

JOURNAL

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Web Site: www.bpa.gov/corporate/kc/home/journal

Rate proposal goes formal

BPA has formally started the process for adjusting its power rates under the safety net cost recovery adjustment clause. A summary of the initial proposal and description of the process was published in the Federal Register on March 13. BPA provided a complete initial proposal to rate case parties at a prehearing conference on March 31.

The safety-net rate adjustment triggers when BPA's probability of meeting its payment to the U.S. Treasury falls below 50 percent. Absent any other action, BPA's proposal, if adopted, would increase BPA's power rates for the 2004-2006 timeframe an average of about 16 percent over current rates. However, BPA is continuing its cost cutting and working with customers to find ways to mitigate the amount of the final increase. The proposal also calls for a three-year variable adjustment with a cap to limit the amount of revenue that could be collected each year. Under this plan, the adjustment would be set each August.

The initial proposal must go through an extensive legal process that includes significant input from customers and the public before a final decision is made in June.

Rate Process Manager ZoeAnne Arrington says, "Publishing the Federal Register notice doesn't mean BPA has already made decisions about the proposed safety-net adjustment." She added that final rates often differ from what is described in the initial proposal. The Federal Register notice and the initial proposal can be viewed on BPA's Web site at www.bpa.gov/power/ratecase. For more information about how to participate in the rate process, see the enclosed *Keeping Current*, "BPA's 2003 expedited power rate case — what, why and how to participate." Also refer to information in this *Journal's* "Public Involvement" section.

A public comment period is now open and comments will be included in the record if they are received by May 1. In addition, BPA will hold a field hearing at the

East Portland Community Center, 740 S.E. 106th Ave., Portland, Ore., on Wednesday, April 16 from 6 to 9 pm. Participants may appear at the field hearing and offer written or oral comments. The transcript of the hearing will be a part of the record upon which the administrator makes his final rate decisions.

Nuke plant repairs stop record run

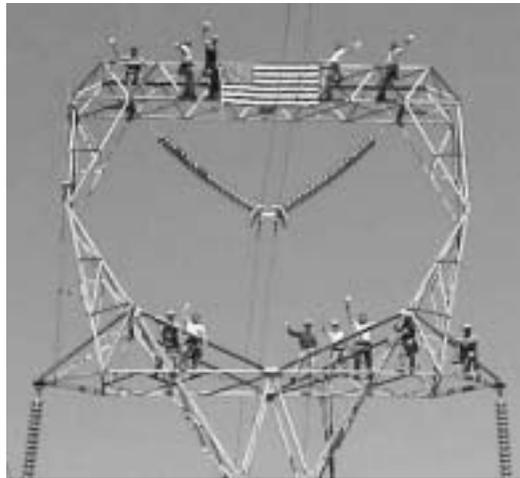
The Columbia Generating Station nuclear plant near Richland, Wash., ended an operating record of 368 continuous days with a two-week shutdown in mid-March for repairs to an emergency back-up generator. Bearings in the generator demonstrated undesirable vibrations and the Energy Northwest staff actually replaced the faulty bearings twice. The first time, the nuclear plant was still on line. But the diesel generator exceeded vibration limits after the first replacement and the new bearings were damaged by internal electrical discharges. Energy Northwest decided to replace the bearings again and this resulted in a forced outage of the nuclear plant. The second bearing replacement succeeded.

Prior to the shutdown, the Columbia Generating Station marked the longest run in its history, just over a year without a shutdown. The nuclear plant is now expected to continue operating until May 10, when it will refuel.

Storms help hydro system

While the 1,100 megawatts from Energy Northwest's nuclear plant were off line, BPA stopped selling surplus energy, drafted water from reservoirs behind Grand Coulee and Dworshak dams and purchased some replacement energy to offset the lost generation.

