanol tax credit and liability protection for producers of MTBE, a gasoline additive that has been banned in several states due to fears of groundwater pollution.

"I am deeply disappointed to announce that we must again delay the conference on the energy bill that was scheduled for Tuesday," said Conference Committee Chairman Sen. Pete Domenici (R-NM).

Domenici and co-chair Rep. Billy Tauzin (R-LA) have crafted the energy bill behind closed doors, a move that angered Democrats and some Republican conferees. Committee members were to have their first look at the 500-page bill over the weekend and were scheduled to vote on Tuesday.

The measure is largely a series of energy production and tax incentives, but it also is expected to repeal the Public Utility Holding Company Act and boost drilling for oil and natural gas on federal lands. Sources say it also delays the FERC's standard market design proposal and the commission's ability to mandate participation in regional transmission organizations until 2007.

Republicans have reportedly dropped controversial proposals to inventory offshore areas for oil and gas reserves and drill for oil in the Arctic National Wildlife Preserve. Democrats lobbied hard for a renewable fuel standard, but House Republicans killed the effort.

Democrats also called for a separate electric reliability bill, but the majority party insisted on tying reliability

language to the comprehensive bill. Recently several senators, including Maria Cantwell (D-WA), introduced a reliability measure that establishes mandatory reliability standards and calls for regional coordination in siting new transmission. The bill also provides \$10 billion in loan guarantees to finance "smart grid" technologies **[L. F.]**

[10.1] Blachly-Lane, Lane Electric Cooperative Will Not Merge; Voters Reject Plan

After a year of campaigning, the Blachly-Lane Electric Cooperative and Eugene, Ore.-based Lane Electric Cooperative will not be merging. On Oct. 18, the neighboring central Oregon electric cooperatives voted on a merger plan that both co-operative boards said would save the new organization \$1.5 million a year. But the proposal was rejected in a split decision.

About 1,174 of Blachly-Lane's 1,408 members voted against the merger, compared to 234 members who voted in favor. While only 1,366 members of Lane Electric's 9,000 members voted, those who did vote, came out in favor of the merger, 863 to 503.

A majority in each cooperative was needed to approve the merger **[S. E.]**

[10.2] Enron Creditors File Objections to Restructuring Plan

Several of Enron's largest creditors filed more than two dozen objections to the bankrupt energy company's recovery plan last week. J.P. Morgan Chase--one of Enron's largest creditors--along with the regents of University of California and the Oregon Department of Justice said the company's recovery plan did not provide creditors with enough information.

The objection filed by the Oregon Department of Justice indicates the plan "does not contain adequate information" to allow creditors to "make an informed decision on whether or not they should vote to accept or reject the proposed plan," according to several published reports.

The objections came in response to Enron's disclosure statement, a 555-page document describing the company's business units. A hearing to approve the statement was scheduled for this week, but has been postponed at Enron's request until Nov. 18.

Creditors of the company said the disclosure statement was nothing more than a glossy overview of Enron's businesses and does not include key information like the methodology the company is using to determine the recovery various groups of creditors should receive.

"The disclosure statement is so vague and incomplete in its present form as to prevent meaningful review by creditors and this court," Aaron Cahn, lawyer for a group of Enron North America creditors, told the *Houston Chronicle*.

Enron is proposing to pay most creditors an average of less than 20 cents on the dollar. The payment is expected to be made in about 70 percent cash and 30 percent stock in select energy holdings, such as Portland General Electric.

The company's disclosure statement must be approved by a bankruptcy judge, and then submitted to a vote of the creditors, along with the reorganization plan **[S. E.]**.

[10.3] Goldman Sachs Purchases Cogentrix; Deal Includes Share of Rathdrum

The Goldman Sachs Group said last week it is purchasing 100 percent of the stock of Cogentrix Energy Inc., a privately-held independent power producer based in Charlotte, North Carolina. The purchase price is \$2.4 billion, including \$2.3 billion in non-recourse project level debt and \$115 million cash.

The deal, subject to regulatory approval, is expected to close in the next few months. The purchase includes 26 plants with a total capacity of about 3300 MW, including the 51 percent share Cogentrix holds in a 280 MW, natural gas-fired combined cycle combustion turbine in Rathdrum, Idaho. Output from the plant is sold to Avista.

Goldman had a joint venture with Constellation Energy and was advising Cogentrix when the latter agreed to be bought last year by Aquila, a deal that ultimately fell through. In April, Goldman bought El Paso Corp.'s interest in East Coast Power and the trading books of Dynegy and is reportedly shopping for utility assets in the UK. According to CBS News, Goldman Sachs was the investment banker that advised Montana Power to get out of the power business and become a telecommunications company.

Cogentrix holds no interest in any other Western facilities, but not for lack of trying. "We had been doing some development activities [in the West] over the past few years, none of which wound up being successful," said spokesman Jef Freeman. According to records of the Northwest Power and Conservation Council, during 2002 Cogentrix withdrew its application for a site certificate for the 1089 MW Grizzly project in Jefferson County, Ore. It also suspended permitting of the 850 MW Mercer Ranch plant in Benton County, Wash., and "deferred" plans for the 810 MW North Idaho Power Project in Rathdrum, after its application for water rights was denied.

Cogentrix completed construction on Clark Public Utilities' 248 MW River Road project in 1997. Clark's contract with Cogentrix ended several years later, and Cogentrix's telephone number in Portland has been disconnected.

Cogentrix's troubles accelerated this year as several of its foreign plants have fallen into default. It was also facing an "event of default" with respect to a \$145 million credit facility; lenders granted a forbearance period and have extended it at least three times, most recently through Oct. 29. In August, Cogentrix parted ways with its CEO and chairman, David J. Lewis, son of company founder George T. Lewis Jr., whose wife and two other children are also corporate officers. George Lewis Jr. died Oct. 17. Even though he owned all the stock, Cogentrix said the transaction was not related to the senior Lewis' passing **[B. T.]**.

[10.4] PPM Energy Buys 22-MW Wind Plant under Construction in California

PPM Energy Inc. announced last week it has acquired the 22-MW Mountain View III wind plant, under construction in Riverside County, Calif. Scottish-Power's competitive U.S. energy business also said it has reached an agreement to sell the output of the facility to San Diego Gas & Electric. The 15-year contract calls for delivery of 25 MW of wind output to the utility; PPM will supply the additional 3 MW from other wind resources in its portfolio.

PPM would not divulge the cost of constructing the plant, nor the price for power under the contract with San Diego. Spokeswoman Jan Johnson said such pricing information is not discussed as a matter of policy. She added, however, that wind energy is becoming a more attractive alternative to conventional resources. "New technology and economies of scale from larger wind plants--and the volatility of natural gas prices--are making wind power cost competitive with other resources, and our customers are taking advantage of that," Johnson told *Clearing Up*. "They all have a desire to green up their energy portfolios."

PPM initially developed the Mountain View III facility with SeaWest Wind Power of San Diego and later purchased the project outright, Johnson said, contracting with SeaWest to build 34 Vestas 660-KW wind turbines at the site. Construction should be completed and the plant should go commercial by the end of this year.

