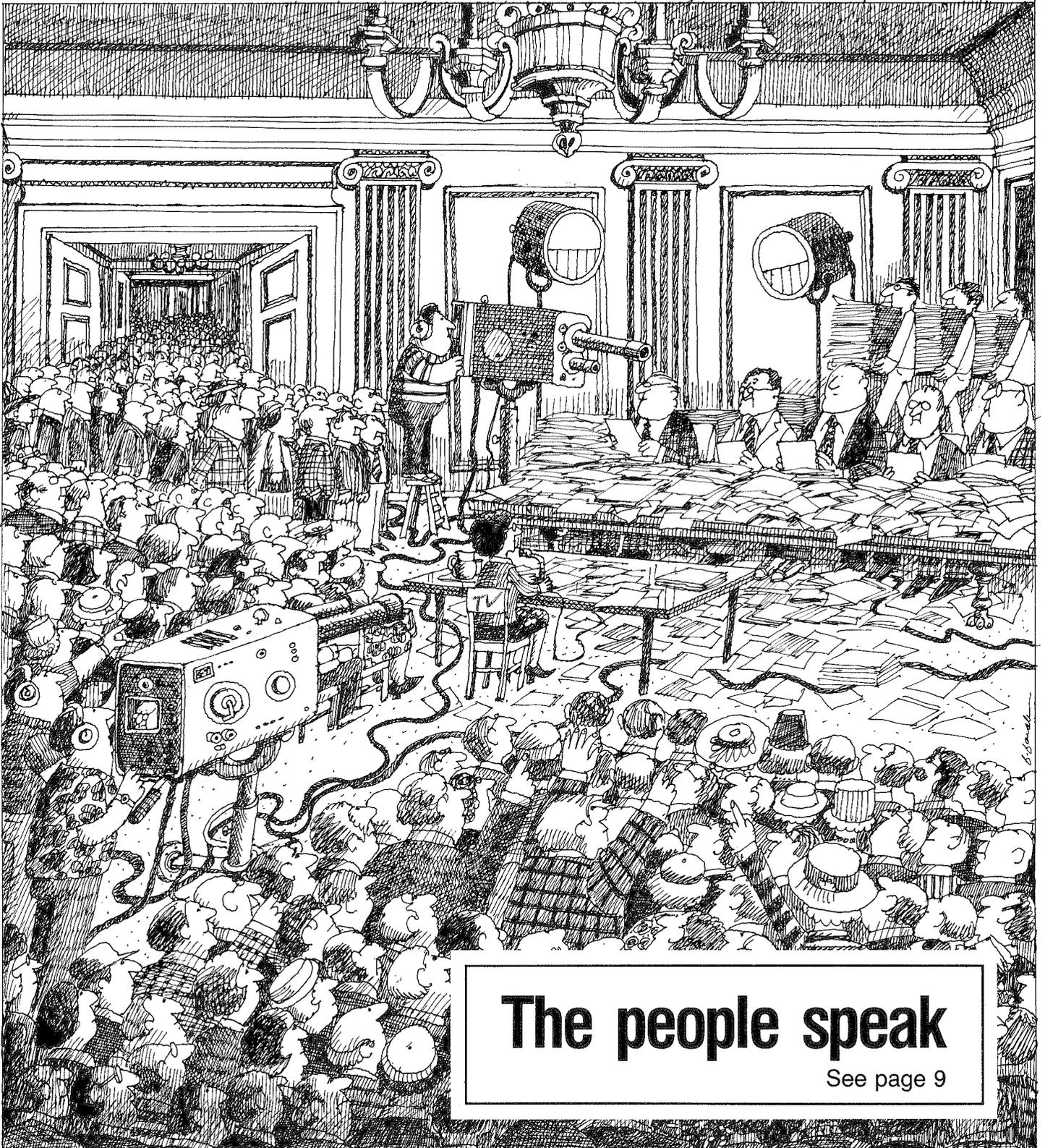


# N O R T H W E S T ENERGY NEWS

Volume 2, No. 1

Northwest Power Planning Council

March/April 1983



**The people speak**

See page 9

## Idaho

Northwest Power Planning Council  
Statehouse Mail  
Towers Building  
450 West State  
Boise, Idaho 83720  
Telephone: 208-334-2956

Council Members:  
W. Larry Mills  
Robert Saxvik

## Montana

Northwest Power Planning Council  
Capitol Station  
Helena, Montana 59620  
Telephone: 406-449-3952

Council Members:  
Keith Colbo  
Gerald Mueller

## Oregon

Northwest Power Planning Council  
505C State Office Building  
State of Oregon  
Portland, Oregon 97204  
Telephone: 503-229-5171

Council Members:  
Roy Hemmingway  
Alfred Hampson

## Washington

Washington State Energy Office  
400 East Union  
Olympia, Washington 98504  
Telephone: 206-754-0701

Council Members:  
Charles Collins  
Daniel Evans

## Central

Northwest Power Planning Council  
700 S.W. Taylor, Suite 200  
Portland, Oregon 97205  
Telephone: 503-222-5161  
Toll Free: 1-800-222-3355  
(1-800-452-2324 in Oregon)

Executive Director:  
Edward Sheets

## NORTHWEST ENERGY NEWS

is published bi-monthly by Northwest Power Planning Council,  
700 S.W. Taylor, Suite 200, Portland, Oregon 97205.  
Editor: Annette Frahm  
Contributors: E. M. Sterling, Susan Skog, Robert Stein

The Northwest Power Planning Council is required to develop a program to restore the Columbia's fisheries and a regional electric energy plan, to be carried out by the Bonneville Power Administration, emphasizing cost-effective conservation and renewable resources.

Cover illustration: Frank Farrah

# NOTICES

## Final energy plan adoption scheduled

The Northwest Power Planning Council will adopt the final Regional Conservation and Electric Power Plan at a meeting scheduled for April 27-28. The meeting will begin at 9:00 a.m. in the South Auditorium of the Federal Building in Seattle.

## Final energy plan distribution

The Regional Conservation and Electric Power Plan will be available for distribution in mid-May. *If you ordered a copy of the draft plan, you will automatically receive a copy of the final plan. Do not reorder.*

If you did *not* order a copy of the draft plan, see the coupon on page 15.

## Low water conference to be held

While water levels are up throughout the region this year, twice during the 1970s the Northwest experienced drought conditions so severe that legislatures considered cloud seeding to provide some needed moisture.

A number of educators as well as representatives of power, fisheries, water and natural resource agencies have decided that in this year of plentiful water the region should make plans to manage low water year emergencies.