About 1.5 feet of water were drafted from Grand Coulee and 1.8 feet from Dworshak. In addition to generating



The flag flies high! BPA foremen, journeymen and apprentices from the Ross and Snohomish line crews displayed the Stars and Stripes during a training class in Richland, Wash. The picture won a top prize in a BPA photo contest.



electricity, the extra water in the river provided enough flow for BPA, the U.S. Army Corps of Engineers and fish agencies to provide a 36-hour spill at Bonneville Dam, which helped chinook smolts from Spring Creek Hatchery migrate downstream.

“We took less water than we thought we would, thanks to the weather,” said BPA’s Greg Delwiche, vice president for generation supply. The reservoirs at both dams were quickly recharged by rain and snow from subsequent March storms.

The revenue impact of the nuclear plant outage is estimated to be about \$16 million. Had BPA been forced to replace all of the plant’s output with immediate energy purchases, instead of drafting reservoirs, the impact could have been closer to \$25 million.

Water outlook improving

Since the start of March, snow pack conditions have been improving in the region.

In the British Columbian portion of the Columbia River Basin, the snow pack has increased from about 72 percent of normal at the start of March to an estimated 87 percent as of March 20. Overall, preliminary assessments put the basinwide weighted average at 86 percent, up 11 to 12 percentage points from calculations at the first of the month.

The March mid-month forecast from the National Weather Service Northwest River Forecast Center for the January-July runoff at The Dalles projects a volume of 80 million acre feet, about 75 percent of normal over a 30-year record. The forecast only includes observed precipitation through March 17. It does not include updated snow pack or runoff information since the first of March. However, the forecast is 5 maf higher than in February.

Conservation keeps growing

The fourth-biggest power plant in the Columbia River system isn’t a plant at all but the net effect of 20 years of BPA energy efficiency programs. According to the latest BPA “Red Book,” or energy efficiency annual, the agency has added 860 average megawatts of energy efficiency to its resource portfolio since 1982. This is higher than the average output of Bonneville Dam.

“Our customers are reaching even higher savings than before under our new power sales contracts,” BPA Energy Efficiency Implementation Manager John Pynch noted. “Thanks mainly to the conservation and renewables discount and conservation augmentation programs, customers saved 65 average megawatts in 2002 alone.” BPA remains committed to achieving its 220 average-megawatt target for conservation savings in 2002-2006, Pynch said.

BPA-backed bonds sold

BPA and Energy Northwest sold \$682 million in refunding revenue bonds on March 18. The bond sale will save BPA about \$37 million, or 5.1 percent of the bonds refinanced. BPA’s target for refinancing bonds is to save at least 5 percent. The true cost of the bonds, including transaction costs and interest, is 4.2 percent.

The bonds are for the debts incurred during construction of nuclear power plants in Washington state.

“The bond market is weak and volatile right now. That made the cost of the bonds go up a bit so the savings are somewhat less than expected,” BPA Senior Financial Analyst Anita Mertsching explained. “The good news is that BPA and Energy Northwest have still locked in the savings.”

Recent credit rating downgrades reduced BPA’s savings from the bond sales by about \$637,000 overall based on an estimate by Energy Northwest’s financial advisor. Energy Northwest’s bond rating for BPA-backed debt slipped slightly last week.

“If we experience a further downgrade, the cost could be as much as a half a percent on future bond sales,” Mertsching added. Energy Northwest plans to do a variable-rate bond sale in a few weeks, completing the refinancing of \$1.2 billion in bonds slated for this year.

Debt optimization funds secured

This week’s Energy Northwest bond refinancing included \$239 million in bonds that will now be retired between 2013 and 2018 under BPA’s ongoing debt optimization program. BPA’s plan is to use funds made available through debt extension to retire higher-cost Treasury debt. This reduces BPA’s debt costs. “Retiring higher-cost Treasury bonds will increase the net savings from the most recent bond refinancing to \$62 million,” BPA Senior Financial Analyst Anita Mertsching explained.