PPM Energy's portfolio includes more than 750 MW of wind resources, either in operation or under construction. Major customers include the cities of Seattle, Sacramento, Pasadena and Anaheim, Alliant Energy, Xcel Energy and the Bonneville Power Administration. The company said its goal is to bring 2000 MW of new wind power to market by 2010 **[J. N.]**.

[10.5] Niners Deny BPA Motion for Dismissal of SN CRAC Trigger Case

The 9th U.S. Circuit Court of Appeals last week denied a motion from the Bonneville Power Administration to dismiss a lawsuit over the agency's Feb. 17, 2003 decision to trigger the safety net cost recovery adjustment. BPA based its argument on jurisdiction. The court denied it, but did so without prejudice to renewing its argument later in the case.

The court set a schedule, with opening briefs due Nov. 28 and answers Dec. 29. The court also approved Snohomish PUD's intervention in the case on the side of petitioners.

"This is significant for the petitioners because it allows us to get to the 9th Circuit and have the court consider, on a quick basis, the legality of the SN CRAC rate case," said Melinda Davison, attorney for Industrial Customers of Northwest Utilities. The plaintiffs believe BPA did not meet its own requirements for triggering the SN CRAC, Davison said. Now, with the denial of BPA's motion, "We'll have an opportunity to present our argument on the merits to the Ninth and get a decision on the merits by early next year."

That means a decision could come about the time parties are finalizing the IOU settlement, which BPA signed last week (see [3/20]). That settlement provides for a zero percent SN CRAC in 2004 and BPA's commitment to try to avoid an SN CRAC in 2005. It also includes covenants and/or waivers not to sue on certain other matters, but reports indicate litigation on the SN CRAC trigger is not among the topics precluded.

ICNU filed the case in April along with Benton Rural Electric Association, Umatilla Electric Association, the Eastern Oregon Irrigators Association and the Columbia Snake River Irrigators Association. Since then, Puget

Sound Energy, Avista and PNGC have intervened in the case on the side of the petitioners, while PacifiCorp and Portland General intervened on BPA's side.

ICNU and Benton REA, along with Alcoa and Snohomish, have a separate case pending over whether BPA was correct in deciding not to run the Northwest Power Act's 7(b)(2) rate test during the SN CRAC proceeding. Meantime, more customers continued to file lawsuits against BPA over its 2002 rate case proceeding. New litigants as of early last week include Washington Public Agencies Group, Avista, the Public Power Council, Columbia River PUD and Benton REA **[B. T.]**.

Notes & Comments

Bearing Down



[11] WA EFSEC's CO2 Measure Needs Demand Alternate

On Oct. 30, the Washington state Energy Facility Site Evaluation Council has scheduled a hearing on its new draft rules for power plant siting procedures. In last issue's THE CLIPS, we reprinted

EFSEC chair James Luce's *Seattle Times* op-ed piece, which outlined the draft, giving special attention to a CO2 mitigation provision.

I am not surprised to discover in Jim Luce's article that "The Council believes that global warming is real and threatens all of us." The information atmosphere is super-saturated with the gospel of warming. The mainstream media adores global warming, and much of the scientific establishment has long since publicly blessed warming and human agency as climatic holy writ. At an allegedly objective site like the Pew Center on Global Climate Change (pewclimate.org), you find only GW celebratory propaganda.

To get anything like a balanced view of GW sources and prospects, you have to look sharp and dig deep. You can find responsible alternative views at places like junkscience.com, the Competitive Enterprise Institute (cei.org), Fred Singer's Science and Environmental Policy Project (sepp.org) and--most comprehensive of all--the weekly *CO2 Science Magazine* (co2science.org), published by the Center for the Study of Carbon Dioxide and Global Change.

As I have said on previous occasions in this space, I would not be surprised if our climate is on a warming trend. I say trend, because global climate is complexity itself, and the idea that it can be understood as average temperature up or down is a simple-minded idea.

I think, moreover, that GW caused by human activity has such currency and power because it has been promoted as a surrogate standing for the generality of environmental problems--clear-cut trees, endangered species, polluted water, foul air, urban sprawl and toxic dumps. A surrogate may be suitable for propaganda, but

not as a basis for public policy.

Accepting GW allows true and uncritical believers to see positive corroboration all around. "Global warming is real," Luce writes. "Evidence of climate change in the Northwest is all around us, with reduced snow pack, insect infestation threats, greater danger of forest fires, and increased erosion from flooding." This grasping at anecdotal straws is not anything on which to base decisions on whether to approve an energy facility.

In July of this year, former Energy Secretary James Schlesinger summarized GW science in *The Washington Post*. "We cannot tell how much of the recent warming trend can be attributed to the greenhouse effect and how much to other factors," Schlesinger said in comments originally made at a symposium on the 25th anniversary of the Energy Department's CO2/climate change program. "In climate change, we have only a limited grasp of the overall forces at work. Uncertainties have continued to abound--and must be reduced. Any approach to policy formation under conditions of such uncertainty should be taken only on an exploratory and sequential basis. A premature commitment to a fixed policy can only proceed with fear and trembling.



"In the Third Assessment by the International Panel on Climate Change, recent climate change is attributed primarily to human causes, with the usual caveats regarding uncertainties," Schlesinger continued. "The record of the past 150 years is scanned, and three forcing mechanisms are highlighted: anthropogenic (human-caused) greenhouse gases, volcanoes and the 11-year sunspot cycle. Other phenomena are represented poorly, if at all, and generally are ignored in these models. Because only the past 150 years are captured, the vast swings of the previous thousand years are not analyzed. The upshot is that any natural variations, other than volcanic eruptions, are overshadowed by anthropogenic greenhouse gases.

"Most significant: The possibility of long-term cycles in solar activity is neglected because there is a scarcity of direct measurement," Schlesinger pointed out.

"Nonetheless, solar irradiance and its variation seem highly likely to be a principal cause of long-term climatic change. Their role in longer-term weather cycles needs to be better understood.

"There is an idea among the public that 'the science is settled.' Aside from the limited facts I cited earlier, that remains far from the truth. Today we have far better instruments, better measurements and better time series than we have ever had. Still, we are in danger of

A surrogate may be suitable for propaganda, but not as a basis for public policy.

prematurely embracing certitudes and losing open-mindedness. We need to be more modest."

Schlesinger is far from alone in insisting that it is "premature" to base public policy on an unsettled science about the role humans play with respect to as much GW as there may turn out to be. But although widely held, such skeptical GW views are not widely publicized.

The EFSEC proposed rule for CO₂ mitigation, moreover, seems to assume that CO₂ mitigation is established practice. It is not, and apart from tree planting, techniques like pumping CO₂ into the geological formations or the oceans are very questionable. One ironic CO₂ disposal technique would use CO₂ to flood old oil fields to force out more petroleum. Go figure.

I address the GW issue because it endangers rational development of adequate, economic, reliable and efficient energy resources. None of what I write here should be seen as opposition to green power. My opinion is that the EFSEC CO₂ mitigation rule lacks scientific credibility and is unworkable, and on those accounts it should not be enacted.

