

# journal

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[www.bpa.gov/corporate/pubs/Journal](http://www.bpa.gov/corporate/pubs/Journal)

## BPA kicks off power rate case

Field hearings begin this month for public input into BPA's new wholesale power rate proceeding. In early November, BPA published an initial rate proposal in the Federal Register, kicking off the beginning of a formal proceeding to replace existing power rate schedules, all of which expire on Sept. 30, 2006. The new three-year rate period will run from Fiscal Year 2007 through Fiscal Year 2009.

Six field hearings will be conducted throughout the region in November and December. (See schedule in the public involvement section of this publication.) Public comment runs through Feb. 13, 2006.

The formal rate case will continue until the final record of decision is released in July 2006. The decision will be sent to the Federal Energy Regulatory Commission by Aug. 1, with interim approval expected in late September. Rates will go into effect on Oct. 1, 2006.

"We want to emphasize the word 'initial' in the initial rate proposal," said Paul Norman, senior vice president. "Circumstances will change, and we don't know what the final rates will be at this time. The input from this process will inform a final decision. What we do know now is that our goal and our effort will be focused on keeping rates as low as possible for the benefit of our regional economy while still delivering on our mission."

The initial proposal focuses on an adjustable approach to rates that reflects increased unpredictability and volatility in areas that affect power costs and revenues. In addition to traditional uncertainty over hydro supply, today's wholesale power market is extremely volatile. Where once prices fluctuated in thousands of dollars, they now can fluctuate in tens of thousands. This makes it difficult to predict how much BPA will earn in revenues from surplus power.

Another major new uncertainty is ongoing litigation over operations related to fish listed as threatened or endangered. Court-ordered changes to hydro operations in 2006 and beyond could prove to be extremely costly and could drive power rates up.

To deal with major uncertainties, BPA is proposing rate-adjustment mechanisms that allow the agency to set base rates lower. These adjustments would be triggered if necessary to cover contingencies that cannot be predicted with great accuracy – such as costs or lost revenues due to extreme water conditions, unfavorable market prices,

generation going off-line and litigation. The adjustments also include a mechanism to return money to customers if BPA's net revenues exceed a certain level. While the downside of this system is that there is little guarantee of rate stability, BPA customers have said they prefer adjustable rates to higher stable rates.

The final rate will be influenced by several factors, and some are within the region's control. BPA is especially interested in working with customers on liquidity tools. "Customers and others can be helpful in keeping rates down by helping us secure tools and agreements that increase BPA's access to cash," said Norman. "This may be the single largest opportunity to bring rates down for the next rate period."

Liquidity tools would help BPA's cash flow during the first months of the fiscal year after the agency has made its Treasury payment, which is also the time that net billing obligations for Energy Northwest (nuclear plants) must be met, thus delaying BPA's opportunity to restock reserves.

BPA also will be conducting a separate process, outside of the rate proceeding, to find more cost savings that could be included in the final rate calculations. Previously, BPA held a Power Function Review to engage the region in setting power-related program costs. As a result of the review, BPA reduced projected costs by about \$96 million a year from the start of the review and committed to continue to look for ways to further reduce costs.

Information on key issues in the rate case and the process is posted at: [www.bpa.gov/corporate/pubs](http://www.bpa.gov/corporate/pubs).

## Treasury payment – on time and in full

"For the 22nd year in a row – something we take great pride in – we made our payment to the U.S. Treasury," said Administrator Steve Wright. The full payment, with interest, came to \$1.088 billion for fiscal year 2005. The payment covers the U.S. taxpayer investment in the Federal Columbia River Power System, including the federal hydropower dams and transmission system.

## Court calls hearing on spill, flow

Federal District Court Judge James Redden has called a hearing for mid-December on flow and spill issues for Columbia River operations next year. In the suit that resulted in remanding the 2004 biological opinion to NOAA



Fisheries for additional work, plaintiff organizations indicated they would file a motion for an injunction to order spill and flow augmentation actions next year.

