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A PUBLICATION FROM THE BONNEVILLE POWER ADMINISTRATION

Journal

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Students observe aquatic insects at BPA's Kids in the Creek program at the Salmon and Steelhead Days in Boise, Idaho.

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Robertson named acting administrator

Jack Robertson became the acting Administrator of BPA effective Oct. 1. Robertson has been BPA's Deputy Administrator since August 1987. He is a native of Portland, Ore. Robertson began working for the U.S. House of Representatives in 1973 and then for U.S. Senator Mark Hatfield of Oregon. He served as a senior policy advisor and director of communications for Hatfield from 1973 until 1982. Robertson returned to the Pacific Northwest in 1983 where he was appointed by BPA to the position of assistant to the administrator for external affairs.

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BPA and the Supply System complete two bond refinancings

BPA and the Washington Public Power Supply System completed two bond refinancings in September. BPA backs the bonds. A total of \$722 million of Washington Public Power Supply System Bonds were issued achieving a total present value savings of \$29.8 million over the life of the bonds. On Sept. 9, almost \$382 million of refinancing bonds were issued for a savings of \$14.2 million and on Sept. 17, \$340 million of refinancing bonds were issued for a savings of \$15.6 million. BPA and the Supply System have completed seventeen bond refinancings since 1989 resulting in net present value savings of over \$1.3 billion.

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Rating agencies issue credit ratings for BPA-backed bonds

Standard & Poor's, Fitch Investors Service and Moody's Investors Service recently issued credit ratings for BPA-backed Washington Public Power Supply System bonds. S & P rated the bonds AA- because of the strength of the net-billing agreements, BPA's cost-cutting efforts, and the fact that the Supply System's nuclear capacity represents only 8 percent of BPA's energy resources and is marketed with lower-cost hydropower. Fitch also rated the bonds AA- giving them a Fitch Competitive Indicator Score superior to the industry average. Fitch cites BPA's strong position in the Northwest electricity industry and BPA's improved financial condition as reasons for the AA- rating. Moody's assigned a rating of Aa1 because of the net billing agreements and continued improvements in BPA's financial position.

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COO Sue Hickey leaving BPA for health reasons

BPA's Chief Operating Officer Sue Hickey will be leaving BPA effective Oct. 17. Hickey expressed concern about the timing of her leaving, considering Randy Hardy's recent departure. But Hickey applied for medical disability in August, believing it would take up to six months for the paperwork to

be processed. Her request was approved in late September. She began her career at BPA working in conservation in March 1982. Hickey also served as BPA's deputy assistant power manager for marketing in the mid-eighties. In 1988, she became the assistant administrator for energy resources overseeing conservation, power resources and power forecasting. Hickey has been BPA's chief operating officer for the last three and a half years.

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BPA and APX sign agreement to sell power in California

BPA and Automated Power Exchange signed an agreement that allows BPA to use APX markets to trade hourly electric energy in California when California retail customers gain the ability to choose their electricity supplier on Jan. 1. This agreement also enables BPA to sell environmentally preferred power and to buy transmission rights within California. BPA sells power outside the Northwest only when it is surplus to Northwest needs. Automated Power Exchange operates the APX Electricity Markets, providing a forward market to buy and sell power up to 168 hours in advance of delivery, operating 24 hours a day, seven day a week. Automated Power Exchange is a privately owned firm based in Silicon Valley.

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NW Power Planning Council reviews fish and wildlife program

The Northwest Power Planning Council received requests for \$144 million of fish and wildlife projects in the region for 1998 and approved only \$94 million. The council voted to delay the other projects until they undergo both scientific and fiscal reviews. Some of the projects the council will delay or eliminate are \$20 million in proposed fish hatcheries and \$15 million in proposed and existing fish and wildlife habitat improvements. Other programs will also be reviewed. BPA allocates an average \$127 million annually to fund the council's fish and wildlife program.