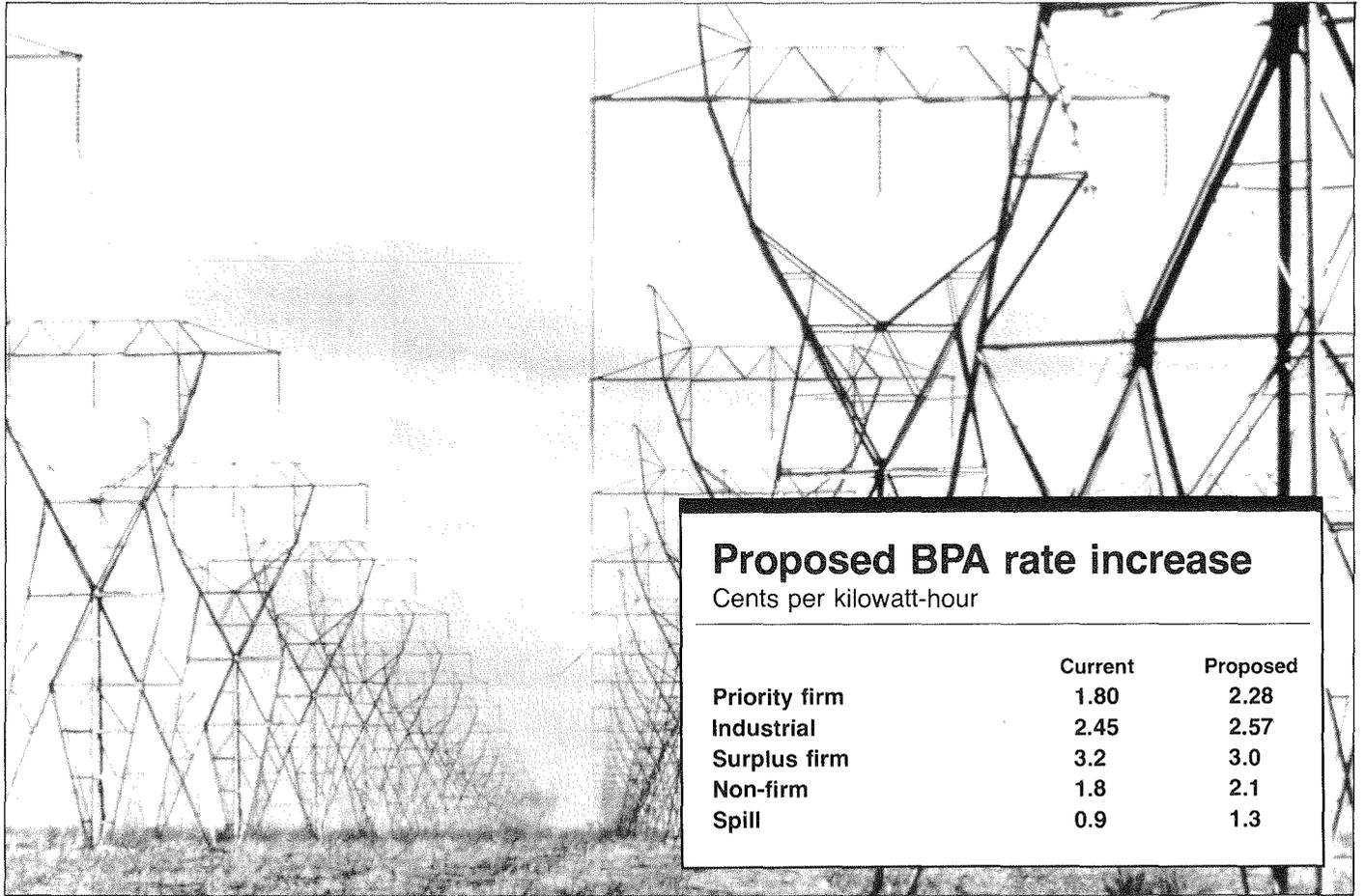
"Are We Prepared for the Next Drought" is the topic of an all-day conference beginning at 8:30 a.m., Friday, May 6, at the Portland Airport Sheraton Inn. Issues to be addressed include anticipating the problems; concerns of fisheries, power and environmental interests; and the roles of treaty tribes and state and local governments.

Donald Moos, director of the Washington State Department of Ecology, will be the luncheon speaker. U.S. Rep. Ron Wyden of Oregon's Third District, a member of the Energy and Commerce Committee, has been invited to be the concluding speaker.

Fees for the conference are \$65 for those registering before April 15; \$80 after April 15; and \$30 for students. The fees include copies of the proceedings. Washington state attorneys will receive six hours of continuing legal education credit.

To register, send a check to Low Water Year Emergency Conference, P.O. Box 5252, Lynnwood, WA 98036. Further information is available from Charles F. Broches (206/771-2686); Mike Spranger of Washington State Sea Grant in Vancouver (206/696-6018); or Attorney Bill H. Williamson in Seattle (206/624-8901).





## Proposed BPA rate increase

Cents per kilowatt-hour

	Current	Proposed
Priority firm	1.80	2.28
Industrial	2.45	2.57
Surplus firm	3.2	3.0
Non-firm	1.8	2.1
Spill	0.9	1.3

## Bonneville announces proposed rate increase

*Agency trims costs to keep increase down*

The Bonneville Power Administration announced its long-awaited 1983 rate proposal in March calling for a 27 percent increase in the wholesale rate for "priority firm power" and a 5 percent increase in the industrial rate.

BPA staff earlier estimated that an increase up to 45 percent would be needed, but the agency curbed the increase by trimming program costs in its fiscal year 1983, '84 and '85 budgets by around \$561 million.

Under the proposed increase, the wholesale price for priority firm power would increase from 1.80 cents to 2.28 cents per kilowatt-hour (kwh).

BPA sells priority firm power to public utilities and to investor-owned utilities for resale to residential and farm customers. BPA's industrial rate would increase from 2.45 cents per kwh to 2.57 cents per kwh. BPA has 50 direct-service industrial customers, which include seven aluminum companies.

The rates for non-firm energy, under which California and Northwest utilities purchase excess power from BPA, would both increase: the standard rate from 1.8 cents to 2.1 cents per kwh and the spill rate from 0.9 cents to 1.3 cents. The rate for surplus firm power, which is purchased by

utilities in the Southwest, would drop from 3.2 cents to about 3 cents per kwh.

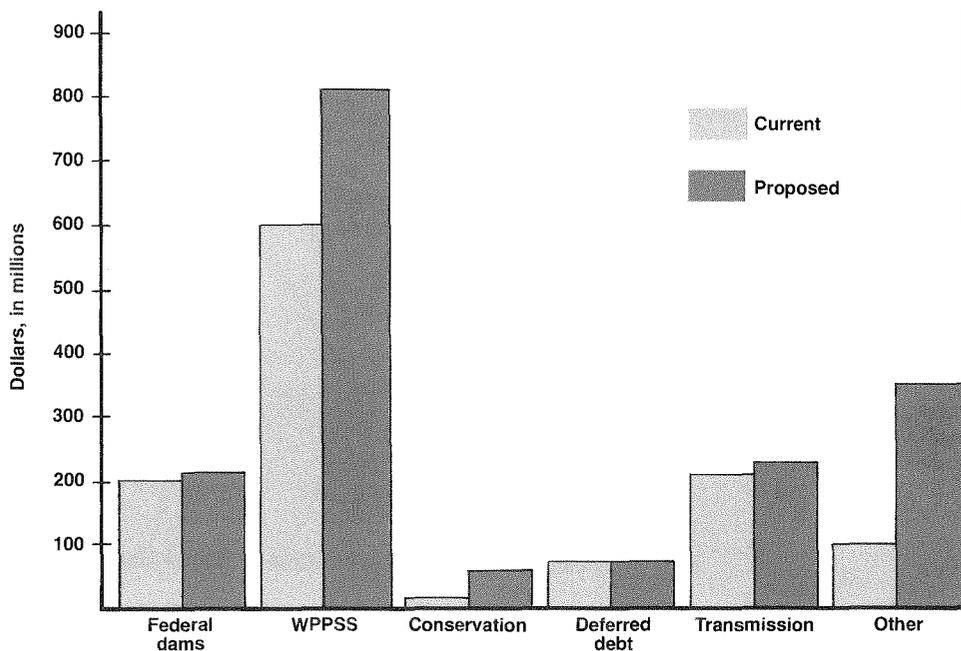
The new rate case will undergo extensive public review, including public field hearings, a formal hearing process and meetings with BPA customers. The new rates will be announced around Oct. 1 and will be effective Nov. 1, 1983, through June 30, 1985.

Bonneville tapered its earlier rate increase estimates by reducing program costs in a number of areas. The Washington Public Power Supply System reduced its costs for WPPSS plants 1, 2 and 3 by \$27 million. BPA has under-

written the cost of plants 1, 2 and 70 percent of plant 3. Bonneville's expenditures for the three plants in FY83 is about \$627 million, representing 49.8 percent of the revenue collected from priority firm sales, according to BPA spokesman Robert Reed.