A much more promising condition on licenses could be an up-front contribution to integrating new generation with energy efficiency, demand management and general energy conservation. We know that's workable [Cyrus Noë].

Watchwords

[12] Sen. Tim Sheldon Elected to Energy Northwest Executive Board

Washington state Sen. Tim Sheldon (D-Potlatch) has been elected to Energy Northwest's Executive Board. Sheldon--senator for the 35th District, which includes all of Mason and portions of Grays Harbor, Kitsap, and Thurston counties--will fill the remaining term of outgoing board member and former chairman John Cockburn. The term expires June 17, 2004.

Sheldon was a commissioner for Mason County Public Utility District No. 1 from 1999 to 2002. An Energy Northwest Board of Directors search committee nominated him to replace Cockburn, who earlier this year indicated he wanted to leave his position on the E-Board by the end of the year. Sheldon was elected last week by unanimous vote of the agency's 18-member board of directors.

Energy Northwest's Executive Board has 11 members. Five are elected from the Energy Northwest Board of Directors. The other six are "outside" members, who have no other formal association with Energy Northwest. Three of them are appointed by the board of directors and three are appointed by the governor.

Sheldon chairs the Senate Economic Development Committee, is the ranking member of the Senate Land Use and Planning Committee, and is a member of the Legislative Transportation Committee. His Senate term expires in January 2007.

Sheldon is also the executive director of the Economic Development Council of Mason County and the general partner in Sheldon Properties, a family-owned tree farm on the Olympic Peninsula. He has a Bachelor of Science degree in Economics from the University of Pennsylvania's Wharton School of Finance and Commerce, and a Master's degree in Business Administration from the University of Washington [J. N.].

Supply & Demand

[13] Puget to Buy 137 MW Share of Frederickson ■ from [2]

Puget Sound Energy will buy a 49.85 percent stake in the Frederickson 249-MW combined-cycle gas turbine facility near Tacoma, Wash., the company announced last week. Power from the plant would address short-term needs identified in the company's Least Cost Plan. The \$80 million investment, subject to Washington Utilities and Transportation Commission approval, would also cover Puget's share of a 26 MW upgrade slated for Frederickson next spring, giving the utility about 30 percent of the additional 475 aMW it predicts it will need by 2005.

Bob Kahn, executive director of the Northwest

Independent Power Producers Coalition, praised Puget's move and said it shows "the value of independent power producers and how we can partner with our customers."

He added that the deal is a good one for PSE because the facility is near the crossroads of several gas and transmission lines, and is located west of the Cascade Mountains close to much of PSE's load.

The facility, owned by Edmonton, Alberta-based EPCOR, started commercial operation in late 2002. It currently supplies 125 MW to the Benton, Franklin, and Grays Harbor public utility districts under a 20-year contract reached in 2001.

Wasting no time, Puget included the proposed acquisition in a WUTC rate review filed later in the week, its first-ever under the "Power Cost Only" provision

hammered out in last year's general rate settlement. The filing requests a baseline power cost true-up to higher values, reflecting the Frederickson stake and higher power costs since the first baseline was set in July 2002.

The request asks for a 4.7 percent rate increase for its 970,000 residential and business customers, effective April 1, 2004. A typical monthly residential bill of \$62.25 would grow about \$3.40.

"We expect we'll have a five-month turn-around on this, including commission review, instead of the usual

PSE still faces a power supply gap because of unexpected load growth and the expiration of decades-old power-purchase contracts.

11-month process," said Kimberly Harris, PSE vice-president regulatory and government affairs. The Frederickson deal, she said, was the result of sifting

through over 30 responses the utility received to a request for proposals issued last year.

The company still faces a power supply gap because of unexpected load growth and expiration of decades-old power-purchase contracts for energy supplied by other utilities (CU No. 1064 [6/13]). If unchecked, it could grow to 1700 aMW by 2013 and to 2400 aMW by 2023, according to comments by PSE President and CEO Steve Reynolds that accompanied the Frederickson announcement. Reynolds added that the Least Cost Plan approved in April and updated in August (CU No. 1099 [7/12]) addressed this with a balanced, diversified energy resource mix that limited customer financial risks and promised stable rates in the long run.

The approach outlined in the LCP includes conservation to trim 203 aMW over the next 10 years, renewable power acquisition to meet 10 percent (279 aMW) of load by 2013, seasonally shaped new resources, and a diverse thermal generation mix that would consider coal-fired, gas-fired, and large PURPA resources.

Many of these options are already being pursued.

"We will send out the [2004-2005] conservation proposal by the end of the month," Harris said, "and our draft RFP for 150 MW of wind power" has already been circulated, with Friday the last day for comments.

Other LCP provisions slated to start this year include screening coal resource solicitations, and issuing two or more RFPs for resources that have stable variable costs, such as coal and large PURPA projects. Next year, Puget will issue an RFP for other renewable and small cogeneration projects, seasonal shaping and possibly more wind **[Rick Adair]**.

[14] NOAA Weather Computer Says More, Less, or Average Winter Due ■ from [6]

Without an El Niño or La Niña event likely to influence weather patterns any time soon, NOAA weather forecasters say there's about a 33 percent chance that

temperatures in the far West, Alaska and the Southern Plains will be above normal this coming winter.

This winter will mark the first time in the last six years that the forecast won't be influenced by an El Niño or La Niña, although the agency does hedge its bet a bit, saying weak El Niño conditions "are possible" by the end of November, though minimal effects are expected.

"Our forecast tools imply large uncertainty in the northern and eastern U.S., while a clearer picture emerges elsewhere," said Ed O'Lenic, senior meteorologist and lead forecaster at NOAA's Climate Prediction Center.

For the rest of the country, NOAA forecasters say the odds are pretty even that temperatures will be above normal, below normal, or near-normal.

The outlook for precipitation is pretty much the same, with equal chances of more--or less--of it from December through next February.

The Oct. 16 forecast says drought impacts should ease through eastern Washington and northern Idaho, and to a lesser extent in western Montana and central Idaho, but will persist through middle Montana, Colorado, Wyoming, most of Nevada and Arizona.

University of Washington climate researcher Nate Mantua said the federal forecast for a warmer winter is based on the averages. "It's been warmer for the last 25 years," Mantua said. He also noted that it's still too early to say if there has been a "regime shift" towards wetter, cooler winters in the Northwest.

An updated streamflow forecast from the UW's Climate Impacts

Group calls for "an elevated likelihood" of near-normal flow conditions in the Columbia River.

It's still too early to say if there has been a 'regime shift' towards wetter, cooler winters in the Northwest.

The cooler

near-shore waters in the Pacific Ocean generated by the La Niña of a few years back could be masking a real shift, Mantua said, but conditions in the Gulf of Alaska haven't changed much. He said Alaska salmon runs are holding up pretty well. If a regime shift has occurred, ocean productivity off Alaska should decline significantly.

