A Voice for the Preference Customers

The Public Power Council (PPC) is a forum where representatives of consumer-owned utilities, from the smallest to the largest, gather around the same table to share information and determine how to address critical federal power and transmission issues. Being informed and involved on behalf of the region’s electricity consumers gives our members a voice in the direction of this industry in the Northwest.

PPC has a diverse membership. Our member utilities range in size from 10 to 400,000 customers and are located in seven western states — including Washington, Oregon, Idaho, Montana, Nevada, Utah, and Wyoming. They include municipal utilities, public or people’s utility districts, and electric cooperatives. All of these utilities have a legal and historic first right to federal power. Protecting this right, known as “preference,” is among PPC’s most vital charges.

Organized in 1966, PPC was created with the conviction that these utilities needed a united voice in regional resource planning. Today the organization represents its members’ interests in all Bonneville Power Administration (BPA) proceedings, in matters before the Northwest Power and Conservation Council (NWPCC), in other regional power venues, and in Washington, D.C.

In addition to providing information and advocacy, PPC offers the opportunity for utility leaders to learn, debate, and chart a course through the very important issues impacting regional wholesale power and transmission. PPC’s mission remains centered on access to a reliable, affordable power supply for consumer-owned utilities.
A Message from the Chairman and Executive Director

Throughout this busy year, the Public Power Council fervently pursued the goal of preserving and protecting the benefits of the Federal Columbia River Power System for our members and for the region as a whole. Although this year presented us with particularly difficult challenges, we made real progress on several tough issues while working together with member utilities and other regional trade groups.

This year marked one of the more striking crises in BPA history when the Department of Energy took unprecedented actions, including reassignment of top management and suspension of BPA personnel decision-making authority amid reports of significant problems with BPA’s hiring practices. PPC immediately took action to gather pertinent information, assess the true extent of the problems, and develop a strategy. Specifically, we insisted that BPA address its hiring issues promptly, transparently, and without incurring unnecessary costs. And, even more importantly, we worked both in the region and in Washington, D.C. to ensure that BPA’s issues are not a precursor to DOE taking further control of BPA’s operations or policies.

On core power cost issues, PPC spent 2013 working to limit the size of the BPA power rate increase by making sure that earlier agreements on nuclear fuel purchasing and on BPA debt refinancing were reflected in rates. PPC also worked to ensure that there was not an unneeded increase in rates for financial risk, and successfully advocated for a last-minute reduction in the size of the rate increase due to an accounting practice. While any rate increase is concerning, the final average rise of 9.0% was well below the earlier 12% to 20% estimates.

Another power cost issue that could affect consumers for decades to come is the potential renegotiation of the Columbia River Treaty with Canada. As BPA and the U.S. Army Corps of Engineers prepared a recommendation for the State Department at the end of this year, PPC helped lead a broad coalition of utilities and other interested parties who are making the case that the current Treaty implementation is unbalanced and unfair to electricity consumers in the Northwest.

PPC played a key leadership role on a host of technical and policy issues associated with integration of generation from the region’s wind fleet. These issues involved firming capacity, transmission infrastructure needs, and the limits of our hydro system. PPC has been working to protect the preference customers from inequitable cost shifts and dilution of the benefits of the federal system. In 2013, PPC also took the lead in the BPA proceeding to establish rates under the Oversupply Management Protocol to guard against cost shifts and ensure that BPA’s obligations for system operations, fish protection, and affordable power supply were protected.

The PPC Executive Committee and the PPC staff work tirelessly to keep members informed and to protect the interests of all consumer-owned utilities in the Northwest. We would like to give our sincere thanks to all of the PPC members and staff within the public power community who make the work of PPC possible.

John Gerstenberger
Chairman, Public Power Council
General Manager
Hood River Electric Cooperative

Scott Corwin
Executive Director
Public Power Council

December 2013
Keeping our Eye on the Ball – Power Costs

Costs and Rates – During 2013, PPC devoted considerable efforts to limiting the size of the BPA power rate increase for the two-year period beginning October 1, making sure that savings accruing from a beneficial Energy Northwest nuclear fuel deal and BPA debt refinancing were reflected in rates. PPC worked to ensure that there was not an unneeded increase in rates for financial risk, and successfully advocated for an additional 0.6% lowering of the final proposal by insisting that new Energy Northwest accounting practices were used to lower the level of the rate. Although the final power rate increase was 9.0% on average, this was still well below the initial 12% to 20% rate increase forecasted by BPA at the beginning of the process.