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BPA helps sponsor Salmon and Steelhead Days in Boise

BPA participated in the first annual Idaho Salmon and Steelhead Days on Sept. 11-13 in Boise, Idaho. The first two days were specifically devoted to school children with 80 schools participating. Twenty-four hundred students spent time learning about the cultural, historical and economic importance of salmon and steelhead. The third day was devoted to families and had over 1000 people participating. Students learned the cultural importance of salmon from the Nez Perce Tribe and made paintings of salmon using the ancient Japanese technique of Gyotaku. The Shoshone-Bannock Tribe demonstrated its in-stream incubation project and BPA's Kids in the Creek program helped students identify water quality and impacts on salmon habitat. The students also learned to identify aquatic insects that salmon eat. Children participated in many other activities to enhance their knowledge of salmon and steelhead. The Idaho Department of Fish and Game, the U.S. Fish and Wildlife Service, BPA, the Nez Perce and Shoshone-Bannock Tribes, various state organizations, and environmental and fish groups sponsored the event.

BPA also held its Kids In the Creek program on Sept. 18-21 at the seventh annual Wenatchee River

Festival in Leavenworth, Wash., and on Oct. 1-2 at the Lake Roosevelt Water Festival in northeastern Washington near Kettle Falls.

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Randy Hardy looks at BPA's future role as he departs

Randy Hardy resigned as administrator of BPA on Oct. 1. He shares his thoughts on BPA's role in the region and the importance of maintaining system reliability both regionally and nationally.

Hardy sees BPA's new role consisting of three fundamental elements. First, BPA will remain a wholesale electricity provider and will not compete at the retail level. Second, BPA will continue to sell power at cost, not at market-based rates. Third, BPA will not seek to grow the business, which means it will not acquire new energy resources. Instead, the agency will continue to market the 8,500-megawatt hydro base.

Reliability is a great challenge. Deregulation, nationally, not just for BPA, poses challenges to the reliability of the electricity system. The nation appears to be moving toward a system of independent system operators. Under such a system, individual transmission owners would sell or lease their transmission systems to a single operator who would run the transmission as if it were one system. That system should work once the nation gets there, but if the transition takes five or six years, as it well could, the country could have some serious reliability problems in the meantime.

Those reliability problems could come from three sources. First, as competition brings new players into the market, there is a geometric increase in both the number and complexity of transmission transactions. With increased complexity, the possibility of things falling through the cracks is much greater. Second, as utilities prepare to compete in the deregulated power market, they are guarding their scarce capital rather than investing in upgrading their transmission systems. If this continues, utilities could begin to see serious deficiencies in the hardware end of their business. Third, in many cases, utilities are not providing sufficient margins of reserves for what we call the reactive support essential to maintain system reliability. One reason is that utilities don't get compensated for this support. They only get compensated for the amount of power they sell.

If the nation doesn't address these problems, we could see outages not unlike what happened in August 1996. It will take active collaboration, not just from BPA, but from all the nation's utilities and their regulators to ensure that reliability problems aren't overlooked in the rush for potential profits in a deregulated marketplace.

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BPA cost review process begins

BPA and the Northwest Power Planning Council are jointly conducting a review of BPA's future cost projections. The review is being guided by a management committee composed of representatives of the NWPPC, BPA, and five executives from large corporations around the country who have presided over downsizing or other significant change in their industries. The review is looking at costs of the Federal Columbia River Power System, BPA business lines and BPA corporate functions for fiscal years 1998 - 2006, and will focus particularly on FYs 2002 - 2006. At the initial meeting, the management committee

reviewed BPA's business objectives and cost structure, as well as discussed the scope and work plan for the review. It was the consensus of the Cost Review Management Committee that if the review is to be successful, it will be necessary to have rigorous discussions of BPA and the Federal Columbia River Power System management strategies and business operations, including staff reduction objectives. To enable frank, efficient give and take on internally sensitive issues, most management committee meetings will be closed.

Meeting summaries will be made available to the public shortly after each meeting. In addition, BPA and the NWPPC staff will meet regularly with BPA customers, constituents and tribal representatives to inform them of management committee progress and to discuss materials to be presented at the upcoming management committee meetings. Comments collected during these consultations will be shared with the management committee. A public meeting is being held to provide an update on the process and share and collect comment on the topics that will be addressed during the next management committee meeting. The public meeting will be held on Oct. 9, at the NWPPC office in Portland from 1:30 to 5 p.m. (See Calendar on back page.)

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Public Involvement

Status Reports

BPA/Lower Valley Transmission Project. Idaho and Wyoming -- To resolve a voltage stability problem in the Jackson and Afton, Wyo. areas; new 115-kV line proposed on existing right-of-way where possible. A final EIS is being developed. Call to be added to the mail list.