"Most of the north Pacific is still pretty warm," Mantua said, though last week some bands of warm and cold water have started showing up. With the Bering Sea maintaining its heat as well, he said the notion of a Pacific Decadal Oscillation, in which atmospheric and ocean conditions shift in tandem between the West Coast and Alaska in 20- to 30-year cycles, may just be "too simple."

Mantua is one of the principal investigators of that hypothesis. He said winter winds in the north are showing different patterns from those expected if a real climatic regime shift had occurred **[Bill Rudolph]**.

Courts & Commissions

[15] Election Looms as Courts Volley Oregon PUD Ballot Measure ■ *from [7]*

Legal wrangling over a state-mandated warning could fog the outcome of two Multnomah County measures to create and fund a people's utility district from pieces of Portland General Electric's territory in the Oregon county.

The matter is currently in limbo after a federal appeals court on Oct. 22 blocked the remedies a lower federal court ordered on Oct. 17 for the warning, which it had ruled was unconstitutional.

If the measures fail and the ongoing court battle leaves the warning unchecked before the election, PUD supporters say they may challenge the vote.

The legal furor centers on the funding measure, which would approve a one-time property tax levy to provide the district with about \$127,000 in startup funding.

'This fix was inferior to our request.'

The boilerplate warning, approved by state voters in 1977, is applied to all ballot items with

a property tax provision, and says, "This measure may cause property taxes to increase more than 3 percent." The PUD measure actually calls for a one-time 0.03 percent tax per \$1,000 of assessed property value to fund an engineering report for the nascent district. The levy would be 45 cents for a house assessed at \$150,000.

A suit was brought against the county in early September after a county judge certified the ballot language. U.S. District Judge Ancer Haggerty on Oct. 17 declared the warning unconstitutional and ordered county elections officials to run notices and newspaper ads saying that the warning were "misleading."

"This fix was inferior to our request," said Linda Williams, attorney for several Oregon Public Power Coalition members who brought the suit. "We wanted corrective statements slipped in with the ballots when they went out."

But that option was precluded because the county mailed the ballots the day of Haggerty's ruling. With thinly veiled umbrage, the judge pointed out in his order that the mailing could have been delayed until Oct. 21, per the county's own statements, instead of the "unusual timing of the defendants' actions under these circumstances."

County director of elections John Kauffman told *Clearing Up* that despite the five-day window for mailing ballots--from Oct. 17 to Oct. 21 this year--the county had always mailed them out on the first possible day.

"The judge did not tell us to stop or wait for his ruling," he said. "So, we just did what we normally do."

Kauffman expressed doubt that the tax warning would confuse voters. "Every measure requested by a school district, water districts and the like since 1997 has had that warning," he said. "Nobody that I know about has been confused by this before."

The PUD measures were brought by the Oregon Public Power Coalition (CU No. 1104 [5/20]). The group says forming a PUD would prevent PGE from being split into unregulated pieces, and from being spun off as another Enron-like investor-owned utility, possibilities OPPC said are allowed by ambiguous phrasing in Enron's proposed reorganization plan. Group members also say power prices would drop because high executive salaries and investor disbursements wouldn't burden the district.

State law also allows the PUD to acquire PacifiCorp assets in the county.

Opponents--most notably Citizens Against the Government Takeover, which is funded mostly by PGE and PacifiCorp--counter that public ownership would raise electric rates, decrease reliability, and have limited power supplies while attempts to acquire PGE's power assets are tied up in court.

There may yet be hope for OPPC in the matter if an emergency request Williams faxed to the appeals court on Oct. 23 persuades the justices to partially lift the stay, allowing Haggerty's remedies to go forward, but delaying consideration of the warning's constitutionality. But at press time, the court hadn't ruled on the request **[Rick Adair]**.

[16] PUD Reaches Global Settlement on Lake Chelan Relicense ■ *from [8]*

Chelan County PUD last week told the Federal Energy Regulatory Commission it has reached a settlement with a large group of stakeholders for the issuance of a new license for the 58 MW Lake Chelan hydroelectric project. The settlement was the result of a collaborative process with stakeholders, undertaken in accord with the alternative relicensing rules FERC adopted in October 1997.

Chelan forwarded the Offer of Settlement for the 76-year-old project, the current license for which expires next year. "This was a very important step for us," said spokeswoman Suzanne Bacon. "What we have is a big agreement with lots of people supporting us. One great thing about it is the agencies agreed to support a 45-year renewal, and not oppose it if FERC gives us 50 years."

But before FERC can act, Bacon said, it must await the outcome of an appeal of the Section 401 water quality certification that was issued through the Washington Department of Ecology. The appeal is being pursued by the Columbia River Inter-Tribal Fish Commission and the Confederated Tribes of the Umatilla Nation. A

hearing is set for March 1 through March 5 before the state Pollution Control Hearing Board, but Bacon was uncertain how things will play out after that in terms of timing or further appeals.

In addition, FERC only recently completed an environmental assessment of the relicense, and now must take some time to integrate the settlement into the final environmental assessment.

Bacon said the CRITFC appeal is holding up implementation of one of the main features of the settlement: restoring year-round flows to a four-mile section of the Chelan River, which for the past 76 years has been dry most months of the year. The settlement calls for year-round flows through the dry reach of at least 80 cubic feet per second, thereby "recreating a river ecosystem there," Bacon said. "Eighty cfs would provide 95 percent of the habitat available in that area." The average outflow from Lake Chelan is 2,041 cfs.

Another feature of the settlement is a new lake level management scheme that is aimed at preventing the creation of gravel barriers at the mouths of tributary streams.

Tony Eldred, a senior fish and wildlife biologist at the Washington Department of Fish and Wildlife, explained why his agency went with the settlement. "By working with the utility, which is acquainted with the conditions on the site in the project area, our experience

'By working with the utility, our experience is we wind up with a more satisfactory product.'

is we wind up with a more satisfactory product." In the collaborative process the utility is "more reluctant to say no to something

outright." The department got most of what it wanted, and no party "had to give away anything vital." For example, Eldred said, the PUD agreed to a trout restoration program and restoration of shrub steppe habitat.

Parties to the settlement include the U.S. Forest, National Park, and Fish and Wildlife Services; NOAA Fisheries, the Colville Tribe, American Whitewater Affiliation, the City of Chelan and the Washington state Departments of Fish and Wildlife and Ecology.

Bacon said the new license will increase the cost of power from the Lake Chelan project by an estimated average of 25 percent over the life of the new license. She said the relicense, including the entire protection, mitigation and enhancement (PME) package, will cost the PUD \$44 million over 50 years. About 35 percent of that, or about \$15.4 million, is the estimated impact on power benefits due to the new lake level and minimum flows. She said most of the capital expenditures--mainly for habitat improvement and the installation of a new pump station--will be spent during the first 25 years.

The project (P-637) is located at the southeast end of Lake Chelan, a few miles from where the lake joins the Columbia River. Lake Chelan is a natural lake. The project has two 24 MW generating units; the original turbines were replaced in the mid-1980s. Over the last 10 years, Lake Chelan generated an average of 370 million KWh/year.