Capital Costs – The process to review BPA’s capital costs did not start until late in the year. However, things are rapidly heating up for next year when BPA not only will present a new capital budget, but also will likely propose moving towards revenue financing a substantial proportion of that capital budget. PPC will continue to explore the capital needs creating the financial pressure, and will want to see those needs prioritized. And, we will continue to question the timing of revenue financing proposals in light of low market prices and low interest rates, and will push to avoid any deleterious rate impacts.

Rate cases at FERC – PPC has continued to advocate against cost increases that would ultimately be passed down to the preference customers. For example, over the last year, PPC has actively participated in the Investor-Owned Utilities (IOUs) transmission rate case proceedings at the Federal Energy Regulatory Commission (FERC) to ensure that the rates the IOUs charge BPA for transfer service are fair and reasonable. While working together with BPA and others, PPC was there to make sure that both cases resulted in favorable settlements that produced substantial annual savings to BPA, and consequently, to its power customers.

DSI Issues – Building on prior victories in court, PPC continued to engage at the Ninth Circuit Court of Appeals in its effort to recover and return to the preference customers millions of dollars that BPA illegally paid to its direct service industrial customers (DSIs). The case has been fully briefed and argued and is now awaiting a decision from the court. And, in a first, after years of pressure and litigation by PPC to hold BPA to its statutory duty of acting consistently with sound business principles, BPA offered a DSI contract that on balance will represent a financial net positive for BPA.

Fish and Wildlife – PPC continues strong advocacy for the best use of ratepayer dollars to uphold the river system’s obligations for fish mitigation. PPC advances ratepayer positions and communicates with key policymakers about the region’s approach to salmon mitigation in a number of forums including BPA program determinations, the Northwest Power and Conservation Council’s project review and funding recommendations, and the U.S. Army Corps of Engineers’ dam and reservoir operations management teams. In addition, PPC took an active role in the courts this year, working with BPA and Northwest RiverPartners to defend the Northwest Power and Conservation Council against attempts by environmental groups to compel the Council to expend even more ratepayer dollars on unnecessary processes. PPC
will continue to advocate for funding to be spent most efficiently on the highest priority measures, push to reduce any unnecessary cost to ratepayers, and defend the benefits of the hydropower system for statutory preference customers.

**PPC and Federal Policy in Washington, D.C.**

**BPA Hiring Issues** – In 2013, a shockwave rippled through the Northwest as the internal operations of BPA, and ultimately its decision-making authority, were impacted by investigations into the agency’s hiring and personnel practices. Reports by the federal Office of Personnel Management and the Department of Energy Inspector General alleging numerous instances in which military veterans did not receive proper preference in hiring, and alleging reprisals against whistleblowers, resulted in unprecedented actions by the Department of Energy to reassign top management and suspend BPA personnel decision-making authority. As the year ended, some questions remained unanswered, and the agency was in a potentially costly effort to reconstruct the flawed hiring decisions. Concerns persist that these administrative problems create an opening for DOE headquarters to dictate future administrative and policy decisions.

PPC has been active in this difficult situation, working with agency staff, the Northwest Congressional delegation, and the media to ensure adoption of a remediation process that is transparent, appropriate, cost-conscious, and protects BPA’s core mission and historic regional independence. PPC Executive Director Scott Corwin joined Senate Energy Committee Chairman Ron Wyden at an October briefing that highlighted our concerns. The entire Northwest delegation has written or called the Secretary of Energy to underscore the need for regional control, and PPC continues to work with the delegation to chart a path forward that unites the delegation and retains important regional priorities and policies.

**PMA Oversight** – In June 2013, Scott Corwin testified at a U.S. House Natural Resources Committee hearing providing oversight on the role of the Power Marketing Administrations. Representing Northwest consumers, PPC made the case for regional control and for retaining our clean, affordable power as a critical element of the economy of the region. We also stated that locally-created solutions, by utilities and BPA, will meet the new challenges facing our industry, without top-down mandates from federal regulators.