Judge Redden said he will hold an evidentiary hearing on Dec. 12 and 13 to consider all motions that could affect Columbia River system operations next year. Redden's order said all motions must be filed by Nov. 1, and all parties' responses must be completed a month later. Redden will limit the hearing topics to the science and efficacy of spill/transportation and flow augmentation to assist juvenile salmon pass through the dams during the spring and summer runs.

## **BPA supports Integration Proposal**

On Oct. 31, BPA offered to fund its share of an Integration Proposal to make near-term improvements to Northwest grid management and planning, while continuing work toward a long-term decision on Grid West. This is BPA's conclusion on "Decision Point 2" in Grid West development.

"This approach, if supported by the region, could begin generating benefits within a year," Administrator Steve Wright said. These near-term benefits include:

- a common Northwest OASIS (transmission reservation system),
- an independent market monitor, and
- a regional transmission expansion plan.

The Integration Proposal was developed by BPA late in October based on discussions among publicly owned and investor-owned utilities; it draws from both Grid West and the Transmission Improvements Group proposals.

BPA said it would fund its share of further Grid West development if the Grid West board implemented the near-term services and amended its bylaws to strengthen regional accountability, as outlined in the Integration Proposal. Wright also said he believes this approach is, "the best way to get to Decision Point 4," when BPA and other transmission owners would decide whether to implement Grid West's Basic Operations. The Grid West board was scheduled to discuss BPA's offer on Nov. 1.

## **Airbase building gets new lights**

A snow barn at Fairchild Air Force Base near Spokane, Wash., is the latest beneficiary of a BPA-sponsored lighting project. In addition to improving lighting in the barn, the work should save 189,000 kilowatt-hours with a payback in less than six years. The 1942-vintage building houses runway maintenance equipment including snow blowers.

In the \$48,000 project, mercury vapor lights were replaced with fluorescents and a computerized lighting control panel. The new lights have improved working conditions in the building, which is used as a parking and minimal maintenance structure. This is the first of a 23-building project to upgrade lighting, heating and ventilation systems at the base.

# publicinvolvement

## updates and notices

### **NEW PROJECTS**

#### **Bonner County Kalispel Acquisition (Albeni Falls Wildlife Mitigation Program) – Bonner County, Idaho**

BPA is currently working with the Kalispel Tribe to acquire and manage one parcel (approximately 80 acres) of land in Bonner County, Idaho. BPA funds the Albeni Falls Wildlife Mitigation Program, which is tasked with the acquisition and restoration of key habitats within the Pend Oreille Watershed. This is a mitigation program that purchases private land to be owned and managed by program participants for the protection, mitigation and enhancement of wildlife affected by the construction and operation of the federal hydroelectric facilities on the Columbia River. Comments are being accepted through Nov. 15, 2005. If you would like more information, please call 1-800-622-4519. (See close of comment)

#### **Gold Creek Idaho Department of Fish and Game Acquisition (Albeni Falls Wildlife Mitigation Program) – Bonner County, Idaho**

BPA is working with the Idaho Department of Fish and Game to acquire and manage approximately 310 acres of land that fronts the Pack River at the confluence of Gold Creek. BPA funds the Albeni Falls Wildlife Mitigation Program, which is tasked with the acquisition and restoration of key habitats within the Pend Oreille Watershed. This is a mitigation program that purchases private land to be owned and managed by program participants for the protection, mitigation and enhancement of wildlife affected by the construction and operation of the federal hydroelectric facilities on the Columbia River.

Comments are being accepted through Nov. 15, 2005. If you would like more information, please call 1-800-622-4519. (See close of comment)

#### **Post-2006 Renewable Energy Program – Regionwide**

On Sept. 29, 2005, the comment period on the renewable option to the Conservation Rate Credit closed. BPA has reviewed comments and made several changes to the renewable option. These changes have been added to the draft Post-2006 Conservation Implementation Guidelines, which is available online at [www.bpa.gov/energy/n/post2006conservation/](http://www.bpa.gov/energy/n/post2006conservation/). A summary of comments received and BPA's response will be available on BPA's Web site: [www.bpa.gov/power/pl/regionaldialogue/renewables.shtml](http://www.bpa.gov/power/pl/regionaldialogue/renewables.shtml).