Chelan PUD bought the project in 1955 for \$21 million from Avista (then Washington Water Power), to which it sold most of the output for the following 40 years. The current 30-year license was granted in 1981, but was retroactive to 1974, when Avista's original 50-year license expired.

Now the power flows into Chelan PUD's system, which also includes the output from Rocky Reach and Rock Island dams. Chelan uses 38 percent of the system's total capacity to meet its native load needs, including a portion of Alcoa's Wenatchee Works aluminum smelter, which is not currently operating **[Ben Tansey].**

[17] Seams Steering Group Readies Transmission Report ■ *from [9]*

Whether the chosen scenario relies primarily on natural gas, coal or renewable resources, it is technically feasible to meet the West's future transmission needs--and the benefits of expanding the system outweigh the costs. That's the message in a draft report prepared by a sub-group of the Seams Steering Group of the Western Interconnection being finalized for submission to the Federal Energy Regulatory Commission on Oct. 31.

Even in its final form, the report--"Framework for Expansion of the Western Interconnection Transmission System"--will not recommend one of the scenarios over the others. More work is needed to get to that step, said Dean Perry, chairman of the SSG-WI Planning Work Group, which put together the study. "When we developed these scenarios, they were pretty extreme in the amount of resources we were representing," Perry said. The work group purposely selected extreme "bookends" in order to get an idea of the broadest impacts, he said.

The fact that the planning work group reached consensus on the bookends is significant, Perry said, as the process involved input from a wide variety of Western stakeholders. "Now we have to get people to agree on what would be a more realistic scenario, and see what the transmission impacts of these would be," he said.

'Now we have to get people to agree on what would be a more realistic scenario.'

SSG-WI is a voluntary alliance that includes representatives of the regional transmission organizations under development in the Western Interconnection region, the California Independent System Operator, and other stakeholders. The planning work group's study uses the transmission and generation facilities expected to be in operation in 2008 as the base case. Only those new power plants expected to be on line by mid-2004 are counted; most of them are natural gas-fired.

The study outlines the transmission line additions and upgrades assumed in the 2008 base case. In the Northwest, these include the new Schultz-Wautoma 500 KV line, along with a substation, on the existing Hanford-John Day 500 KV and Hanford-Ostrander 500 KV lines; the

Coulee-Bell 500-kV line, plus 230-kV line additions to Avista's system, which improve West of Hatwai capability; upgrades that increase capacity on the Cross Cascades North Path; and the Kangley-Echo Lake 500 KV line in the Puget Sound area.

In California, reinforcements to Path 15 are included in the base case.

"The level of congestion identified in the 2008 scenario provides a benchmark for the three 2013 scenarios and helps identify imminent congestion problems," the study indicates.

The first of the 2013 scenarios relies primarily on natural gas resources. It would add 18,200 MW of combined-cycle combustion turbines to the level assumed in 2008. The projects are sited according to load growth and proximity to gas and electric transmission lines.

The second scenario relies primarily on coal-fired resources. It calls for 16,300 MW of additional coal plants, compared to those assumed to be on line in 2008. The new plants would be located at or near coal mines. The scenario also adds 1900 MW of combined-cycle gas-fired plants in Southern California and Northern Baja Mexico.

In the third scenario, most of the new generation would be supplied by renewable energy sources, along with 9500 MW of new combined-cycle gas-fired plants. By 2013, this scenario would add 34,300 MW of renewable nameplate capacity to the region above the level assumed in 2008. The scenario assumes 18,500 MW of this would be wind power, 2500 MW would come from solar generation, and another 3800 MW would be baseload biomass and geothermal.

"This is enough renewable energy generation to meet all of the renewable portfolio standard targets of California, Arizona, Nevada and New Mexico currently in place," the study notes.

All three of the 2013 scenarios add 6500 MW of nameplate capacity wind generation, placed closer to loads than the additional 12,000 MW of wind added in the renewable scenario.

The study also estimates the variable operating and maintenance costs of each scenario, along with the VOM savings. Perry said these numbers are being

re-worked, and a payback period will be added for the capital investments required.

At this point, the study estimates VOM costs of between \$13.4 billion to \$21.3 billion in the gas scenario, \$10.4 billion to \$16.5 billion for the coal scenario, and \$11.3 billion to \$18 billion for the renewable scenario. "This puts the approximate total VOM savings for building the gas scenario at around \$2 billion, while the coal scenario would save about \$6 billion and the renewable scenario \$5 billion," the study reads.

"Although the study results should not be construed to mean that a particular scenario is cost-effective to construct because there is a need for more detailed analyses, the results do indicate that the benefits of constructing new generation and transmission infrastructure exceed the costs for all three scenarios," the study says. But it also adds the following caveats: "Such costs as the cost of additional gas pipeline infrastructure, or the costs associated with potential carbon emission regulation, have not been evaluated. Benefits stemming from reliability improvements, improved market competition and increased ancillary services have also not been quantified.

"Expected generation/transmission scenarios for the various Western Interconnection sub-regions merit further evaluation, including the consideration of non-transmission alternatives such as demand reduction measures."

Further evaluation is among the next steps identified in the conclusion of the report. Another issue is securing access to the funds needed to proceed with investment in such facilities, Perry said. The report also suggests that "federal, state and local policy-makers need to address and resolve institutional and financial barriers to the construction of needed transmission infrastructure. These issues include cost allocation and cost recovery needed to encourage investment in transmission infrastructure and demand efficiency measures at loads."

Perry said the report was discussed at the Oct. 17 meeting of the SSG-WI steering committee. It will be presented to FERC as part of SSG-WI's second status report on its activities to facilitate a seamless Western market **[Jude Noland]**.

Environment

Fish



[18] Only Three Sockeye Return to Idaho's Sawtooth Valley ■ from [4]

Most wild and hatchery salmon runs have improved rapidly in recent times, thanks largely to improved ocean conditions. But there is still one big exception:

the Idaho sockeye run.

Only three descendants of the original Lonesome Larry returned to Idaho's Sawtooth Valley this year, home of the Redfish Lake sockeye, the first Northwest salmon stock listed for protection under the Endangered Species Act in 1991. Twelve sockeye were counted at Lower Granite Dam by the end of August, but that last 450 miles to the Lake must have been too much for them.

Lonesome Larry was the lone sockeye that returned in 1992. His precious bodily fluids were frozen as part of a captive broodstock program that started in 1991, a last-ditch effort aimed at saving the run from extinction.

Idaho Fish and Game biologist Paul Kline said 30 adult fish were expected from the 30,000 smolts that emigrated in 2001. He did not speculate on the cause of the poor return.

All sockeye returning to Idaho since 1997 are products of an intense captive broodstock program. In 2002, 22 adult sockeye returned, while 26 of them showed up in the valley in 2001.

In 2000, biologists were shocked when nearly 260 sockeye returned from an out-migration of 38,000 smolts raised in the program, along with an unknown number of out-migrants resulting from the planting of nearly 150,000 pre-smolts in Redfish, Pettit and Alturas lakes.