Retiring Treasury debt also increases room in BPA’s line of credit with the U.S. Treasury to finance new capital projects such as transmission lines and improvements at federal dams. BPA plans to retire \$315 million in higher-cost Treasury debt this year.

Central Washington line OK’d

The Bonneville Power Administration has officially decided to build the Schultz-Hanford area 500-kilovolt transmission line project, a 64-mile line in central Washington state between a substation north of Ellensburg and a new substation southwest of Hanford.

The decision, signed by BPA Administrator Steve Wright, approves the second transmission line construction project under the agency’s infrastructure expansion program to relieve congested transmission paths in the region.

Over the past five years, there has been greater use of the transmission system in the Northwest due to wholesale power deregulation and obligations to threatened and endangered fish. The increased transmission use has outrun the capacity of the existing transmission system.

“This project can give us a 600-megawatt boost in our capability to move power through a highly congested part of the region’s transmission grid north of Hanford,” project manager Lou Driessen said. “It will also help move power along the Interstate-5 corridor during spring and summer months when power flows are high from Canada and the dams on the upper Columbia River.”

Construction could start in May on a new substation called Wautoma Substation, which will be built south of Priest Rapids Dam. Work on the new 500-kV line will begin this summer. All work should be completed by spring 2005.

The construction cost of approximately \$110 million is financed by BPA and will be completely paid for through BPA sales of transmission services.

Most of the new line will parallel existing transmission lines in a new, wider corridor. About nine miles of the project will rebuild an existing line to the 500-kV capacity. Segments of the line will cross 15 miles of the Yakima Training Center; the Hanford site, including four miles through the Hanford Monument; the Columbia National Wildlife Refuge; and the Saddle Mountains.

During a two-year analysis of the project, BPA met with and received comments from elected officials, government agencies, area tribes, and local property and homeowners. Driessen commented that BPA would continue to work with landowners to minimize the impacts during construction.

For more information on the record of decision and the project, visit BPA’s Web site at www.transmission.bpa.gov/projects, or call (888) 276-7790.

PUBLIC INVOLVEMENT Updates and Notices

NEW PROJECTS

Power Rate Proposal (SN CRAC)

BPA published a notice in the Federal Register on March 13 announcing the start of the safety net cost recovery adjustment clause (SN CRAC) rate setting process. BPA’s initial proposal is available on BPA’s Web site at: <http://www.bpa.gov/power/ratecase>. These documents are also available to read at BPA’s Public Information Center at 905 N.E. 11th Ave., Portland, Ore.

A public comment period is now open and comments will be accepted through May 1. Comments can be provided either electronically or via mail. Electronic comments should be sent to: comments@bpa.gov. Written comments should be sent to: Bonneville Power Administration, P.O. Box 12999, Portland, OR 97212. A field hearing is scheduled in Portland on Wednesday, April 16. (See calendar of events.)

ONGOING PROJECTS

BPA’s Power Supply Role After 2006

A regional discussion regarding how BPA will market power and share the costs and benefits of the Federal Columbia River Power System in the Pacific Northwest after 2006 will proceed at a slower pace until early June. Until then, external discussions may continue regarding benefits to residential and small farm customers of IOUs as well as BPA’s projected post-2006 cost structure. The reason for the slower pace is the need to focus more attention on near-term cost and rate matters. Please refer to BPA’s Web site at www.bpa.gov/power/regionaldialogue for up-to-date information, or contact Jenifer Scott at (503) 230-7685.

COB Energy Facility Interconnect EIS – Klamath Co., Ore.

Peoples Energy Resources Corp. has requested interconnection of its proposed 1,200-MW combustion turbine project at a site near Bonanza in Klamath Co., Ore. The project would require a new 500-kV transmission line to BPA’s Captain Jack Substation. The project is subject to Oregon Energy Facility Siting Council certification. The DEIS is scheduled for publication later this year.