#### **Proposal for Alternative Contracting Approach for Capitalizing BPA Funded Wildlife Land Acquisitions – Regionwide**

BPA is interested in getting feedback on a draft proposal for an alternative contracting concept for capitalizing land acquisitions for wildlife mitigation. The draft proposal addresses some of the issues that have led to a perceived slowing of mitigation efforts resulting from implementation of our capitalization policy. For more information, see BPA's Web site at [www.efw.bpa.gov/](http://www.efw.bpa.gov/). (See close of comment)

#### **Transfer Service – Regionwide**

BPA held a kick-off meeting on Oct. 19, 2005, with all parties interested in PBL Transfer Service. This meeting was the first of a number of meetings that are occurring over the coming months to discuss outstanding issues in the April 2005 Agreement Regarding Transfer Service that BPA executed with customers served through General

Transfer Agreements or Open Access Transmission Tariff arrangements. For a schedule of meetings and additional information, see BPA's Web site: [www.bpa.gov/power/regionaldialogue](http://www.bpa.gov/power/regionaldialogue).

## **AGENCY – ONGOING PROJECTS**

### **Northwest Transmission Planning and Operation – Regionwide**

On Oct. 28, the Regional Representatives Group considered a proposal to integrate elements of Grid West and the Transmission Improvements Group proposals to improve Northwest transmission operation and planning. The Integration Proposal was prepared by representatives of publicly and investor-owned utilities and presented by BPA. The proposal would fund near-term transmission services, including a common Northwest OASIS (transmission reservation system), independent system monitor and transmission expansion plan. This is the result of efforts to seek broader regional support for a single proposal by early November. For the outcome, see BPA's Web site: [www.bpa.gov/corporate/business/restructuring/](http://www.bpa.gov/corporate/business/restructuring/).

### **Supplement Analysis to the Business Plan EIS – Regionwide**

BPA is preparing an SA to its Business Plan EIS, which is scheduled for release at the end of 2005. The 1995 BP EIS analyzed the environmental impacts of BPA's business practices, such as marketing and transmitting power, energy conservation, renewable energy development, and fish and wildlife mitigation activities. The impacts analyzed include effects on the natural, economic and social environments. Public letters announcing and outlining the SA to the Business Plan EIS went out in December 2004. The comment period on the SA closed on March 1, 2005. For additional information about the SA and the comments that were received, see BPA's Web site: [www.efw.bpa.gov/environmental\\_services/Document\\_Library/bpsa/](http://www.efw.bpa.gov/environmental_services/Document_Library/bpsa/).

## **FISH AND WILDLIFE – ONGOING PROJECTS**

### **Chief Joseph Hatchery Program – Okanogan County, Wash.**

The Northwest Power and Conservation Council has recommended BPA fund a program sponsored by the Confederated Colville Tribes assisting in the conservation and recovery of summer/fall chinook salmon in the Okanogan subbasin and the Columbia River between the Okanogan River and Chief Joseph Dam. This program would include construction, operation and maintenance of a hatchery at the base of the Chief Joseph Dam and a few acclimation ponds throughout the Okanogan River subbasin. Adult fish broodstock collection for gathering eggs would occur throughout the project area by various means. Egg incubation and early rearing would occur at the new hatchery. Final rearing and release of juvenile fish would occur at new and existing acclimation ponds. While the focus of the program would be the propagation of summer/fall chinook salmon, the EIS will also study using the proposed facilities to reintroduce extirpated spring chinook salmon to historical habitats in the Okanogan subbasin. The comment period closed Sept. 19, 2005. A DEIS will be available for public review and comment in spring 2006. For more information, see BPA's Web site: [www.efw.bpa.gov/environmental\\_services/Document\\_Library/Chief\\_Joseph/](http://www.efw.bpa.gov/environmental_services/Document_Library/Chief_Joseph/)

### **Salmon Creek EIS – Okanogan County, Wash.**

BPA proposes to fund a project to enhance fish habitat, fish passage and 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 was released in September 2004 and is available on BPA's Web site: [www.efw.bpa.gov/environmental\\_services/Document\\_Library/Salmon\\_Creek](http://www.efw.bpa.gov/environmental_services/Document_Library/Salmon_Creek). A public meeting was held Sept. 28, 2004, and the comment period closed Nov. 9, 2004. Further environmental analysis on this project is delayed until a Master Plan is completed. Environmental analysis will continue only if the Master Plan is given approval for funding by the Northwest Power and Conservation Council.

