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A PUBLICATION FROM THE BONNEVILLE POWER ADMINISTRATION

Journal

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Palouse Falls in southeastern Washington

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Committee recommends cost cuts

The Cost Review Management Committee released its BPA cost cut recommendations on Jan. 20. The recommendations are for fiscal years 1998 to 2006, but focus mainly on FYs 2002-2006. The Cost Review does not include fish and wildlife costs. BPA and the Northwest Power Planning Council sponsored the committee but the recommendations are those of the five outside executives on the committee. The executives were asked to look at the agency strictly from a business perspective and not to focus on policies and public responsibilities. The experts recommended cost cuts in several general areas. The largest portion of the recommended cuts, \$48 million, reduces expenses and improves productivity in the Federal Columbia River Power System hydro operations by the [U.S. Army Corps of Engineers](#), the Bureau of Reclamation and BPA. The committee also recommended \$14.7 million in reductions to BPA's power marketing and scheduling activities. Conservation and renewables would be cut \$22.4 million, with the committee recommending BPA stop funding regional market transformation efforts after 2001. BPA could save an additional \$22.4 million annually after 2001 through reestimates of conservation contracts and not funding new renewable projects.

The committee also recommended that the [Washington Public Power Supply System](#)'s Washington Nuclear Plant 2 could save \$19 million annually by improving efficiency and the power from WNP-2 should be marketed separately from BPA's subscription power. The committee recommended a \$1.7 million annual cut in the Northwest Power Planning Council's budget mostly in power-planning and staff reductions. Another \$21.5 million in cuts would come from reducing BPA overhead costs. Another \$20 million could be saved annually by reducing fixed costs -- debt service and depreciation -- through actions such as bond refinancings. Approximately \$31.5 million could be saved through transmission cost cuts and conformance with Federal Power Act requirements.

BPA participated fully in the cost review and appreciates the work of the five executives on the panel. BPA has been cutting costs since 1993 and agrees it can cut more costs. After a 30-day public comment period, BPA will review the comments and conduct the necessary detailed analysis looking at political, legal and policy level issues before knowing which recommendations will be implemented. Some recommendations require legislation and some recommendations require actions by the U.S. Army Corps of Engineers, the Bureau of Reclamation or the Washington Public Power Supply System.

Members of the panel are Curtis Bostick from Marco Island, Florida -- a personal investment manager who serves on the board of many organizations; Charles Collins from Seattle -- president of Colspur West Corporation; Robert J. Lane of Portland, Ore. -- former president of the corporate banking group at U.S. Bancorp and former president of West One Bancorp; Rosemary Mattick of Seattle -- vice president of procurement and supply management for the Weyerhaeuser Company; and William Vititoe from Seattle -- retired chairman of Washington Energy Company.

The NWPPC will host two public meetings to discuss the recommendations of the cost review. Meetings will be at the NWPPC office in Portland on Feb. 9 and at the West Coast Ridpath Hotel in Spokane, Wash., on Feb. 11. You can get more detailed information on the Cost Review by calling the NWPPC at 1-800-222-3355 or at the council's web site at http://www.nwppc.org/cost_rev.htm

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BPA ends year with \$118 million in net revenues

BPA's 1997 net revenues were \$118 million, an increase of \$22 million over 1996, despite a 13 percent

reduction in BPA's priority firm and industrial power rates. The gain in net revenues came from an increase in surplus and nonfirm energy sales, refinancing Washington Public Power Supply System Bonds and cost cuts throughout the agency. Revenues from publicly-owned utilities and direct-service industries were down in 1997 but BPA was able to resell the power to other customers at favorable rates.

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BPA and Corps sign direct funding agreement

BPA and the U. S. Army Corps of Engineers held a ceremony in Washington, D.C., on Jan. 27 to sign a direct funding agreement between the two parties. BPA and the Corps negotiated the agreement that allows BPA to directly fund power operations and maintenance costs at the 21 Corps of Engineers projects in the Columbia Basin. The agreement will improve efficiency of the Columbia River hydro system. Previously, operations and maintenance costs for Corps projects were funded through Congressional appropriations sought by the Corps that, when approved, were repaid by BPA to the U. S. Treasury at year's end. Senators [Slade Gorton](#) (R -- Wash.) and [Patty Murray](#), (D -- Wash.) and Representatives [Peter DeFazio](#) (D -- Ore.) and Norm Dicks (D -- Wash.) attended the event.

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Customers sign up to buy BPA power

In the past six months, BPA has either signed contracts or is near signing contracts with customers for up to 700 average megawatts (enough power to supply the entire city of Portland, Ore.) for post-2001 delivery. BPA is talking with an additional 15 customers who have expressed interest in buying 500 average megawatts, although these talks are still in the tentative stages. The healthy interest in BPA's power is extremely good news because approximately 75 percent of BPA's power sales contracts expire by 2001.