This year's low numbers may have something to do with the poor migrating conditions for fish in the drought year 2001, when extremely low flows plagued the Columbia Basin, a dire situation compounded by the distances these fish had to cover. The Redfish Lake run is the southernmost sockeye stock on the West Coast, migrating farther and spawning at a higher altitude than any other. They swim almost 900 miles to reach the ocean, and another 900 miles back.

But some critics of the ESA listing still say the fish shouldn't even be protected, because there is no real distinction between the 5,000 to 10,000 resident spawning kokanee in Redfish Lake and the ones who go to sea.

They point to the fact that a dam blocked access to Redfish Lake for more than 20 years, and speculate that the fish migrating now are simply descendants of the freshwater residents with "a sporadic seaward drift."

However, another hypothesis speculates that operators of the dam in question may have occasionally helped fish get into the lake, which could have kept the stock from going extinct.

When the stock was originally listed under the ESA in 1991, only the sea-going component was protected. At the time, National Marine Fisheries Service scientists admitted they did not have enough information to make a satisfactory decision about whether the two components were different stocks.

Genetic analyses found that returning adults and out-migrants "were similar but distinct" from the freshwater kokanee, but newer analyses that have examined growth in the fishes' earbones found that many out-migrants have had a resident female parent.

Further investigation has found a small number of

kokanee spawning about the same time and place as the sockeye. Most kokanee spawn up a local creek, while the sockeye spawn along a beach at Redfish Lake.

"NMFS will never make a judgment that will make kokanee part of the ESU [evolutionarily significant unit]," said hatchery expert and retired University of Idaho professor Ernie Brannon, who also studied Redfish Lake sockeye. "They have too much at stake."

Brannon said it would be better to simply determine if the kokanee population is viable, since it's likely that at intermittent intervals some of them leave the lake for the ocean. This likelihood was also suggested by Idaho consultant Don Chapman in a 1990 sockeye study commissioned by The Pacific Northwest Utilities Conference Committee.

"Scientists should be studying the environmental factors that encourage the fish to migrate," Brannon said.

But the federal scientists' latest assessment of the sockeye stock has maintained the basic difference between the ocean-going and kokanee components.

Pointing out that only 16 naturally produced adults have returned since the stock was listed, the NOAA Fisheries biological review team voted unanimously last February to keep it in the "in danger of extinction" category.

Most sockeye stocks in Idaho were extirpated on purpose, poisoned by Idaho Fish and Game years ago to keep the fish from eating the trout prized by sports fishermen. But Alturas and Redfish lakes were too deep for the poison to be used effectively, so the fish got a reprieve, said Rob Dillinger, a Portland-based consultant who worked for IDFG in the early 1990s.

Dillinger also said an effort to boost the lake's productivity failed when test corrals filled with fertilizer encouraged the growth of a type of plankton that fish wouldn't eat. It crowded out the plankton the fish preferred and the test fish starved.

"It's a murky, murky situation," Dillinger said. He thinks it is likely that some kokanee go to sea if given the chance. But he pointed out that the lineage of the present run may have been derived from "residual" fish that remain in fresh water while most go to sea, traits also evident in Lake Wenatchee's sockeye population.

The National Research Council also noted in its 1993 salmon study *Upstream* that the Redfish Lake run may have been made up of residual sockeye.

The Lake Wenatchee run is relatively healthy compared to Redfish Lake's. The Wenatchee fish swim hundreds of miles less, but more than 100,000 sockeye

'NMFS will never make a judgment that will make kokanee part of the ESU. They have too much at stake.'

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returned to the mid-Columbia in 2001. And this year, about 35,000 made it past Rock Island Dam on their way home.

Chuck Peven of Chelan PUD said the wild component of the 2001 Lake Wenatchee sockeye run had a smolt-to-adult return (SAR) rate of 2.1 percent, with hatchery fish displaying a return rate of 0.7 percent. The Redfish Lake return of 26 fish in 2001 showed a SAR of .05 percent to 0.14 percent.

In September, IDFG released 30 adult hatchery-

raised sockeye into Redfish Lake to help maintain the run. Over 300 hatchery adults have been added over the past few years. Many have been raised in Washington state, at NOAA Fisheries' Manchester lab on Hood Canal.

NOAA Fisheries announced interim recovery targets for listed stocks more than a year ago, suggesting that 1,000 sockeye returning to one lake and 500 returning to another lake in the Sawtooth Valley would be an adequate productivity goal **[Bill Rudolph]**.

Clearing It Up

[19] Four Incidents of Transmission Tower Tampering Reported ■ *from [1]*

A federal arrest warrant has been issued for Michael Poulin, a 62-year-old Spokane, Wash. man wanted in connection with at least one of four reported incidents of attempted sabotage of high-voltage transmission towers in California and Oregon last week. Poulin is wanted for an incident that occurred on Oct. 20 near Anderson, Calif., in which bolts were removed from the supports of a Western Area Power Administration 115-KV line. The same day, a similar incident was reported on a 500-KV PacifiCorp line near Klamath, Ore.

According to the Western Electricity Coordinating Council's Oct. 21 daily status report on the region's electricity system, at about 2:30 p.m.

Monday a worker at the Klamath Cogeneration facility spotted a truck driving away from one of the transmission towers that supports the Meridian-Captain Jack 500 KV line. Seven bolts had been re-

removed from the tower's footings, WECC reported. At around 5:30 p.m. the same day, personnel at Sierra Pacific Industries, a firm with a number of wood-waste cogeneration facilities in northern California, saw someone removing bolts from a tower on the Western Area Power Administration's Cottonwood-Airport 115 KV line near Anderson.

The FBI's report differs somewhat on the details. According to the bureau's Oct. 23 news release, on Oct. 20 the Anderson Police Department responded to a 911 call from a motorist who observed a suspicious individual near a high-voltage transmission tower near Interstate 5. That individual had attempted to remove bolts from the legs of the tower, the FBI said. "Subsequent investigation determined the suspicious individual to be Michael D. Poulin of Spokane, Wash.," the news release said.

The FBI said the arrest warrant is based only on the California incident, but Poulin is wanted for questioning in connection with the Oregon incident. The federal warrant charges Poulin with violation of Title 18, United States Code, Section 1366, damage or attempted damage to an energy facility.

The FBI described Poulin as a white male, 5'11" tall,

250 pounds, with black and gray hair and beard, brown eyes, and wearing wire rim glasses. Poulin was observed driving a gray 1997 Toyota T100 pickup truck with Washington plates, a white shell attached and a motorcycle mounted on the back bumper.

Karen Ernst, spokeswoman for the FBI in Sacramento, said that the description of the individual was similar at both locations.

No one was seen at the sites of two additional incidents, mentioned in the WECC's Oct. 23 daily report. In both cases, BPA crews discovered bolts had been removed from transmission towers, said Beth Anne Steele, spokeswoman for the FBI's Portland office (BPA referred all calls to the FBI).

The first case, discovered on Oct. 20, involved a tower in the area near McNary Dam in Oregon. The second incident, discovered on Oct. 23, affected a tower north of Madras, near Highway 97, Steele said.

