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A PUBLICATION FROM THE BONNEVILLE POWER ADMINISTRATION

Journal

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August 1998



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Arbitrators rule on Tenaska case

An arbitration panel has awarded Tenaska Washington Partners II, L.P., \$158.6 million in a lawsuit against BPA. Most of the money compensates Tenaska for profits it might have earned had BPA not terminated construction of a power plan that was no longer needed. Tenaska sued BPA for \$1.055 billion because in April 1995, BPA withdrew from a contract to buy the output of the combustion turbine project. "We are very pleased with the arbitrators' ruling," said BPA Administrator Judi Johansen. "It means we cut our losses by \$400 million to \$700 million, compared with proceeding with the original deal for 20 years. BPA will be able to pay the award without a rate increase." BPA retains ownership of the uncompleted facility, located at Frederickson, near Tacoma, Wash. The agency plans to sell the assets, which would further reduce the costs associated with the project. The Tenaska project was terminated by BPA when deregulation of the electric utility industry abruptly and radically changed assumptions about the need for power.

BPA earlier settled other claims for \$157.7 million. The payments satisfied some of Tenaska's claims and those of all other parties involved in the project. With this arbitration decision of \$158.6 million, there are no further outstanding claims related to the project. The Court of Federal Claims is expected to convert the decision to a judgment soon and issue an order for payment. Rates and revenues as currently projected should produce sufficient income to satisfy the Tenaska judgment.

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BPA seeks comments on fish costs

BPA is seeking public comment on a tentative range of fish and wildlife costs it would plan to be able to cover in rates for 2002-2006. The range, \$438 million to \$689 million a year, is based on budget estimates by regional fish and wildlife managers. This tentative planning range has been developed in discussions with regional constituents and other federal agencies. It is a key step in the ongoing effort to develop a fish and wildlife funding agreement that keeps the options open for future regional decision on fish and wildlife recovery measures.

The range of fish and wildlife costs will be added to other planning variables affecting BPA's finances, such as the state of power markets and annual runoff. Under some scenarios, such as high markets and good water, BPA could build financial reserves of nearly \$2 billion by 2006. Under other scenarios, such as low markets and low water, BPA might be forced to implement emergency cost recovery mechanisms. These mechanisms have not yet been established.

Two potential mechanisms that have been discussed regionally are a cost recovery adjustment clause in BPA's power rates, which could increase power prices a set amount for a set period, and a surcharge on transmission rates, limited in amount and duration, to be repaid from power revenues over time. A White Paper describing the tentative planning range, financial impacts and potential cost recovery

mechanisms is available on BPA's [Web site](#) or by calling the document request line listed below.

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Fiber optics update

BPA is meeting with Northwest economic development leaders to talk about possible links to BPA's growing fiber optics grid. The BPA transmission grid runs through rural areas and other places not served by other energy providers. If a community is close to the BPA system, BPA would like to work with the local utilities to offer technical support to help link the community to BPA's fiber optics lines. Potential users included schools, hospitals, libraries, senior services and job training programs. Fiber optics boosts reliability because it's digital and can handle many more transactions than the aging microwave equipment it replaces. Activity on BPA's grid has increased by over 31 percent since deregulation began in 1992.

Standard cables contain 72 fibers. Today BPA needs only about 12 fibers to control the grid. BPA can also lease excess capacity to commercial groups and bring in revenues to offset other transmission costs and keep rates down. Ultimately, BPA will use the capacity to meet the growing amount of communication needed to control the grid and keep it reliable.

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TBL cuts costs while maintaining reliability

BPA's transmission business line has been working over the past six years to cut costs while maintaining system reliability and safety. BPA has reduced annual capital expenditures on the transmission system from \$361 million in 1992 to \$123 million in 1998. Annual maintenance costs were reduced from \$80 million in 1992 to \$58 million in 1998. But dollars dedicated to new technologies for operations and system controls have remained the same and, in some cases, increased.

While the number of substations and circuit miles has remained the same, BPA's use of other types of equipment has increased significantly. In 1992, BPA installed its first fiber optic cable to control the system. Today the agency has 1800 miles. It took 20 years, 1956-1976, for BPA to install its first 200 shunt capacitors banks. It took just eight years, 1992-1998 to install 150 more. Shunt capacitors boost voltage to help squeeze more capacity from the existing system. In its heyday, the BPA transmission system had as much as 70 percent excess capacity. By 1992, excess was down significantly. Between 1992 and 1997, the use of the transmission system increased by over 31 percent. Today, in some parts of the system, the margin of excess capacity is close to zero.

The direct-current intertie line that links the Northwest and California is the clearest example of how equipment is used to increase capacity. When completed in May 1970, the line carried 1,400 megawatts. Today it can carry 3,100 megawatts, not because of new lines, but because new state-of-the-art equipment was added at its terminals.

The TBL has also made staffing changes to operate more effectively. The TBL implemented a minimum crew size concept to meet base continuous workload and changed its maintenance philosophy from time-based to a reliability-based system. Employment has dropped from 2,900 in 1992 to 1,855 in 1998 through incentives and attrition. In 1992, management of the transmission system was divided into six

organizations. Today, there is one transmission organization with one senior vice-president. The number of managers and supervisors decreased by 55 percent over the last six years.

BPA will continue to control transmission costs while making sure the system is safe and reliable.