BPA credits a combination of cost management and a commitment to better customer relations with attracting buyers. Cost cuts have earned both customer respect and AA ratings from bond rating agencies. A new marketing approach, instituted in 1994, places full-service sales representatives in the field to work directly with individual buyers. The approach has won plaudits from customers for cutting red tape, reducing response time and making BPA more accessible.

BPA plans to sell most of its post-2001 power through a subscription process. This process was defined by the 1996 [Comprehensive Review](#) convened by the four Northwest governors to prepare the Northwest electricity community for deregulation. The subscription process retains preference for Northwest buyers, but any power not sold in the process will be made available to out-of-region entities. The official subscription begins in July, but a number of buyers came forward indicating they needed to secure BPA's power earlier in order to attract their own customers' future business. As a result, the governors' transition board, set up to supervise implementation of the Comprehensive Review recommendations, agreed that it made sense for BPA to sell up to 500 average megawatts in the region and up to 800 average megawatts outside the region prior to subscription. The sales are within these figures and adhere to transition board guidelines developed through discussions with the transition board.

Knowledgeable buyers are showing confidence that BPA's cost-based prices will be competitive with

market-based prices after 2001. With uncertain and volatile electricity markets, BPA's willingness to make long-term sales at cost-based prices, rather than market-based prices, has proven attractive to buyers.

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BPA staff levels at 32-year low

The number of employees at BPA as of January 1998, was 2,794. That is the lowest level since 1965. In the early 1990s, BPA had close to 3,700 employees. BPA has been able to downsize with minimal disruption by using voluntary separation incentives authorized by the federal government, attrition and a hiring freeze. The agency has also reduced contracting staff.

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BPA reduces power outages

BPA has significantly reduced power outages caused by trees. Outages caused by trees declined from 42 in 1996 to seven last year. BPA increased its vegetation management in late 1996 by clearing brush and cutting trees under its transmission lines.

BPA patrolled nearly 1,000 miles of its transmission lines in western Washington and western Oregon by helicopter in December. From 100 feet in the air, the helicopter observers use a thermal imager to look for hot spots, heat produced from a poor connection on a transmission line. Hot spots can indicate a variety of electrical problems ranging from faulty conductor splices to loose terminal pads to corroded switch connections. If hot spots are not detected early, they could overheat to the point of failure, causing a line outage. BPA is the only utility in the area that owns a thermal imager. The thermal imager is an infrared camera that detects thermal energy and transforms it into a television image. The camera is mounted under a BPA helicopter and controlled from inside the helicopter. The temperature of objects is determined by the shade of the image on a video display unit. Pictures are viewed and recorded to be reviewed later for accuracy.

Wholesale power customers also benefit from this work. A helicopter may not find any problems on BPA's lines, but may find something unusual on the interconnections with a customer's line. The customer is notified immediately.

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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. A final EIS is being prepared. 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 is from Lolo Pass to near Parkdale. The other segment is east of Parkdale. The Forest Service is a partner. An EA is being prepared. 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. An EA is being prepared. Call to be added to the mail list.

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

Fourmile Hill Geothermal Development Project EIS (Calpine). Northern California — A geothermal power plant and new transmission line have been proposed on Forest Service land in the Klamath and Modoc forests. BLM has the lead and BPA is a cooperating agency. A summary of the draft EIS is available. Call to be added to the mail list.

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

Grizzly Substation Fiber Optic Line Project EA. Oregon — To string fiber optic cable along BPA's John Day-Grizzly No. 1 transmission line into the Grizzly Substation. Also to acquire a 50-foot easement along existing county roads on the Crooked River National Grasslands from the Grizzly Substation to the Big Eddy-Redmond No. 1 transmission line. The EA 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 new transmission line have been proposed on Forest Service land in the Modoc Forest. BLM has the lead and 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. The preliminary EA (#1213) is available. Call to receive a copy. See Close of Comment.

Vegetation Management Program EIS. Regionwide — To develop a vegetation management program that is cost-effective, consistent, efficient and environmentally sensitive while maintaining a safe and reliable transmission system. The Forest Service and BLM 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, contact John Tiedeman, BOR, at (509) 575-5848 ext. 238.

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CLOSE OF COMMENT

BPA Cost Review **Feb. 20**
Upper Snake River Culture Facility **Feb. 23**

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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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An archive of past *Journals* 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:

The *Journal* is a monthly newsletter of the Bonneville Power Administration for customers and interested publics.

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