Big Eddy-Ostrander Vegetation Management EA. Oregon -- To control vegetation on two segments of the 500-kV transmission line right-of-way. One segment, about eight miles long, is from Lolo Pass to near Parkdale. The other segment, about one mile long, is east of Parkdale. The Forest Service is a partner in developing the EA. Call to be added to the mail list.

Bonneville-Hood River Vegetation Management EA. Oregon -- To control vegetation on the 115-kV transmission line right-of-way between Bonneville Dam and Hood River in the Columbia Gorge Scenic Area. The Forest Service is a partner in developing the EA. Call to be added to the mail list.

Columbia Windfarm #1. Washington -- The final EIS (#2682) is available. Call to receive a copy.

Four Mile Hill Geothermal Project EIS (Calpine). Northern California -- A geothermal power plant and about 24 miles of new transmission line have been proposed on Forest Service land in the Klamath and Modoc forests. The Bureau of Land Management has the lead. BPA is a cooperating agency. The draft EIS is available. Call to receive a copy.

Grande Ronde River Spring Chinook Project. Oregon -- Spring chinook supplementation program. An EA is being prepared. Call to be added to the mail list.

Methow Valley Irrigation District EA. Northern Washington -- A proposal to convert the open canal irrigation system to pressurized pipes and wells. An EA is being prepared. Call to be added to the mail list.

Nez Perce Tribal Hatchery EIS. Idaho -- Supplementation of anadromous salmonids. The final EIS (#2985) is available. Call to receive a copy.

Northwest Regional Power Facility. Washington -- To construct a combustion turbine near Creston. The final EIS (#2887) and a Supplement Analysis is available. Call to receive a copy.

Telephone Flats Geothermal Project EIS (Calenergy). Northern California -- A geothermal power plant and about 21 miles of new transmission line have been proposed on Forest Service land in the Modoc Forest. The Bureau of Land Management has the lead. BPA is a cooperating agency. The draft EIS is being prepared. Call to be added to the mail list.

Upper Snake River Fish Culture Facility. Idaho -- A proposal to purchase a tribal hatchery for redevelopment of Yellowstone cutthroat and redband trout. An EA is being prepared. Call to be added to the mail list.

Vegetation Management Program EIS. Region-wide -- To develop principles for cost-effective, consistent, efficient and environmentally acceptable means of controlling vegetation to maintain a safe and reliable transmission system. The Forest Service and Bureau of Land Management are cooperating agencies. The draft EIS is being prepared. Call to be added to the mail list.

Yakima River Basin Water Enhancement Project Programmatic EIS. Washington -- The Bureau of Reclamation is taking the lead on this project. BPA is a cooperating agency. The draft programmatic EIS is being prepared. For further information or to receive a copy, contact John Tiedeman, BOR, at (509) 575-5848 ext. 238.

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Calendar of Events

BPA Cost Review Process Briefing: Oct. 9, 1:30 - 5 p.m., NWPPC, 851 SW Sixth Ave., Suite 1100, Portland, Ore. Follow along by phone at 1-800-230-6608, or via computer at http://www.nwppc.org/cost_rev.htm.

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Acronyms:

EA: Environmental Assessment

EIS: Environmental Impact Statement

FONSI: Finding of No Significant Impact

NOI: Notice of Intent

ROD: Record of Decision

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The *Journal* is available on the Internet at <http://www.bpa.gov/Corporate/KC/home/journal/>.

We welcome all comments from you at Journal-CKC, Bonneville Power Administration, P.O. Box 3621, Portland, OR 97208-3621 or enballa@bpa.gov.

For More Information or To Get Involved:

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BPA Offices:

Boise - 208-334-9137

Missoula - 406-329-3060

Seattle - 206-216-4272

Spokane - 509-353-2515

Walla Walla - 509-527-6225

Washington, D.C. - 202-586-5640

Vancouver, Wash. - 360-418-8600

BPA Public Involvement, Internet, E-mail address: Comment@BPA.gov

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The *Journal* is edited by Nicia Balla, BPA Corporate Communications, enballa@bpa.gov.
The Public Involvement section is compiled by Jean Pennington, BPA Corporate Communications, japennington@bpa.gov.
The Web page version of the *Journal* is maintained by BPA Communication Services, intcomm@bpa.gov.