The tampering on the McNary tower was discovered by a BPA crew that happened to be in the area, Steele said; the Madras tampering was discovered by a crew that BPA had specifically dispatched to inspect transmission towers. Steele confirmed that it is unclear when the bolts were actually removed from the towers. The crews replaced the missing bolts in both cases, she added.

The Department of Homeland Security and the North American Electric Reliability Council have also been notified of the incidents. A WECC representative characterized the events as "very serious."

Utility representatives would not specifically comment on how the flow of electricity might have been affected had one of the transmission towers gone down. The WECC indicated that loss of a tower on the Meridian-Captain Jack line, however, would not have been catastrophic, as it is not as important to operation of the California/Oregon Intertie as other lines.

At least one previous incident of transmission line tampering affected operations, however. On New Year's Eve 1999, BPA lost a transmission tower on the DC Intertie about 26 miles east of Bend, Ore., said spokeswoman Darby Collins. The flow of power was interrupted for more than a day, she said. A suspect in the sabotage was never identified.

A WECC representative characterized the events as 'very serious.'

More recently, vandals sheared most of the guy wires supporting five transmission towers on Idaho Power's 345-KV Bridger-Goshen line. Two suspects are in custody in connection with the March 30 incident; their sentencing hearing is set for Oct. 30, according to Idaho Power spokesman Dennis Lopez.

An ulterior motive is unlikely in the Idaho Power case, Lopez said. The perpetrators were "boys with more beer than brains," he said. Idaho Power spent \$275,000 to repair the damage.

Representatives of the Department of Homeland Security and the FBI investigated the incident, Lopez said. "If you were going to be stupid, this was not the time or place to do it," he added **[Jude Noland and Shauna O'Donnell]**.

[20] BPA, Customers Begin Signing Litigation Settlement ■ *from [3]*

The Bonneville Power Administration and a handful of its customers signed a major agreement last week aimed at settling over a dozen pending lawsuits and lowering wholesale power rates in the region. If over the next 120 days all the remaining parties sign, BPA's revenue requirement for the current rate period will decline by \$480 million, allowing it to reduce its wholesale power rates an average of 9.69 percent compared to today's rates.

"It's time for an up-or-down vote by all the utilities involved," said BPA Administrator Steve Wright. "The settlement reduces BPA rates now and creates greater certainty about BPA benefits and costs in the future."

The stipulation agreement has space for 90 separate signatures from customer groups, public utilities, private utilities, direct service industries and state regulatory agencies.

Under the agreement, the clock began ticking after BPA, one public and one private utility signed. Wright and two other BPA executives signed relevant documents Oct. 21. The agreement was then shipped overnight to Kevin Wells, general manager at Vera Water & Power in Spokane, Wash.. But when the shipment failed to arrive, BPA faxed it, and Wells signed it Wednesday. Puget Sound Energy and Avista followed suit.

"Either we did the right thing or we were damn fools," Wells joked. He said Vera has been supporting a settlement for a year and

a half and believes signing was "the right thing to do." He said his 8,600 retail customers will see a rate decrease of about 5 percent or 6 percent, and twice that amount compared to where Vera's rates would be next April absent the settlement. "If we'd left it in the hands of a judge, who knows what we would have come out with?"

Kimberley Harris, VP for regulatory and government affairs at Puget Sound Energy, said the settlement is a first step toward resolving contentious issues. "Hopefully

the region will now be able to move forward to address other important energy concerns," she said.

The region's four governors praised the settlement in an Oct. 22 letter to Wright. "We commend both BPA and the regional utilities for their work to reduce rates for the benefit of the region. We support the settlement framework and we urge all parties to work toward the settlement."

The governors also emphasized their support for the portion of the agreement calling on BPA "to reach out to all regional interests and collaboratively seek cost reductions or revenue enhancements of approximately \$100 million in FY

2004 and FY 2005." If this is achieved, they noted, "there will be no SN CRAC increase in FY 2005." If the

settlement goes through, the FY 2004 SN CRAC goes to zero percent.

The settlement provides that within 30 days of Oct. 21, BPA will convene discussions to establish the details of "an open and collaborative public process" on how to achieve the \$100 million in targeted cost reduction and revenue enhancements and sets out a half-dozen specifications for that process.

In addition, the settlement lists the 18 Slice customer and IOU contracts that will be amended under the settlement. It also specifies that no action taken under the settlement will create any precedent with respect to BPA's service or provision of benefits after Sept. 30, 2011.

The settlement resolves challenges to the residential exchange settlement agreements, the Slice contracts, BPA's power subscription strategy and other matters. The \$480 million in savings consists of \$225 million in IOU benefits that the IOUs have agreed to defer until the 2007-2011 rate period; a separate deferral of another \$55 million in IOU benefits; and the elimination--for now--of the \$200 million reduction-of-risk discount payment (known to some as the "poison pill") that BPA promised to pay to PacifiCorp and Puget Sound Energy in the event the legal challenges to their benefits were not settled.

In BPA's record of decision on the settlement, Wright noted that the settlement "would, in effect, provide for the continuation of the Reduction of Risk Discount through Sept. 30, 2006."

The elimination of the challenges to IOU benefits and Slice contracts "will remove a substantial uncertainty from operation under those agreements for the remaining eight years of their terms for BPA and its customers," Wright concluded. "The elimination of possible power deliveries and the provision of only monetary benefits to the IOUs in the FY 2007-2011 period will reduce the need for BPA to acquire additional power supplies from the wholesale power market. This will reduce BPA's reliance on the unpredictable and volatile wholesale power market, which should enhance the stability of BPA's rates."

'Those folks have to do what is in the interest of their ratepayers.'

'If we'd left it in the hands of a judge, who knows what we would have come out with?'

Wright told *Clearing Up* he views the prospect of all parties signing the agreement as "excellent," because of the certainty of immediate and long-term benefits, and the uncertainty surrounding what happens if the litigation were to go forward. But the next 90 days will be the real test. The agreement sets out fully 12 separate events that could either void the agreement or constitute default. A handful of utilities are known to have reservations about the deal, and it remains to be seen if they'll come around.

"Those folks have to answer to their ratepayers," said Vera's Wells. "They have to do what is in the interest of their ratepayers." He said he could not see how a utility could decide the settlement is not in its interest, but he remained deferential, noting that different utilities have different political realities and rate structures to consider. "All of that has to be taken in to account. If it falls apart because of those folks, then that's how it has to be. We've been together too long not to believe they won't act in their best interest" **[Ben Tansey]**.

[21] Overdue Lease Payments Sought in Montana Lawsuit ■ *from [5]*

At least four power companies operating hydroelectric facilities in Montana could be on the hook to the state for millions of dollars in decades-old lease payments, according to a lawsuit filed last week in federal court in Missoula, Mont.

The suit, filed on Oct. 20 by a pair of Bozeman residents, claims PPL Montana LLC, PPL Services Corp., Avista Corp. and PacifiCorp have never paid into the state's public school trust fund. The companies operate hydro facilities on state-owned riverbeds and therefore under state law should be making lease payments into the public school trust fund, the suit alleges.