Conservation programs also came under the BPA budget ax. Conservation program costs were reduced by \$87 million for FY83; \$168 million for FY84; and \$218 million for FY85. BPA expects to spend \$200 million on conservation programs in FY83, \$172 million in FY84; and \$256 million in FY85. Some of the conservation program costs come from

## Components of BPA priority firm rates\*



\* Priority firm power serves public utilities and residential and farm customers of private utilities.

sources other than BPA's rates.

The conservation cutbacks will occur in the residential weatherization and street lighting programs, according to Reed. Commercial and industrial conservation programs are also being deferred, he said.

Projected transmission expenditures were reduced by \$73 million for the three fiscal years.

Projected program costs for fish and wildlife mitigation under the Northwest Power Act were not reduced, Reed said.

The proposed rate is also expected to help cover payments to the U.S. Treasury, which have been deferred by the agency in the past. BPA intends to pay \$152 million of its deferred debt by July 1, 1985.

Under the proposed increase, BPA's annual revenue would increase from \$2.2 billion to \$2.8 billion in the 1984-85 fiscal year.

The Bonneville announcement touched off arguments between the agency's industrial and public utility customers, who have both absorbed three major rate hikes since 1979.

In 1979, BPA raised its priority firm rate from 0.35 cents to 0.74 cents per kwh. In 1981, the rate was hiked to 1.1 cents per kwh, and in 1982, the rate climbed to 1.8 cents per kwh.

In 1979, industrial rates rose from about 0.33 cents to 0.65 cents per kwh. In 1981, the rate went up to 1.6 cents, and in 1982 it increased to 2.4 cents per kwh.

Public Power Council manager Robert Greening argues that the proposed rate case presents "an overwhelming rate advantage" for BPA's industrial customers. BPA's 20-month rate increase will hit publicly-owned customers "harder than any other group," Greening said in a prepared statement.

According to PPC calculations, BPA collected \$329 million in revenue from its preference customers in 1981. With the proposed 27 percent increase, the agency will collect about \$550 million from its preference customers, Greening said.

Brett Wilcox, executive director of Direct Service Industries, Inc., said that the proposed rate increase for industry "could have been a lot

worse," and that Bonneville should be credited for working to keep its costs down.

The rate paid by the Northwest aluminum industry, however, is still 50 percent higher than the average cost of power for all smelters in the world, he said. The proposed 5 percent rate increase only makes that energy cost difference worse, Wilcox said.

The direct-service industries wonder if they can stay competitive even if the rates stay constant, he added.

## California hails power sales potential

Dan Evans, chairman of the Northwest Power Planning Council, summed it up quickly: "That's the brightest piece of news we've heard."

Evans made the statement as Charles R. Imbrecht, chairman of the California Energy Commission and chief energy advisor to California Governor

Deukmejian, told the Council in Seattle that California was truly interested in buying surplus electricity from the Pacific Northwest.

Imbrecht had told the Council that in his opinion, sales of surplus power to California could provide "enormous economic benefit" to both regions.

"Your Council is now positioned to make recommendations that could save Northwest and California ratepayers literally billions of dollars during the remainder of this century and beyond," he said.

California, Imbrecht said, is already buying about \$300 million worth of surplus energy from the Northwest, or about 20 percent of California's needs.

Until Imbrecht's testimony before the Council, the possibility of any long-term agreement with California on the sale of additional surplus power from the Northwest had been no more than speculation. For that reason, the Council had encouraged but did not plan for any additional sales of surplus power outside the state in its draft Power Plan. Instead, the Council discussed methods of offering the region's surplus to irrigators on an interruptible basis, and of using the interruptible surplus power as an alternative source of energy for heating commercial and industrial boilers.

Imbrecht blamed the lack of any expanded agreement on what he called "mutual misunderstandings" and "mutual shortsightedness."

He said an agreement now, however, had the personal support of Governor Deukmejian.

"We take this matter very seriously and pledge our best effort to work cooperatively with you," he said.

"We would urge that this issue not be relegated to mid-level staff discussions," he continued, "but rather be elevated to the level of policymakers" in order to cut through past problems and move toward a resolution.

Evans responded that the Council, as representatives of the governors of the four Northwest states, would likely

be an appropriate organization to work with the California Energy Commission on a power sales agreement.

Imbrecht said that a power agreement would benefit both regions. Among other things, greater exports would lower power rates in the Northwest because the region would get revenues from surpluses not now being sold.

Californians would benefit from greater Northwest sales, he continued, through reductions in energy costs to customers there and by limiting the state's exposure to the whims of the world's oil market.

Imbrecht said the sales could save Californians nearly \$250 million a year while earning Northwesters more than the \$300 million.

Imbrecht indicated that his proposal did not include the purchase of power produced by WPPSS nuclear plants 4 and 5. WPPSS earlier had proposed such a sale.

A study submitted by Imbrecht indicated that any sale of Northwest power to California "could not proceed" under rates projected for WPPSS 4 and 5.

The California Public Utility Commission in a letter to the Council also indicated that power companies in California had "no interest" in the purchase of power directly from WPPSS 4 and 5.

"We would oppose any

ownership or purchase from those facilities because of (1) their relative economic unattractiveness, (2) their high financial risk when compared to other resources available to California utilities, and (3) the enormous uncertainty with respect to their eventual completion dates and associated costs," the Commission wrote.

The Commission said that California utilities would be interested in the possibility of power purchases from the Northwest if they did not include power from WPPSS 4 and 5. The Commission stressed, however, that the attractiveness of such an arrangement would depend on the price, terms and conditions of the sale.

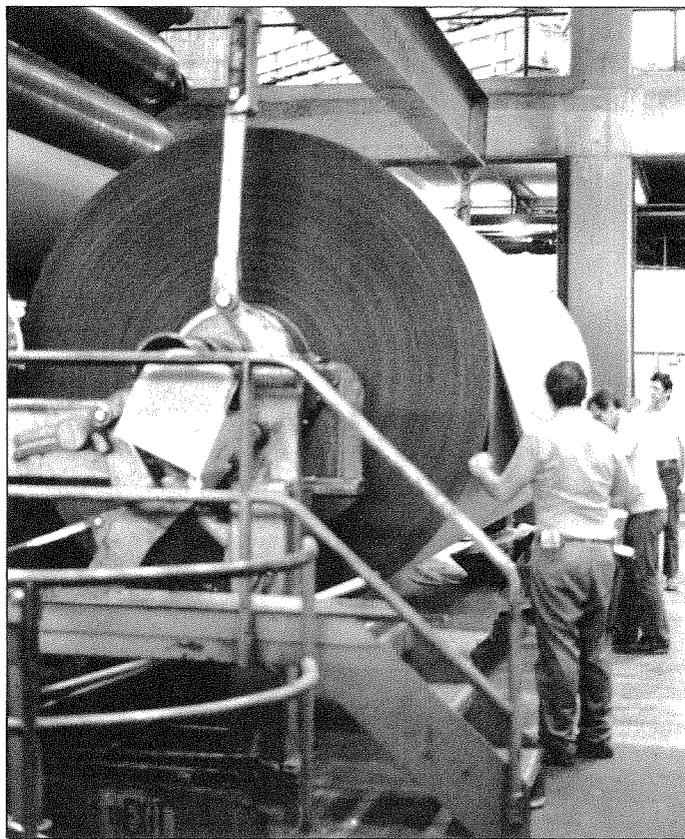
Charles Luce, representing utilities which sponsored WPPSS 4 and 5, told the Council that his utilities believed there was a market for the power from 4 and 5 and a "reasonable prospect" of negotiating a sale of it to California.

Luce urged the Council to include the two plants as viable energy options in its draft energy plan so that WPPSS would have an opportunity to explore a California sale.