**The Columbia River Treaty** – In June, the U.S. Entity, comprised of BPA and the Army Corps of Engineers, released a draft recommendation regarding renegotiation of the 1964 Columbia River Treaty that was created to provide flood control and power benefits to the region. PPC is working with its members and other economic interests in the region to help lead an extensive effort to inform the U.S. Entity and to educate policymakers in the region and in Washington, D.C. about the importance of focusing on the inequity in current distribution of power benefits in this international treaty.
Energy Efficiency into the Future

With new leadership at the Northwest Power and Conservation Council, PPC is coordinating public power’s engagement in the development of the Seventh Power Plan. Via both technical and policy level advocacy, PPC is working to ensure the plan is a useful tool for utilities and BPA, and offers the region guidance and flexibility in conservation planning. Additionally, PPC is advancing member positions in BPA’s current review of its energy efficiency program. In the next year, as BPA conducts this review, PPC and its members will continue to work with the agency so that its program provides utilities the best tools, greatest flexibility, and budget certainty necessary to meet their savings objectives and energy needs at the lowest cost.

BPA Transmission Rights and Rates

BPA Transmission and Ancillary Services Rates for 2014-15 –
Because the federal power system does not have the ability to serve all of the balancing needs of wind generators and the balancing needs of preference loads, BPA must purchase additional capacity from the market to serve wind generators. PPC engaged in the BPA 2014-15 ancillary services rate case, advocating for balancing energy and capacity rates that do not shift costs unfairly to preference customers. Ultimately, parties settled this aspect of the rate case. But, the issues are likely to be up again in the next rate case; PPC will continue to work to ensure that its members do not pay more than their fair share of costs.

In the 2014-15 transmission rate case, PPC vigorously opposed a proposal that would increase the rates paid by Network customers by adding costs currently in the Montana Intertie rate and future costs of expansion of Montana Intertie facilities. After mounting a substantial factual and legal case against this, PPC was able to defeat the proposal. The Administrator adopted all of PPC’s arguments, avoiding a bad precedent and cost shift to the users of the main grid.

Transmission Service, Planning, and Avoiding Stranded Costs -
PPC continually pursues ways to resolve impediments to delivery of new resources and delivery of federal power by transfer to preference customers by promoting improvements to BPA’s commercial practices, seeking changes to BPA’s tariff that support preference needs, and pushing for BPA’s fulfillment of its obligations to its transmission customers. As BPA continues to expand transmission infrastructure, PPC is working to reduce preference customer exposure to stranded costs due to default on service agreements. PPC continues to work to ensure that the costs of transmission service are fairly allocated and transmission rates are kept low.
**FERC Involvement** – PPC also advocates for members’ transmission needs at the Federal Energy Regulatory Commission (FERC), drafting and coordinating comments for itself, other utilities, and trade organizations regarding transmission planning, cost allocation, and transmission pricing reform.

**BPA’s Policies for Managing Over-generation** – PPC was active in both the rate setting and legal arena regarding over-generation issues. However, the year 2013, with below-average snowpack and a cool spring, did not trigger over-generation conditions that necessitated any wind generation curtailments. Still, to recover costs of compensation paid in previous years under its Oversupply Management Policy, BPA held a rate case that saw no shortage of proposals. PPC put forth a substantial case fighting back against proposals that would result in a disproportionate shift of costs to the preference customers.

Meanwhile, PPC was an active participant at FERC where BPA’s policies for managing over-generation continued to be litigated. One key aim was to preserve the integrity of BPA’s rate-setting process. PPC successfully argued that FERC should allow BPA’s statutory process to continue with the OS-14 rate case, allowing adequate input from customers. PPC will stay engaged at FERC, but also will continue to work with BPA and other stakeholders to develop ways to manage wind generation in oversupply conditions and to allocate the costs fairly.

**Involvement in the Northwest Power Pool’s Market Improvements Initiative** – BPA and other Northwest Balancing Authorities face challenges in economically meeting the capacity and energy requirements of variable generators and in management of their transmission system operations. Throughout 2013, the Northwest Power Pool initiative participants continued to evaluate market and “system visibility” improvements. The group produced some proposals for bilateral market improvements and for data sharing to better see problems as they develop. The group also explored development of the issues involving an Energy Imbalance Market. PPC monitored this process to understand the impacts of proposals on BPA and its preference customers. While scrutinizing the potential costs and benefits, PPC will continue to promote cost-effective strategies that reflect regional needs and priorities.