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

BPA released the FEIS for the South Fork Flathead Watershed/Westslope Cutthroat Trout Conservation Program on July 25, 2005.

Subsequently, some parties interested in this program informed us that the FEIS did not include comments they submitted to BPA during the DEIS comment period, which ran from July 12 through Aug. 20, 2004. BPA is accepting comments that raise new information or identify changed circumstances from those discussed in the FEIS. This comment period is open until Dec. 12, 2005. The FEIS is available on BPA's Web site: [www.efw.bpa.gov/environmental\\_services/Document\\_Library/South\\_Fork\\_Flathead/](http://www.efw.bpa.gov/environmental_services/Document_Library/South_Fork_Flathead/). (See close of comment)

## **POWER – ONGOING PROJECTS**

### **Power Rates 2007-09 – Regionwide**

In the fall of 2005, BPA will begin the formal 7(i) process of setting power rates for fiscal years 2007-2009 with the release of the 2007 Wholesale Power Rate Case Initial Proposal (WP-07). During November and December 2005, BPA will hold six field hearings around the region to provide the general public with an opportunity to comment on BPA's initial proposal for the FY 2007-09 rate period. Hearing locations include Kalispell, Idaho Falls, Spokane, Tacoma, Springfield and Portland (see calendar of events). More information about this rate process is available on BPA's Web site: [www.bpa.gov/power/ratecase](http://www.bpa.gov/power/ratecase).

### **Regional Dialogue – Regionwide**

BPA continues work on the second phase of the Regional Dialogue. Meetings are scheduled through November to address the issues outlined in BPA's Concept Paper released in September 2005. Upon conclusion of these meetings, BPA will issue a policy proposal and open a formal public comment period. The target date to release the policy proposal for comment is early 2006. For a schedule of meetings and more information on this process, see the Regional Dialogue Web site: [www.bpa.gov/power/regionaldialogue](http://www.bpa.gov/power/regionaldialogue).

### **Slice Product Review – Regionwide**

BPA continues to meet with interested parties on the Slice Product Review that will lead to decisions on the future of the Slice product. Meetings are under way and will continue to be held in the coming months. For more information, see BPA's Web site: [www.bpa.gov/power/regionaldialogue](http://www.bpa.gov/power/regionaldialogue).

## **TRANSMISSION – ONGOING PROJECTS**

### **Hanford Reach National Monument CCP/EIS – Benton, Franklin and Grant counties, Wash.**

BPA is participating as a cooperating agency in a land management planning process led by the U.S. Fish and Wildlife Service. The USFWS seeks to develop a comprehensive conservation plan as required by the Refuge System Improvement Act of 1997. BPA is providing information and writing sections of the plan that pertain to transmission facilities, roads, energy facilities and river flow management within the monument. A DEIS is scheduled for release in spring 2006.

### **Klondike III Wind Project Interconnection – Sherman County, Ore.**

BPA has been asked by PPM Energy Inc. to interconnect 300 MW of the output of the proposed Klondike III Wind Project and by Orion Energy LLC to interconnect 350 MW of the proposed Biglow Canyon (formerly Sherman County) Wind Project. Interconnection would require BPA to build and operate a new double-circuit 230-kV transmission line, approximately 12 miles long, and one or two substations. The new facilities would be built near the towns of Wasco and Rufus, Ore. BPA is analyzing the affects of the BPA action and both wind projects in an EIS. BPA expects to issue a DEIS in April 2006. Scoping meetings were held in Wasco, Ore., in March and April 2005, and the comment period closed May 13, 2005. For more information, see BPA's Web site: [www.transmission.bpa.gov/PlanProj/Wind/](http://www.transmission.bpa.gov/PlanProj/Wind/).