The Council, in its draft energy plan, included WPPSS 1, 2, and 3 in its resource calculations but did not include 4 and 5.



**Seeking agreement:** A NW-California surplus power sales agreement could provide "enormous economic benefit" to both regions, said Charles Imbrecht, chairman of the California Energy Commission.



**Surplus sales:** Short-term surplus power is being sold to industry at bargain basement rates under new BPA-utility agreements.

## Cowlitz signs short-term power sales pacts

Cowlitz County Public Utility District has signed short-term agreements with Longview Fibre Company and Weyerhaeuser Company for the sale of low-cost surplus electric power.

Leon Smith, Cowlitz power manager, said the agreement added 85 megawatts to the PUD's power sales — "loads that would otherwise not be operating." The power is being sold at a rate of 1.06 cents per kilowatt-hour.

The Bonneville Power Administration has large quantities of surplus hydropower available because of a high water year and a slow economy. The Northwest Power Planning Council in its draft regional power plan had encouraged BPA to seek markets for this power in the region.

After consulting with the Council, BPA offered short-term agreements to its utility customers for the surplus power. The agreement between Cowlitz and the two pulp and paper companies is one result of this offer.

The companies are using the power to fire electric boilers at their pulp and paper mills in Longview, Washington. The sale allows the plants to temporarily shut down oil-fired boilers, substituting the cheaper hydropower.

The short-term power is "interruptible," meaning that the plants could be asked to shut down the electric boilers if BPA needed the power to meet another load.

The agreements will expire June 30. BPA has the option to extend the short-term utility agreements past that date.

## BPA offers industrial rate relief

A rate relief package for its financially-troubled industrial customers was unveiled in March by the Bonneville Power Administration. Hoping to soothe the ailing aluminum industry and boost its sagging revenues, the agency offered a special 11 mill or 1.1 cent per kilowatt-hour rate to its industrial customers who increase their electrical consumption above their current loads.

Bonneville's industrial customers pay about 2.6 cents per kwh for their power. The seven aluminum companies which operate ten aluminum smelters in the Northwest provide about 90 percent of BPA's industrial load.

Plagued by rising energy costs, the recession, and a soft world market for aluminum, the Northwest's aluminum industry began to slow production in late 1981 and is now operating at about 50 percent of capacity.

At full production, the in-

dustries consume about 3,400 megawatts. BPA's industrial load has now dropped to about 1,900 megawatts. This decline closely parallels the closure of about 22 potlines by the aluminum producers.

Bonneville offered the rate relief package to its industrial customers on March 22. Seven customers — Reynolds Aluminum, Martin-Marietta, Intalco, Alcoa, Georgia Pacific, Pacific Carbide and Pennwalt Corporation — have signed the short-term contract, which is effective April 1 through Oct. 31. Kaiser Aluminum is also expected to sign a contract.

The offer is tied to the price of aluminum. If the price of aluminum rises above 70 cents a pound, the rate will begin to disappear. If the price of aluminum rises above 80 cents a pound, the special rate will disappear.

If the remaining industrial customers accept the offer, BPA estimates that its industrial load would be increased by about 500 to 600 megawatts and the agency would receive an additional \$30 million in revenues, according to BPA Assistant Administrator Walter Pollack. \$12 million in addi-

tional revenue will be received from Alcoa, which spent \$2.5 million to restart one potline at its Vancouver, Wash. plant and two potlines at its Wenatchee, Wash. plant. Reynolds is restarting one potline at its Longview, Wash., plant and will add about 100 employees.

A surge in revenues would be welcomed by BPA, which has been awash in surplus power it has desperately tried to market both within and outside of the region. BPA anticipates having a surplus of more than 1,000 megawatts of non-firm energy through the late 1980s. In January, the agency was able to market only 66 megawatts of non-firm energy.

In its 1982 rate case, the agency estimated that firm surplus sales would provide \$169 million in revenues. Only about \$18.2 million has been received from firm surplus sales.

Though BPA doesn't expect the DSIs to operate again at full capacity in "the foreseeable future," it hopes its rate offer will prod industry to restart idle production capacity in the Northwest, Pollack said.

Brett Wilcox, executive di-

rector of Direct Service Industries, Inc. said the offer is being weighed by the DSIs, but one of their chief concerns is that it may not be economical to restart now-dormant operations when the lower rate is only available through Oct. 31. The aluminum companies estimate it costs from \$1 million to \$1.5 million to restart an idled potline, he said.

Bonneville may consider extending the rate beyond Nov. 1 if its industrial customers are still having financial problems, energy is abundant and BPA revenues have risen because of the arrangement, Pollack said.

## High court to rule on BPA industrial contracts

The U.S. Supreme Court has agreed to review the first major lawsuit involving the Northwest Power Act.

The first case under the 1980 law to go to the U.S. 9th Circuit Court of Appeals resulted in a decision that BPA had acted "unreasonably" in offering its industrial customers first right to an inexpensive block of power that had previously gone to BPA's public utility customers. The court's reversal of BPA's interpretation of the 1980 law resulted in an appeal to the U.S. Supreme Court to review the decision. Last month the Supreme Court announced that it would hear the case.

Government and industry lawyers were pleased to get another opportunity to present their argument that the Northwest Power Act gave BPA new authority to allocate to its industrial customers surplus power — power that is left over after all of BPA's public utility customers have been served.

Public power lawyers argue that the right of public utilities to surplus power is legally required under the 1937 BPA



**Help for ailing industry:** Several Northwest aluminum producers will restart closed potlines to take advantage of BPA rate offer. Meanwhile, the U.S. Supreme Court has agreed to rule on earlier BPA-industry contracts.

Project Act and that nothing in the 1980 law changes that right.

BPA is expected to argue that its interpretation of the 1980 law was correct and within its authority.

The 1980 Northwest Electric Power Planning and Conservation Act gave BPA the authority to sign long-term power sales contracts with its industrial customers. BPA and the industries, mostly aluminum companies, signed 20-year contracts in August 1981.

Twelve public utility customers of BPA filed suit in the 9th Circuit Court against the agency, arguing that the contracts violated their status as preference customers. The Public Power Council, which represents most of the region's public utilities, later joined the suit. Fourteen of BPA's 15 industrial customers joined the agency to argue that the preference status should apply only to firm power sales, not to sales to surplus power.

The Supreme Court case is expected to attract national attention, especially from preference customer interests. Robert Greening, manager of the Public Power Council, said he expects the American Public Power Association and the National Rural Electric Cooperatives to file briefs in support of the Public Power Council's position.

He concluded, however, that a Supreme Court decision — no matter how it goes — will have little impact on the average Northwest ratepayer except as it may affect the future development of power resources.

## Aggressive conservation study to begin

The nation's first community-wide study of the potential of conservation is scheduled to get under way in Hood River, Oregon, this spring.

The two-year project will open with an intensive mar-



**Conservation R&D:** BPA's Hood River project will weatherize an entire county and measure the effects.

keting campaign to achieve "the maximum possible penetration of a very aggressive weatherization program," according to Steve Hickok, Bonneville Power Administration's assistant administrator for conservation.

"If we need to, we'll be going door-to-door knocking in order to get the pitch across to every single household in the county," says Hickok, "and try to talk them into participating."

The Hood River project, said Hickok, is "essentially a research and development effort which addresses the potential of residential dwelling conservation." The project, representing four months of preparation by several design teams, has been planned to demonstrate and document the maximum conservation achievable within the residential sector through retrofit measures.

Such information is important in order to set reasonable targets for conservation savings. The data to be collected is expected to answer such questions as:

1. What overall electricity savings can be achieved by implementing an intensive community campaign which fully finances conservation for

homeowners and renters?

2. What market penetration rates can be achieved by the program (or, what percentage of households will be weatherized)?

3. What market penetration rates can be achieved for specific measures?

4. How do the estimated savings for specific measures compare with actual savings? How accurate are current heat loss methodologies compared to the actual savings observed?