**PPC Budget**

The total approved budget for PPC for 2013 was $2,076,700. This is the same budget level as in 2010, 2011, and 2012. PPC collects no additional fees for its budget beyond this annual member assessment.
2013 PPC Members

Cooperatives
Blachly-Lane County Electric Cooperative, OR
Central Electric Cooperative, OR
Columbia Rural Electric Association, WA
Consumers Power, Inc., OR
Coos-Curry Electric Cooperative, OR
Fall River Electric, ID
Flathead Electric, MT
Harney Electric Cooperative, OR
Hood River Electric Cooperative, OR
Idaho County Light & Power, ID
Inland Power & Light, WA
Kootenai Electric Cooperative, ID
Lane Electric, OR
Lincoln Electric, MT
Lost River Electric Cooperative, ID
Missoula Electric Cooperative, MT
Okanogan County Electric Cooperative, WA
Oregon Trail Elec. Cooperative, OR
Peninsula Light Company, WA
Raft River Electric, ID
Ravalli County Electric Cooperative, MT
Salem Electric, OR
Umatilla Electric Cooperative, OR
United Electric, ID
Vigilante Electric Cooperative, MT
Wasco Electric, OR

Municipals
City of Ashland, OR
City of Bandon, OR
City of Blaine, WA
City of Bonners Ferry, ID
Canby Utility, OR
City of Cascade Locks, OR
Centralia City Light, WA
Cheney Electric Service, WA
Eugene Water & Electric Board, OR
City of Forest Grove, OR
Idaho Falls Power, ID
McMinnville Water & Light, OR
Milton-Freewater City Light & Power, OR
Monmouth Power & Light, OR
City of Port Angeles, WA
Richland Energy Services, WA
Port of Seattle, WA
Rupert Electric Dept., ID
Seattle City Light, WA
Springfield Utility Board, OR
City of Sumas, WA
Tacoma Power, WA
Vera Water & Power, WA

PUDs
Benton PUD, WA
Central Lincoln PUD, OR
Clallam County PUD, WA
Clark Public Utilities, WA
Clatskanie PUD, OR
Columbia River PUD, OR
Cowlitz PUD, WA
Emerald PUD, OR
Ferry County PUD, WA
Franklin PUD, WA
Grant County PUD, WA
Grays Harbor PUD, WA
Klickitat PUD, WA
Lewis County PUD, WA
Mason County PUD #1, WA
Mason County PUD #3, WA
Northern Wasco PUD, OR
Okanogan PUD, WA
Pacific County PUD #2, WA
Pend Oreille PUD, WA
Skamania County PUD, WA
Snohomish County PUD, WA
Tillamook PUD, OR
Wahkiakum PUD, WA
Whatcom County PUD #1, WA

Tribal-Owned
Yakama Power, WA

2013 PPC Executive Committee Members and Designated Alternates

Officers
John Gerstenberger, Hood River Electric .................. Chairman
Ed Brost, Franklin PUD .......................... Vice Chair, Administration and Budget
Roger Gray, Eugene Water & Electric Board ......... Vice Chair, Allocation/Rates/Contracts
Ted Coates, Tacoma Power ........................ Vice Chair, Long Range Planning
Scott Corwin, PPC .................................. Secretary-Treasurer

Vice Chair, Allocation/Rates/Contracts
Bob Geddes, Cowlitz PUD
Fred Mitchell, Franklin PUD

Vice Chair, Long Range Planning
Richland Energy Services, WA

Alternate
Dan Bickford, Benton PUD
Travis “Bear” Prairie, Idaho Falls Power
Linda Esparza, Franklin PUD
Jim Baggs, Seattle City Light
Chris Robinson, Tacoma Power
Roman Gillen, Consumers Power, Inc

PPC Executive Committee Members

Chad Bartram, Benton PUD
Steve Boorman, City of Bonners Ferry
Ed Brost, Franklin PUD
Jorge Carrasco, Seattle City Light
Ted Coates, Tacoma Power
Rick Crinklaw, Lane Electric
Bob Geddes, Lewis County PUD
John Gerstenberger, Hood River Electric
Roger Gray, Eugene Water & Electric Bd
Tom Hutchinson, Clearwater Power
Steve Klein, Snohomish County PUD
Pat McGary, Clark Public Utilities
Don McMaster, Cowlitz PUD
Matt Michel, Canby Utility Board
Fred Mitchell, Clallam County PUD
Joe Noland, Cheney Electric Service
Dan Peterson, Pend Oreille PUD
Ray Sieler, Tillamook PUD
Jim Smith, Klickitat PUD
Ken Sugden, Flathead Electric
Les Teel, Columbia Rural Electric Assn.
Mission Statement
PPC’s mission is to preserve and protect the benefits of the Federal Columbia River Power System for consumer-owned utilities.