Conservation and Renewables Discount Program

The C&RD program requirements and technical information are being updated. This is a yearly opportunity for BPA customers, constituents and other interested parties to offer petitions to improve C&RD policy, program implementation and technical issues. Petitions must have been made by March 30 for consideration. Copies of the C&RD manual can be found on BPA’s Web site: <http://www.bpa.gov/Energy/N/>. A summary of comments received and BPA’s proposed changes will be distributed for a 30-day comment period May 1.

Fish and Wildlife Implementation Plan EIS – Regionwide

This EIS examines potential impacts of implementing any of the fish and wildlife policy directions being considered in regional processes. BPA has developed a preferred alternative from the regional guidance. The FEIS is expected this spring.

Grand Coulee-Bell 500-kV Transmission Line (Eastern Washington Reinforcement) EIS – Wash.

This project replaces about 84 miles of 115-kV transmission line with a new higher-capacity 500-kV line. The line connects BPA’s Bell Substation in Spokane to the Bureau of Reclamation’s switchyard at Grand Coulee, Wash., and is located primarily on an existing BPA right-of-way. The FEIS was released Dec. 6. The ROD was released Jan. 10 and construction has begun. See www.transmission.bpa.gov/projects for more information.

Grande Ronde and Imnaha Spring Chinook Project EIS – Wallawa and Union Cos., Ore.

This project would build fish trapping, incubation, rearing and release hatchery facilities to help boost native spring chinook salmon populations in the Grande Ronde and Imnaha rivers of Northeast Oregon. Planned facilities would modify and augment existing Lower Snake River Compensation Plan facilities. A summary of the public scoping comments is available on request. A DEIS will be available for comment in April.

Johnson Creek Artificial Propagation Enhancement EA – Valley Co., Idaho

This project seeks to recover the creek’s depleted native summer chinook salmon population. It would include additional facilities at the McCall Fish Hatchery in McCall, Idaho, and acclimation facilities along Johnson Creek. This project is currently on hold.

Kangley-Echo Lake Transmission Line Project – King and Kittitas Cos., Wash.

BPA proposes to build a 500-kV transmission line to connect an existing transmission line near Kangley to BPA's Echo Lake Substation in Western Washington. BPA's preferred alternative would run parallel to the major portion of the Raver-Echo Lake 500-kV line. The project is needed to improve transmission system reliability and to enhance BPA's ability to meet treaty requirements with Canada. BPA has prepared a supplemental DEIS that analyzes alternatives not considered in detail in the DEIS. The supplemental DEIS was released for a 45-day public and agency review in January 2003. BPA is preparing a FEIS and intends to release the document early this summer. Following the release of the FEIS, BPA will make a decision on the proposal. See www.transmission.bpa.gov/projects for more information.

Plymouth Generating Facility EIS – Benton Co., Wash.

Plymouth Energy requested interconnection of its proposed 306-MW combustion turbine project near Plymouth in Benton Co., Wash. BPA is preparing a joint NEPA/SEPA EIS with Benton Co. A DEIS is available for review. The comment period on the DEIS ended on Oct. 15, 2002. An FEIS is anticipated to be released this spring.

Raymond-Cosmopolis 115-kV Transmission Line EA – Grays Harbor and Pacific Cos., Wash.

BPA proposes to rebuild an existing 115-kV transmission line between Raymond and Cosmopolis, roughly parallel to Hwy. 101. Most of the 18-mile-long line will remain in the existing right-of-way. The preliminary EA was released for public review in February. The comment period ended Feb. 26. Public meetings were held Feb. 11 in Cosmopolis and Feb. 12 in Raymond. This project is currently on hold. See www.transmission.bpa.gov/projects for more information.

Salmon Creek EIS – Okanogan Co., Wash.

BPA proposes to fund a project to enhance fish habitat and fish passage and to increase instream flows in 4.3 miles of lower Salmon Creek, a tributary of the Okanogan River. The project would rehabilitate the stream channel, revegetate stream banks and increase streamflows. A DEIS is anticipated in fall 2003.