5. What are the physical and behavioral barriers to implementing a high level of conservation? How frequently are these barriers encountered? Are certain physical barriers related to certain types of dwellings?

6. What effect will an aggressive conservation program have on community attitudes toward conservation?

7. How much of the Hood River experience can be generalized to the rest of the region?

Budgeted at \$20 million, the Hood River program will offer free home energy audits to all of the some 6,300 residences in Hood River county served by Pacific Power & Light Company and the Hood River Electric Cooperative.

There are approximately 3,100 electrically-heated

homes in the county. Residents with electric heat who elect to participate in the project will be offered free weatherization which goes beyond current BPA standards — R-49 ceiling insulation, for example, as well as R-38 floor insulation, R-11 to R-19 wall insulation, and triple-glazed glass. Before the retrofit work is authorized, however, an energy audit must indicate the measures would be cost-effective.

Customers who use electricity only for lighting and water heating will be offered the energy audit and free water heater wraps. These residents will be advised on how they might save energy by adopting conservation measures.

Hickok said Hood River was selected for the demonstration project for several reasons: It is small, it is close to major distribution centers for supplies, and its climate is similar to the regional average. In addition, its loads can be isolated so that the overall impact of conservation on electrical transmission facilities can be easily monitored.

Comparison studies of attitudes toward energy use and conservation are planned in Pendleton and Grants Pass.

Cost of the demonstration project will be assumed by the

region's ratepayers through the Bonneville Power Administration.

The project is the collective product of BPA, PP&L, the Hood River Electric Cooperative, the Pacific Northwest Utilities Conference Committee, the Natural Resources Defense Council, and the Northwest Public Power Association.

## Council selects fish production panel

The Northwest Power Planning Council has selected a panel to help in planning the most effective ways to increase depleted stocks of salmon and steelhead in the Columbia River Basin. The seven-member Fish Propagation Panel is made up of recognized regional experts in fish production. Members of the panel are:

Richard Whitney, panel chairman and leader of the Washington Cooperative Fishery Research Unit at the University of Washington;

Wallace Hublou, assistant chief of fisheries, Oregon Department of Fish and Wildlife;

Douglas Dompier, fisheries technical services director, Columbia River Inter-Tribal Fish Commission;

Conrad Mahnken, supervisory fishery biologist, National Marine Fisheries Service;

James Johnson, fisheries program director, Nez Perce Tribe;

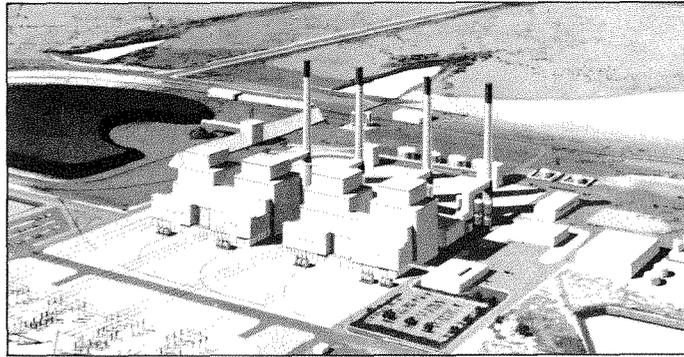
Ernest Salo, professor, Fisheries Research Institute, University of Washington; and

James Hamilton, former fisheries director for Pacific Power and Light Company.

The panel will provide technical assistance to the Council in developing goals for fish production in each of the Columbia River's tributaries.

The members of the panel were selected because of their expertise in different scientific fields related to fish production.

The Fish Propagation Panel



**Creston on hold:** While permits have been issued, the regional energy surplus leaves the proposed Creston coal plant "on ice" until further notice.

was formed as part of the Columbia River Basin Fish and Wildlife Program, adopted by the Council last November.

The Northwest Power Act directed the Council to establish a program to "protect, mitigate and enhance" fish and wildlife on the Columbia River and its tributaries.

## Coal plant permits issued; construction on hold

State and federal agencies have issued licenses authorizing the long-planned coal-fired steam electric plant at Creston, WA, but a timetable for construction remains undetermined.

"We're keeping the project on hold until energy forecasts for the region show a need for the project," reports Stan Witter, public relations coordinator for the Washington Water Power Company (WWP).

Puget Sound Power & Light Company and Seattle City Light share with WWP an interest in the project authorized for a 2300-acre site near the farming community of Creston, 63 miles west of Spokane.

The \$4 billion project is designed to include four generating units with a capacity of 500 megawatts each. WWP, however, plans to build only one unit at a time, gearing con-

struction to the region's energy requirements.

"We'll be prepared," says Witter, "to meet future contingencies without long and costly delays."

Hearings and public meetings on the proposed Creston facility began in several eastern Washington cities and towns in 1978. Farm groups and Indian tribes, wary of air pollution they feared might damage their crops and environment, succeeded in their efforts to require tougher environmental controls before construction permits were granted earlier this year.

The federal Environmental Protection Agency (EPA) approved the project January 28. Two weeks later Washington Governor John Spellman ratified a December decision by the state's Energy Facility Site Evaluation Council (EFSEC) to authorize construction.

The state permit allows the company five years to begin construction of Unit I, according to Jim Barrows of EFSEC's technical staff. Mike Johnston of EPA's Region X says the federal license is valid for 18 months, but extensions could be allowed if factors develop beyond the control of the licensee. Then, he added, further hearings might be required.

Some objections, Johnston continued, have already come from the Spokane Indian tribe. They fear that their lands could be subject to fall-out from the project's stacks.

"The Spokanes want to re-designate part of their reservation as Class I under the Clear Air Act," Johnston said. "That

means maintaining it as a pristine area."

Johnston indicated "it is not clear" what impact the Spokanes' request would have on EPA's authorization of the plant. But, he added, "current thinking is that the permit is effective and the company could start building now."

Bob Anderson, WWP's environmental coordinator, said the Spokanes' objection is one of the problems the company is trying to negotiate while construction remains on hold due to the present surplus of electrical energy.

## Flexible planning key to utility's success

"Flexibility" is the key operating philosophy of Guy W. Nichols, chairman of New England Electric System (NEES). Nichols told *Business Week*, "You have to remain flexible. The energy world is one full of magnificent unknowns and you have to be able to react quickly to inevitable changes."

"Even if the economy and power demand both turn up sharply," says an article in the March 21, 1983, edition of *Business Week*, "Nichols will do all he can to avoid building any giant — 1,000-MW — plants that could cost \$2 billion to \$3 billion. Instead, he is committed to small — 40-MW — coal-fired plants that could go up quickly and relatively inexpensively."



# The people speak

*The Council's draft plan drew praise, criticism, and suggestions for change at regionwide public hearings.*

**T**he people of the Pacific Northwest turned out in force last month to tell the Northwest Power Planning Council their thoughts about the Council's draft regional energy plan. From ranchers in Montana to Seattle businessmen, from Idaho farmers to Oregon utility officials, people spoke out about

the plan's policies, assumptions, and impacts on the region.

The Council went on the road to Boise, Missoula, Coeur d'Alene, Salem, and Seattle to listen to public testimony about the draft Regional Conservation and Electric Power Plan. And the people were there to meet them. In Coeur

d'Alene, the hearing room had to be enlarged to hold all the people who showed up. In Salem and Seattle the hearings had to be extended into a second day. In every city, the hearings extended long into the evening.

And everyone had something to say. While a majority of people approved of the plan's direction, most came armed with suggestions for changes and improvements. All seemed to appreciate the opportunity to present their views on the region's energy future.

Mary Lou Reed, coordinator for the Committee on Fair Rates in Coeur d'Alene, put it all in perspective:

"The plan has brought decision-making on our energy futures to where it should be — in full public view. You have miraculously boiled the secret language (of past energy discussions) down to two easily understandable words — need and cost. You've brought us a long way. We want to compliment the Council."