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Year 2000 computer issues

BPA is asking its customers to work closely with the agency to solve the Year 2000 computer problem before it happens. The problem has received so much media and public attention that it is now referred to as Y2K. The Y2K is caused by older computer software that is programmed to recognize a "00" in the year field as "1900." A BPA cross-agency team has inventoried all BPA's automated systems and is finding and correcting problems. But because BPA's system connects to many other utilities' networks, customers' success in finding and fixing Y2K problems in automated power systems affects BPA. BPA is also working with the U.S. Army Corps of Engineers and the Bureau of Reclamation whose generation control systems affect BPA system operation.

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Tribes and BPA protect wildlife

Tribal leaders of the Confederated Tribes of the Colville Reservation and executives from BPA toured land in Washington on Aug. 5 that was purchased for wildlife mitigation. The Confederated Tribes and BPA are working together to rebuild wildlife habitat losses associated with the construction of Grand Coulee and Chief Joseph dams.

Bonneville provided funding to the Tribes to purchase the land for the Hellsgate Winter Range Mitigation Project. The Tribes chose to focus on winter habitat for big game because as development encroaches on habitat, animals lose their low-elevation winter rangeland. The Tribes recently purchased 5,000 acres of land for the wildlife mitigation project. An additional 11,000 acres had already been purchased and more land is expected to be acquired over time.

The Tribes are building fences to protect the land from grazing cattle, reseeding native vegetation and providing weed control. The project provides habitat for deer, elk, bobcats, mink, woodpeckers and sharp-tailed grouse.

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Climate shifts may affect salmon

Several recent scientific studies suggest that global climate changes may underlie major shifts in salmon populations. A recent study by the Scripps Institution of Oceanography published in the *Journal of Science* concludes a 2-degree rise in sea surface temperatures in 1977 resulted in major biological changes including a 70 percent decline in zooplankton, a major link in the natural food chain important to salmon.

Shifts in ocean currents that result in warmer waters in the Gulf of Alaska and cooler water off the coast of California may help explain a pattern in which abundant salmon runs in Alaska coincide with reduced runs from Vancouver Island to southern California. A growing body of evidence suggests that this pattern tends to reverse itself every 20 to 50 years.

And for the second year in a row, the sockeye salmon run in Bristol Bay, Alaska, is down 50 percent from what biologists had predicted. Biologists know that plenty of young fish migrated to the ocean and that an adequate number of adults were allowed to spawn. Some scientists are now beginning to suspect that the depleted Alaskan runs may signal a pattern shift that could result in increased salmon runs for Washington, Oregon and southern California.

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STATUS REPORTS

BPA/Lower Valley Transmission Project.

Idaho and Wyo. – To resolve a voltage stability problem in the Jackson and Afton, Wyo. Areas; new 115-kV line proposed on existing right-of-way. ROD expected mid-August. Call to receive a copy.

Big Eddy-Ostrander Vegetation Management EA.

Ore. – To control vegetation on two segments of the 500-kV transmission line right-of-way. One segment is from Lolo Pass near Parkdale. The other segment is east of Parkdale. An EA is being prepared. Call to receive a

Bonneville-Hood River Vegetation Management EA.

Ore. – To control vegetation on the 115-kV transmission line right-of-way between Bonneville Dam and Hood River. The EA is available. Call to receive a copy.

Columbia Wind Farm #1.

Wash. – The final EIS (#2682) is available. Call to receive a copy.

Fourmile Hill Geothermal Development Project EIS (Calpine).

No. Calif. – A geothermal power plan and new transmission line have been proposed on Forest Service land in the Klamath and Modoc forests. BLM has the lead. BPA is a cooperating agency. A draft EIS summary is available. Call to receive a copy.

Garrison-Taft 500 kV Transmission Line Right-of-Way.

Mont. – Vegetation Management. To remove tall growing vegetation from right-of-way in 1998/99 maintenance seasons. An environmental review is available. Call to receive a copy.

Johnson Creek Artificial Propagation Enhancement.

Idaho – Development of a native chinook salmon broodstock for rearing of acclimated smolts to preserve and recover the population. An EA is being prepared. Call to be added to the mail list.

Northwest Regional Power Facility.

Wash. – To construct a combustion turbine near Creston. The final EIS (#2887) and a Supplemental Analysis is available. Call to receive a copy.

Select Area Fisheries Evaluation.

Ore. and Wash. – Placement of net pens in Clifton Channel, Deep River and Steamboat Slough. A revised FONSI is being prepared. Call to be added to the mail list.

South Oregon Coast Reinforcement EIS.

Ore. – To reinforce electrical service to the southern coast of Oregon and provide the necessary transmission for Nucor Corp. to build a new steel mill in the Coos Bay/North Bend area. The Bureau of Land Management, Forest Service and Corps of Engineers are cooperating agencies. A draft EIS is being prepared. Call to be added to the mail list.

Telephone Flats Geothermal Project EIS (CalEnergy).

No. Calif. – A geothermal power plan 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 available. Call to be added to the mailing. See Close of Comment below.

Vegetation Management Program EIS.

Regionwide – To develop a vegetation management program while maintaining a safe and reliable transmission system. The draft EIS is being prepared. Call to be added to the mail list.

Yakima River Basin Water Enhancement Project Programmatic EIS.

Wash. – The Bureau of Reclamation has the lead and BPA is a cooperating agency. The final programmatic EIS is being prepared. Call 1-800-861-5443 to be added to the mail list.

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CALENDAR OF EVENTS

Governance and the Columbia River Conference

Oct. 15, Lloyd Center DoubleTree Hotel, Portland

CLOSE OF COMMENT

Telephone Flats Geothermal Project EIS - Aug. 22

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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:

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For questions/comments, call: 230-3478 (Portland) or 800-622-4519, or E-mail to comment@bpa.gov. Address comments to: P.O. Box 12999, Portland, OR 97212.

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