### **Libby (Flathead Electric Cooperative) to Troy Section of the Libby to Bonners Ferry 115-kilovolt Transmission Line Rebuild – Lincoln County, Mont.**

BPA is proposing to rebuild a 17-mile-long section of the Libby to Bonners Ferry 115-kV transmission line to improve its reliability and meet future load growth in the Libby, Mont., area. Current options include rebuilding the line as a single-circuit 115-kV wood-pole

H-frame line with some wood-pole equivalent steel poles; rebuilding the line as a double-circuit 115-kV tubular steel-pole line; rebuilding the line as a double-circuit 230-kV tubular steel-pole line; and the alternative of not rebuilding the line. BPA plans to analyze the environmental effects of the proposed project and comments received during the scoping process in an EIS and expects to issue a DEIS in spring 2006. The comment period was extended until Oct. 30, 2005. There will be an informational public meeting on electric and magnetic fields from 6 to 8 p.m. on Nov. 17 in Libby, Mont. For more information, see BPA's Web site: [www.transmission.bpa.gov/PlanProj/Transmission\\_Projects/](http://www.transmission.bpa.gov/PlanProj/Transmission_Projects/). (See calendar of events)

#### **Port Angeles Transmission Line Interconnection – Port Angeles, Wash.**

Olympic Converter LP has requested interconnection to the Federal Columbia River Transmission System of a 550-megawatt transmission cable across the Strait of Juan de Fuca from Vancouver Island, B.C., to Port Angeles, Wash., on the Olympic Peninsula. The line would interconnect at BPA's existing Port Angeles Substation. BPA is leading the environmental studies and coordinating efforts with the Department of Energy. The DEIS is scheduled for release in winter 2005/06. The comment period for the environmental scoping closed June 8, 2005. For more information, see BPA's Web site: [www.transmission.bpa.gov/PlanProj/Transmission\\_Projects/](http://www.transmission.bpa.gov/PlanProj/Transmission_Projects/).

#### **Rock Creek Substation – Klickitat County, Wash.**

Windtricity LLC and Last Mile Electric Cooperative, two wind developers, have requested to interconnect up to 150 MW of power from the Goodnoe Hills Wind Project and up to 200 MW of power from the White Creek Wind Project to the Federal Columbia River Transmission System. BPA proposes to build a new 500/230-kV substation along the existing Hanford-John Day 500-kV transmission line. This new facility would require approximately 7.5 acres of land in the Goodnoe Hills area. The comment period closed Aug. 8, 2005. BPA expects to issue a Tiered ROD to BPA's Business Plan in November 2005. For more information, see BPA's Web site: [www.transmission.bpa.gov/PlanProj/Wind/](http://www.transmission.bpa.gov/PlanProj/Wind/).

#### **Seven Mile Hill Wind Project – Wasco County, Ore.**

UPC Wind Partners, LLC submitted a request to BPA for the interconnection of 50 megawatts of power it plans to generate from its proposed wind development southwest of The Dalles, Ore. BPA would provide the interconnection to enable UPC to market windpower. BPA is considering constructing a simple tap creating a three-terminal line within a switchyard to be constructed beneath BPA's The Dalles-Hood River 115-kilovolt transmission line. UPC would build a 115/34.5-kV substation adjacent to the switchyard but outside the transmission line right-of-way. BPA will largely parallel its NEPA review process with the Wasco County review of the Conditional Use Permit application for this project and plans to issue a Tiered ROD under the Transmission Business Plan EIS. UPC is currently conducting fall bat and bird studies and tentatively plans to file a CUP application with Wasco County in December 2005.

#### **Willow Creek Wind Project – Gilliam and Morrow counties, Ore.**

Invenergy LLC submitted an interconnection request for up to 180-MW of power generated from the proposed Willow Creek Wind Project located in Gilliam and Morrow counties, Ore. BPA proposes to interconnect up to 150 MW to BPA's Tower Road-Alkali 115-kV transmission line in Gilliam County. Interconnection would require rebuilding one mile of transmission line and constructing two switch structures within the existing BPA right-of-way. Invenergy is currently proposing a 72-MW project with no firm expansion plans at this time. A public scoping meeting was held Oct. 18, 2005, in Arlington and comments were accepted through Nov. 1, 2005. BPA will analyze

project impacts in a tiered ROD under the Business Plan EIS, scheduled to be completed in early 2006. For more information, see BPA's Web site: [www.transmission.bpa.gov/PlanProj/Wind/](http://www.transmission.bpa.gov/PlanProj/Wind/).