The Council released its draft plan for public review in January. "The Council's two main goals," says the plan's introduction, "are straightforward: (1) get the power the region needs, and (2) get it at the lowest possible cost."

The Pacific Northwest Electric Power Planning and Conservation Act, which created the Council and gave direction to its work, ordered the Council to give top priority to cost-effective energy conservation in meeting the region's electric energy needs. The draft plan follows that directive. Under a high growth scenario, conservation would provide 5,300 megawatts of energy for the region over the next twenty years — the equivalent of eight nuclear power plants.

The draft plan includes a forecast of future regional energy needs and a flexible plan to meet those needs with conservation and other resources. To meet high energy demand growth, the plan would use not only 5,300 megawatts of conservation but also 1,236 megawatts of new hydropower, 500 megawatts of industrial cogeneration, 1,050 megawatts of combustion turbines, and 3,200 megawatts of coal-fired power plants. At lower rates of growth, conservation and hydropower would be sufficient to meet all of the region's growth in energy demand.



**Hearing the public:** Council members (left to right) Larry Mills, Idaho; Dan Evans, Washington; Bob Saxvik, Idaho; listen to testimony on the draft energy plan.

### Conservation Savings

Overall, the draft plan estimates that conservation in the residential, commercial, industrial, and agricultural sectors could reduce regional electrical demand 18 percent by the year 2000.

Residential conservation could produce savings of about 26 percent through water and space heating improvements, including insulation, storm windows, and more efficient appliances. The Council plans for 85 to 90 percent of the homes in the region to be weatherized in the next 20 years. The draft plan also calls for new homes and commercial buildings to be constructed to more efficient conservation standards.

Some witnesses doubted, however, that the goals could be achieved.

"There is no way the region can achieve the plan's target short of a conservation police state," Dean Mitchell, president of the Tri-City Chamber of Commerce, told the Council.

The Northwest Chambers on Energy told the Council that achievement of 50 percent of the plan's goals would be more realistic.

Several utilities reported that their existing conservation programs had not achieved the penetration rates projected by the draft plan. Richland officials reported that their weatherization program had achieved only 71 percent penetration. Washington Water Power Company fixed its penetration rate at 72 percent. Portland General Electric said conservation savings under its program had yielded about 75 percent of audit predictions.

"The audit standards aren't wrong," William Lindblad, PGE president, said. "They tell us how walls and ceilings work, but they don't tell us how people work."

Others took a different view. Ralph Cavanagh of the Northwest Conservation Act Coalition told the Council that the plan's conservation estimates, in the view of his organization, were much too low. He argued that the Council could add more than 3,500 average megawatts to its inventory of conservation resources by exploiting all of the cost-effective conservation measures available to it.

Richard Conlin, director of a community-oriented water-heater wrapping company, said his small business — "the largest employer on Seattle's Phinney Ridge" — had wrapped 8,000 water tanks.

"The tanks we have wrapped to date will save neighborhood residents \$160,000 a year in utility bills or \$1.6 million over the next ten years," he said.

The cost of the program to the Bonneville Power Administration was \$256,000, he said.

Conlin saw other benefits, too. His small program employed nine people full or part time, adding \$85,000 to the neighborhood's economy.

### Pace of Conservation

Almost every organization submitting testimony at the hearings had some suggestions about how fast conservation programs should be phased in.

In its draft plan, the Council proposed that BPA develop conservation programs for homes, business, agriculture and industry at a slow pace during the present

*There was broad disagreement among witnesses  
over conservation financing.*



**More, not less:** The Council could add more than 3,500 megawatts of conservation to its resource inventory, enough additional electricity for 3½ Seattles, said Ralph Cavanagh of the Northwest Conservation Act Coalition.

power surplus, preparing to speed up the programs when more power is needed.

The Bonneville Power Administration agreed with the Council that conservation should be managed so as not to exacerbate the surplus. During the surplus the agency plans to develop capabilities so that conservation can be achieved in all sectors when "the time is ripe," said BPA Administrator Peter Johnson. "We will be moving into commercial, as well as industrial, areas where we can perfect programs" for later implementation, Johnson said.

Paul Schmechel of Montana Power Company told the Council that conservation should be "phased-in" in order to "enable us to identify and resolve, if possible, program imperfections in an orderly, least-cost manner."

Robert Greening of the Public Power Council urged the Council to freeze conservation expenditures at current 1983 levels and suggested that neither the Council nor BPA initiate any new conser-

vation or resource programs at this time.

Northwest Home Builders, who questioned the validity and cost-effectiveness of the Council's model conservation standards for new buildings, proposed using the surplus power period to build a 100-home pilot project. The project could test costs of conservation construction, liveability issues, energy savings, and marketability questions, the builders said.

The City of Seattle joined in urging conservation research and demonstration projects. But Seattle Mayor Charles Royer and others urged the Council to preserve continuity in existing programs.

"Certainly, the negative economic effects of the surplus should not be unduly exacerbated," Royer said. "Yet only by continuing to develop conservation programs can we perfect techniques and solidify public response to assure that conservation will be a reliable option that can come on line as needed."

Jean Reeder, conservation program manager for the Eugene Water and Electric Board, told the Council that any reduction in EWEB's current retrofit program would make it extremely difficult to regain program momentum.

"We would not reach our goal in 20 years," she said, "and we would run the risk of making the program unworkable."

Mike Lindberg, Portland city commissioner, expressed the added concern that weatherization industries and community programs cannot afford a lag time.

"The Council may run the risk of not having these delivery mechanisms alive and in place at a later point," he said. "It is the momentum instilled by these organizations that is the very life-blood of the Council's conservation goals."

### Conservation Financing

**I**n its plan for financing residential conservation, the Council proposed paying the full cost of improvements for renters and for households earning less than \$16,000 a year. BPA, under the draft plan, would pay other homeowners only as much as necessary to achieve the conservation targets set out in the plan.

There was broad disagreement among witnesses over the level of financing and who should be eligible for payments. Some argued full payments were essential to the eventual success of the plan. Others insisted partial payments would be sufficient for all except the poor.

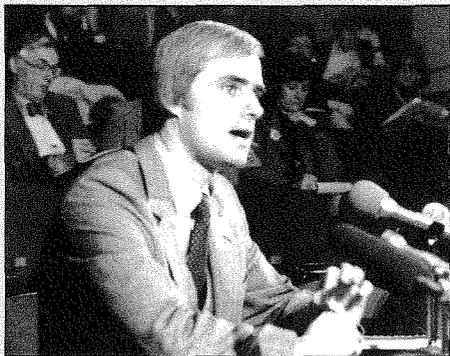
Supporters of full payment argued that home owners who created energy by undertaking conservation measures are enti-



**When the time is ripe:** During the energy surplus BPA intends to develop capabilities to deliver conservation in all sectors when it is needed, said BPA Administrator Peter Johnson.

Photos: Ralph Perry (top), Richard Heinzen (bottom).

*'We feel that variable funding, when you have some of your own money at risk at some level, helps to control cost.'*



— Ken Canon,  
Industrial Customers  
of Northwest Utilities

tled to the same treatment as utilities who build generating facilities.

Rick Bauman, speaker pro tem of the Oregon House of Representatives, told the Council that no one proposes partial financing for hydroelectric or coal-fired energy plants.

"Full financing of cost-effective conservation is not a giveaway," he asserted. "It's a purchase of a cheap energy resource."

Others argued that less than full funding would reduce the overall level of cost-effective conservation and thus raise energy costs in the region.

In Missoula, Marcia Rundle told the Council that arguments for partial funding ignored the fact that ratepayers, as taxpayers, already subsidized "virtually every kind of energy resource."