No dollar figures were given in the lawsuit, but the plaintiffs are asking for back payments and interest, based on the full market value of the dams, as well as damages for trespassing and "unjust enrichment."

"Montana law requires that rental payments on leases for power sites must be paid annually or semiannually [to the state] and such rental shall be not less than full market value of the estate," according to the lawsuit.

The suit alleges that the state of Montana; the State Land Board, which administers the public school trust; and the Montana Department of Natural Resources have "failed to fulfill their constitutionally imposed duty" to collect lease payments on the dams.

An attorney for the state Department of Natural Resources and Conservation said that riverbeds are state-owned, but considered sovereign lands that can be sold, transferred or leased, according to several published reports.

The lawsuit claims that according to state law, the state Land Board should have arranged a joint lease with the federal government. "The state and the board have failed to fulfill their duty to the school trust for over a century, necessitating that the plaintiffs bring this action now," the suit says.

John Bloomquist, a Helena, Mont.-based attorney

representing plaintiffs Richard Dolan and Denise Hayman, told *Clearing Up* that the issue arose last year during a statewide referendum that called for the state to consider taking control of the dams. The initiative was rejected.

He said the suit was not in response to PPL disputing several million dollars in state and local property taxes, nor is it in any way related to a "backlash against deregulation or power companies." Rather, "its origins are in the minds of people who are concerned about school funding," Bloomquist said.

Montana currently has \$425 million in the school trust, which generates about \$25 million in interest annually. Revenue from the school trust lands is about \$35 million a year.

Bloomquist declined to give an estimate of how much the companies might owe.

A spokeswoman for Avista declined to comment on the suit. A PacifiCorp spokeswoman said the company had not yet had a chance to review the suit. No one from PPL Montana was available for comment.

Denise Hayman, a mother of two children enrolled in public schools in Bozeman, told *the Great Falls Tribune* that "we have a lack of funding in public education, and it seems to me this was a reasonable approach to get money in the school trust fund where it belongs."

Richard Dolan referred questions about the lawsuit to his attorney.

One of the dams, PPL-Montana's Thompson Falls Dam on the Clark Fork River, was built in 1913. Thompson Falls, like all of the facilities named in the suit, has never paid into the state school trust fund, according to the lawsuit. The 90-year lapse in payments surprised Bloomquist.

"Frankly, when we started looking at this idea I expected to find an answer for compensation rather quickly," Bloomquist said. "And we found the answer, it just wasn't the one I was expecting."

In September, PPL Montana, which owns 10 of the 12 hydroelectric projects named in suit, joined with four other energy companies operating in Montana to protest payment of \$15 million in property taxes. PPL Montana is protesting its 2002 property tax bill of \$8.5 million on top of \$4 million paid in the previous two years.

The companies are arguing that the state appraised their properties at too high a value, put them in the wrong classification, or both.

During the state initiative campaign to consider buying back the dams from private energy companies, PPL Montana claimed that the state could not afford to buy the dams because they were worth much more than the value assigned to them by state appraisers **[Steve Ernst]**.

'When we started looking at this idea I expected to find an answer for compensation rather quickly. It just wasn't the one I was expecting.'

SALMON CROSSROADS

Record Runs & New Directions

A Columbia Basin salmon recovery conference & forum

Friday, November 14, 2003

8:30 am – 3:30 pm

DoubleTree Hotel Lloyd Center
Portland, Oregon



Sponsored as a public service by the Northwest Power & Conservation Council, PNUCC, Portland General Electric, Grant PUD, Chelan PUD, Douglas PUD, Bonneville Power Administration, Weyerhaeuser, PNGC Power, Pacific Northwest Waterways Association, NOAA Fisheries and Energy NewsData/NW Fishletter

Northwest salmon are returning in record numbers. On September 11th, 45,884 chinook set a one-day return record at Bonneville Dam. In the four days 11-14, half as many salmonids (230,000) came over that dam as crossed it in the entire 1995 season (460,000). What do records mean for future runs and conservation programs?

The public has been told and has come to expect that Northwest salmon are a "declining resource." But runs are not acting out a destiny of decline. Has salmon recovery come to pass? No one knows. But common sense suggests that record runs mean it's time to take stock of recovery programs and discuss new directions and possibilities. That's the purpose of this public service conference and forum.

7:30 Continental Breakfast & Registration

8:30 Introduction and Keynote

9:00 Panel One: Status of Columbia Basin Salmon Runs

- Record runs-data & trends
- The ocean; tracking the new regime
- Harvests & hatcheries

10:15 Break

10:30 Panel Two: Salmon Recovery Perspectives

- Salmon recovery investments
- What's working in salmon recovery

11:45 Box Lunch and Speech

12:50 Panel Three: Salmon Runs: Perceptions and Realities

- Views of salmon affairs from the perspectives of news media, policy officials and volunteers

1:50-3:30 Crossroads Forum: Next Steps and New Directions

- Forum kickoff panel: What's ahead for NW Salmon?
- Open forum on next steps and new directions

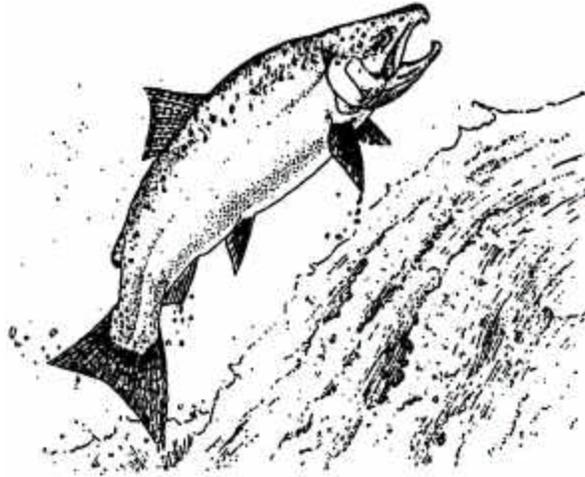
Committed/invited participants

include: David Anderson, deputy director, Council on Environmental Quality; **Steve Wright**, BPA administrator; **Mark Plummer**, NOAA Fisheries economist; **John Esler**, chair, Oregon Fish & Wildlife Commission; **Tom Karier**, economist and WA member of the NW Power & Conservation Council; **Rod Sando**, executive director, Columbia Basin Fish & Wildlife Authority; **John Stein**, NW Fisheries Science Center; **Bill Peterson**, Hatfield Marine Science Center; **Lori Bodi**, BPA; **Bill Rudolph**, NW Fishletter-NewsData; **Jack Ohman**, The Oregonian; **James Veseley**, The Seattle Times; **Larry Cassidy**, WA member of the Power & Conservation Council and a commissioner on the Pacific Salmon Commission; **Rob Walton**, NOAA Fisheries; **Greg Delwiche**, BPA. Consultant **Al Wright** will moderate the conference.

Registration for the complete program including luncheon is \$50 in advance, \$75 at the door. Online registration only at: www.newsdata.com/conf

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**Details on the other side of this sheet or at
www.newsdata.com/conf.**