## **SUPPLEMENT ANALYSES**

To view copies of the Supplement Analyses, visit the link provided.

### **Watershed Management Program EIS**

[www.efw.bpa.gov/environmental\\_services/Document\\_Library/Watershed\\_Management/](http://www.efw.bpa.gov/environmental_services/Document_Library/Watershed_Management/)

- SA-235 Haskill Creek Restoration Project – Flathead County, Mont.
- SA-236 Chewuch Diversion Dam Fish Passage Renovation Project – Okanogan County, Wash.
- SA-237 Marracci/WDFW Diversion Dam Fish Passage Renovation and Ditch Piping Project – Okanogan County, Wash.
- SA-238 Walla Walla River Basin Fish Habitat Enhancement – Walla Walla County, Wash.
- SA-239 Protect and Restore the Lapwai Creek Watershed – Nez Perce County, Idaho

### **Transmission Vegetation Management Program EIS**

- SA-263 McNary-Ross/McNary-Horse Heaven, Benton County, Wash.
- SA-264 Macks Inn-Madison, Gallatin County, Mont., and Fremont County, Idaho
- SA-265 Roundup-La Grande, Union County, Wash.
- SA-266 Driscoll Substation, Wauna, Clatsop County, Ore.
- SA-267 Reedsport-Fairview, Coos and Douglas counties, Ore.
- SA-268 Dorena Tap, Lane County, Ore.
- SA-269 Martin Creek, Lane and Douglas counties, Ore.

## **CALENDAR OF EVENTS**

### **Libby (FEC) to Troy Transmission Line Rebuild**

- **Nov. 17**, 6 to 8 p.m., Kootenai National Forest Supervisor's Office, 1101 Highway 2 West, Libby, Mont.

### **Power Rates 2007-09 Hearings**

- **Nov. 29**, 6 to 8:30 p.m., Springfield City Hall, Council Chambers, 225 Fifth Street, Springfield, Ore.
- **Nov. 30**, 6 to 8:30 p.m., West Coast Kalispell Center Hotel, Ballroom A, 20 North Main, Kalispell, Mont.
- **Dec. 1**, 6 to 8:30 p.m., Red Lion at the Park, 303 W. North River Drive, Spokane, Wash.
- **Dec. 5**, 6 to 8:30 p.m., Red Lion Hotel on the Falls, 475 River Parkway, Idaho Falls, Idaho
- **Dec. 6**, 6 to 8:30 p.m., Sheraton Hotel, Ballroom, 1320 Broadway Plaza, Tacoma, Wash.
- **Dec. 7**, 6 to 8:30 p.m., DoubleTree Hotel, Mt. St. Helens Room, 1000 N.E. Multnomah St., Portland, Ore.

## **CLOSE OF COMMENT**

- **Nov. 15** – Bonner County Kalispell Acquisition (Albeni Falls Wildlife Mitigation Program)
- **Nov. 15** – Gold Creek Idaho Department of Fish and Game Acquisition (Albeni Falls Wildlife Mitigation Program)
- **Nov. 18** – Proposal for Alternative Contracting Approach for Capitalizing BPA Funded Wildlife Land Acquisitions
- **Dec. 12** – South Fork Flathead Watershed/Westslope Cutthroat Trout Conservation Program EIS (Reopened)

**The Journal is a monthly publication of the Bonneville Power Administration. If you have questions or comments, or you want to be added to the mailing list for any project, call (503) 230-3478 in Portland or toll free 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 14428, Portland, OR 97293-4428. E-mail address: [comment@BPA.gov](mailto: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 [www.efw.bpa.gov/cgi-bin/PSA/NEPA/Projects](http://www.efw.bpa.gov/cgi-bin/PSA/NEPA/Projects). Process Abbreviations: EA-Environmental Assessment, 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.