"I would much prefer that my money be invested in my neighbor's house than in any of the other resources if that indeed is the most cost-effective way to obtain energy," she said.

A City of Seattle analysis indicated full funding would lower administrative costs, permit development of simpler programs, provide more consistent price signals to consumers, all in addition to assuring help for those with limited funds.

Those opposed to full funding argued that it disregarded the power savings and other benefits consumers receive.

As Kenneth Canon, director of Indus-

trial Customers of Northwest Utilities, explained, those who compare full financing to financing of other resources overlook the benefits to the consumer in the form of lower electric bills and increased value of the consumer's dwelling.

"Under full financing," he asked, "would the region be willing to completely fund the acquisition of the output

of a cogeneration project and then give the output to the cogeneration industry?"

Canon argued, too, that a variable funding program in which the consumer places some funds at risk would insure better cost control over conservation contractors.

Several witnesses expressed concern about the rate impacts of conservation programs, suggesting that little or no funding would be the best approach.

W.F. Bill Whittom, mayor of Rupert, Idaho, argued that "the best approach to conservation is to let individual ratepayers accomplish it themselves through the private sector." People in southern Idaho, said Whittom, "don't want to have their rates raised in order to insulate their neighbor's house."

Bob Parkinson, a customer of the Fall River (Idaho) Rural Electric Cooperative, told the Council that electricity costs were enough motivation for the consumer to conserve. "When I built our home," Parkinson said, "I put in a storm door, storm windows, weather stripping, and proper insulation, not because of a subsidy but so that I wouldn't have the high heating bills." Parkinson continued, "I expect the Council to be extremely sensitive to the cost of its plan which it expects to impose on me."

Council Vice-chairman Bob Saxvik re-

*'I'm speaking for both low income renters and homeowners when I say that without 100 percent financing, weatherization on these apartments and a lot of homes would never have been done.'*

— Ruth Phillips,  
Multnomah County  
Action Agency



sponded to the rate concerns: "Conservation represented 2.3 percent of the Bonneville rate case in 1983. WPPSS 1, 2 and 3 represented 28 percent of that bite."

The draft plan's proposal to provide full funding to renters and low-income households also caused disagreement.

Peter Johnson, head of the Bonneville Power Administration, told the Council that full payments to renters, in BPA's view, would not be fair to the region's ratepayers, particularly during a period of energy surplus.

"It would be, in a word, overkill," he testified. "It would reward a lucky few and disappoint and inflame all the others who fail to get in on a cushy arrangement but whose electricity rates will have to be needlessly increased."

Wendell J. Satre, chairman and chief executive officer of the Washington Water Power, said that except for low income families he believed 100 percent funding was "inappropriate" and that increasing the value of an owner's rental property at the expense of other ratepayers would be "unAmerican."

William Lindblad, Portland General Electric president, argued that ratepayers should pay no more for low income conservation than they pay for programs directed at others. He suggested that "social welfare funds raised through taxation" should be used to complement ratepayer contributions in such cases.

A Portland woman, Ruth Phillips, who testified she lived in a low-income apartment complex, gave the rental unit financing problem human scale.

Until recently, her apartment, she said, "had absolutely no weatherization except a little bit around the doors."

"It was always very damp — to the point of getting mildew on the walls, shoes, etc. — and very cold during the late fall and winter," she said. "It was just about unbearable."

Since the apartment has been weatherized, however, "it's hard to believe the difference in warmth," she said.

"I'm speaking for both low-income renters and home owners" she said, "when I say that without 100 percent financing, weatherization on these apartments and lots of homes would never have been done."

Several witnesses urged the Council to consider aggressive marketing and educa-



**Out of the board room:** Reddy Kilowatt from Idaho Fair Share commended the Council for taking power planning out of the corporate board room and putting it into the hands of the public.

tional programs to help individuals become better home-energy managers.

"Education and marketing can be just as important in effecting penetration rates (for conservation) as the level of financing," Allen Brown, director of the Solar Energy Association of Oregon, told the Council.

Advocates of solar energy urged the Council to include solar space and hot water heating among its approved conservation options, and to give credit to solar users for at least the energy a solar installation would save.

## Renewable Resources

As with conservation, individuals and groups who testified about renewable resources in Council hearings represented a broad spectrum of ideas and opinions. Concerns that the Council called for too much new hydropower contrasted with concerns about the failure of the Council to plan for short-term energy from other renewable resources.

The plan calls for the addition of 1,236 megawatts of new hydropower over the next 20 years, along with 500 megawatts of cogeneration. The Council concluded that geothermal, wind, and solarelectric energy were not yet cost-effective, and rec-

ommended research, development and monitoring of technological improvements in these resources.

Brig. Gen. James Van Loben Sels, commander of the northern Pacific division of the Army Corps of Engineers, suggested that modernization of existing dam facilities could increase the region's hydropower generating capacity.

New automatic control systems at some powerplants could improve turbine efficiencies, he said, at a price much less than that of alternative new energy sources.

At Chief Joseph Dam, he said engineers raised pool elevations and rewound existing generators increasing "considerably" available generation at the project.

Several witnesses doubted that small hydro sites would produce the energy expected in the plan, or could be designed to avoid environmental damage.

Randy Hardy, director of the Pacific Northwest Utilities Conference Committee (PNUCC), commented that 600 to 800 megawatts of small hydro seemed to be a more realistic figure than the Council's 1,236 megawatts. The two main problems with hydro development, said Hardy, were fish and wildlife considerations and "seasonality," or at what time of year a hydro site would produce the most energy.

The Northwest Chambers on Energy

## *Thermal resources generated public heat at the hearings.*

termed the generating assumptions "excessive and unrealistically optimistic" suggesting that half the Council's expectations would "be more realistic."

A number of witnesses urged the Council to spell out measures for protection of fish and wildlife in more detail so that new resource development would not thwart the aims of the Council's fish and wildlife program.

S. Timothy Wapato, executive director of the Columbia River Inter-Tribal Fish Commission, expressed particular concern that the Council protect Indian treaty fishing resources in the region by preserving spawning beds and assuring water flows.

He told the Council, however, that the Indian Fish Commission supported aggressive conservation programs as a way of lessening the need for hydroelectric projects which might damage fish runs.

William Nicholson, manager of corporate energy for the Potlatch Corporation, suggested that the Council had underestimated the amount of available cogeneration. "There may be 10 percent of the 500 megawatts (estimated in the plan) in the Potlatch operation alone and our operation is far less than 10 percent of the industrial base in the Northwest." Nicholson urged the Council to consider policies which would permit industries to develop cogeneration without having to worry

about the regulations and disclosure demands imposed on utilities.

Several witnesses urged the Council also to upgrade the attention to be paid wind, geothermal and newer solar technologies. They argued that the Council should be prepared to encourage all developments, wherever they occur.

Angus Duncan of Windfarms Northwest commented that "the plan is largely indifferent to the potential of renewable resources other than hydro." He recommended that the Council direct BPA to undertake a wind demonstration project for "the region's long-term interest."

Jane Peters of Portland Sun told the Council that "some solar hot water systems and space heating heat pumps would be cost-effective today, and do-it-yourselfers would be able to qualify their wind, biomass and photovoltaic systems as cost-effective to the region long before similar systems marketed through private enterprise would be cost-effective."

Robert W. Moench, senior vice president of Pacific Power & Light Company, suggested that renewable resources could prove to be a better alternative than combustion turbines, proposed in the plan as a backup resource.