Schultz-Hanford Area 500-kV Line Project – near Ellensburg to near the Hanford Reservation, Wash.

BPA proposes to build a new 500-kV line from Schultz Substation to the new Wautoma Substation southwest of the Hanford Monument. A FEIS was released in February. The ROD was released in March. Substation construction could start as early as April and line construction by May. See www.transmission.bpa.gov/projects for more information.

South Fork Flathead Watershed/Westslope Cutthroat Trout Conservation Program – Flathead National Forest, Mont.

BPA proposes to fund a project to remove exotic trout species from selected lakes in the South Fork of the Flathead drainage. BPA is preparing an EIS. A scoping period will begin this spring.

Summit/Westward Project – Columbia Co., Ore.

Westward Energy Co. proposes a 520-MW natural-gas-fired combustion-turbine facility in Columbia Co. near Clatskanie, Ore., and requested interconnection to the federal grid. EFSC is the lead agency for the environmental review of the generation project; BPA has the lead on integrating transmission.

Wallula-Smiths Harbor Transmission Line Project – Walla Walla Co., Wash.

A 5.1-mile segment of 500-kV transmission line is proposed to connect power from a 1,300-MW natural-gas-fired combined-cycle combustion gas turbine facility (the Wallula Power Project) to a new BPA switchyard (Smiths Harbor) near Wallula Junction in Walla Walla Co., Wash. An additional 28-mile segment of transmission line adjacent to an existing transmission line was also proposed between the Smiths Harbor switchyard and BPA's existing McNary Substation. However, this segment will not be needed for firm transfer of power from the Wallula Power Project. The FEIS was released to the public. The ROD was published in the Federal Register on March 19; however, construction of this project is on hold until financing is secured. See www.efsec.wa.gov/wallula.html or www.transmission.bpa/projects for more information.

Wanapa Energy Center Generation Proj. EIS – Umatilla Co.

The Confederated Tribes of the Umatilla Indian Reservation requested interconnection of the Wanapa Energy Center, a proposed 1,300-MW gas-fired combined-cycle combustion turbine project, into the transmission grid. The project would be located on tribal trust land. The Bureau of Indian Affairs plans to prepare a DEIS in August with a FEIS in November and a ROD in December. BPA is participating as a cooperating agency.

White Sturgeon Mitigation and Restoration in the Columbia and Snake Rivers Upstream of Bonneville Dam EA – Ore., Wash. and Idaho

To restore and mitigate for documented lost white sturgeon productivity caused by development and operation of the hydropower system. A preliminary EA will be available for public review this spring. Call to be added to the mail list.

CLOSE OF COMMENT

Power Rate Proposal (SN CRAC) Rate Setting Process – May 1

CALENDAR OF EVENTS

Power Rate Proposal (SN CRAC)

Field Hearing

April 16 – 6 to 9 p.m., East Portland Community Center, 740 S.E. 106th Ave., Portland, Ore. 97216

If you have questions or comments, or you want to be added to the mailing list for any project, call (503) 230-3478 (Portland) or 1-800-622-4519.

To order copies of documents, call: 1-800-622-4520 or (503) 230-7334. Written comments may be sent to: BPA, P.O. Box 12999, Portland, OR 97212. E-mail address: comment@BPA.gov. BPA home page: <http://www.bpa.gov>. For details on BPA environmental reviews listed above, including site maps and documents issued to date, see <http://www.efw.bpa.gov/cgi-bin/PSA/NEPA/Projects>. **Process Abbreviations:** EA-Environmental Assessment, EFSEC-Washington Energy Facility Site Evaluation Council, EFSC-Oregon Energy Facility Siting Council, EIS-Environmental Impact Statement, DEIS-Draft Environmental Impact Statement, FEIS-Final Environmental Impact Statement, FONSI-Finding of No Significant Impact, NOI-Notice of Intent, ROD-Record of Decision, SA-Supplement Analysis.