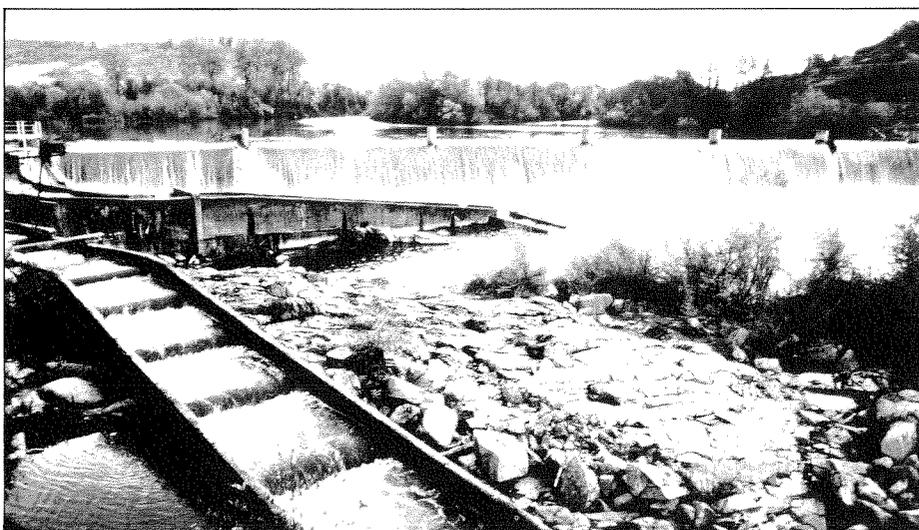
"We believe that an aggressive approach to renewable resources could make them economically and technically feasible by the mid-1990s," he said. "Pacific



### **Supporting renewables:**

Do-it-yourselfers could produce cost-effective wind, biomass and photovoltaic systems long before private enterprise, said Jane Peters of Portland Sun.

believes this would be less costly than installing combustion turbines."



**Concern for fish:** Tim Wapato, director of the Columbia River Inter-Tribal Fish Commission, told the Council that it could be "uniquely effective" in dealing with the impacts of hydro development.

### **Thermal Energy**

**A**lthough thermal energy resources, such as nuclear, coal and gas combustion turbines, represented the highest cost and therefore the lowest priority in the draft plan, they generated a large amount of public heat at Council hearings.

Generally, public and private utilities objected to elimination of WPPSS plants 4 and 5 and the proposed Skagit/Hanford nuclear plants 1 and 2 from the Council's plan and the inclusion of coal as the only future thermal power option.

Asserting that attempts to predict future energy needs in the region are uncertain and imperfect, Edward Sienkiewicz, BPA assistant administrator for power management and resources, asserted in a written statement that in BPA's view it is premature to rule out the cost-effectiveness of

WPPSS plants 4 and 5, as compared to coal plants, at this time.

"Such conclusions should await more definitive analysis," he said.

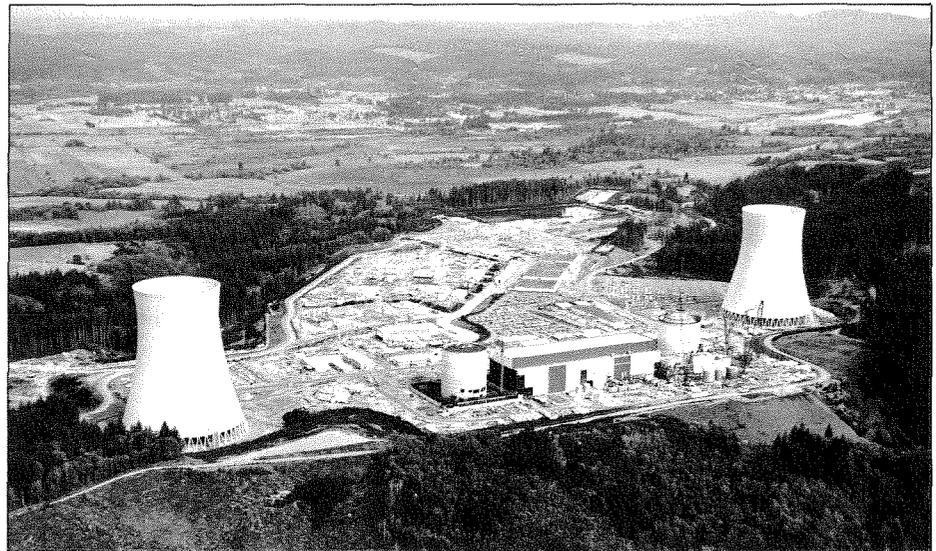
Officials of the Puget Sound Power and Light Company, which has been seeking licenses for its Skagit/Hanford projects, agreed.

John Ellis, president of the company, told the Council that preservation of options to complete all of the nuclear plants is "clearly prudent and provides insurance against the significant uncertainties in load and resource forecasts."

Ellis indicated that the Skagit/Hanford plants could probably not be preserved unless the plan reflects that they are both needed and prudent.

Dean Mitchell of the Tri-City Chamber of Commerce told the Council that failure to include the WPPSS 4 and 5 plants "would be a dangerous and unnecessary gamble."

"No resources should be abandoned unless it's reasonably certain they won't be needed," he said. "At this time, nobody can say with certainty that coal and only coal will be the best 20, 10, or even 5 years into the future. No one has a crystal ball that clear."



**Preserving the option:** Utility officials joined together to ask the Council not to exclude nuclear power from its final plan.

Not everyone agreed with those assessments. The Natural Resources Defense Council said it believed that power costs for both coal and nuclear plants had been significantly understated in the plan.

But it had no argument with the Council's finding that coal power would be the least costly. The higher costs for both, however, would make conservation and solar power even more attractive.

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Technical appendices are included in the plan document with the exception of Appendix J, Model Standards for New Construction. For information on obtaining Appendix J, please contact Carol McAllister at the Council's central office.

Technical exhibits, including contractor reports, staff issue papers and model documentation, may be examined at the Council's central and state offices and BPA area offices during regular business hours. For more information, contact Ruth Curtis at the Council's central office.

## Options

The plan's innovative resource options proposal was the focus of both praise and concern at the hearings. As with other parts of the plan, it also attracted a number of suggestions for modifications.

The options program, designed to reduce risks and costs by shortening the lead time for resource development, would enable the region to help finance siting, licensing, and design of a conservation or generating resource for use in the future. Under the program, for example, sites for power facilities could be "banked" but not built until their energy was needed.

Robert Marritz of PNUCC agreed that options could provide an important insurance policy for the region — "if the idea of options works."

Marritz expressed concern that options might not have the "shelf-life" the Council expected because of changing regulations and that the options "portfolio" might not be sufficient to meet the Council's objectives.

Randy Hardy, director of PNUCC, urged the Council to identify what regulatory changes would be needed to carry out the options concept and to work with the

agencies involved to make those changes happen.

Toni Kelley, chairperson of the Northern Plains Resource Council, asked that citizens be assured the right to reopen permit proceedings on options to seek changes based on new federal and state laws, technology and new environmental, social and economic conditions.

She also pointed out the impacts of site banking on communities. "A community faced with a site bank project will be in limbo for the term of that site banking,"



not able to plan whether to expand for boom town growth or to stay the same.

The Council held its last public hearing on the draft plan in Seattle on March 18 but left the record open for written comments until March 21. In all, the Council heard from about 400 witnesses and received about 18,000 pages of written and oral testimony. The Council is now reviewing testimony and revising the plan based on public comment. The final plan will be adopted by April 28.

Council Chairman Dan Evans, at the Coeur d'Alene hearing, referred to the role of the public in the next step — the plan's implementation.

"We may have limited authority in carrying out the plan," Evans said. "Surcharge is one of them. Bonneville coming to us for resource acquisition is another. But neither one is going to be half as important as the power which comes from people's support of the plan."

If the plan is viewed as worthwhile, he continued, if it has credibility, and if there is strong citizen support, "you don't need a whole big enforcement arm. That will be the enforcement arm itself."

"And that's why I am glad that so many people are here tonight."

Northwest Power Planning Council  
700 S.W. Taylor, Suite 200  
Portland, Oregon 97205