Bringing Public Power Together

Where Preference Customers Come Together

The Public Power Council has a diverse membership, with electric utilities ranging in size from 10 to 400,000 customers in seven western states – including Washington, Oregon, Idaho, Montana, Nevada, Utah, and Wyoming. Our members 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 commitment to provide these utilities 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) and other regional power venues, and in Washington, D.C.

PPC is a forum where representatives of consumer-owned utilities in the Northwest, from the smallest to the largest, can gather information on the key issues impacting their power supply. We meet monthly to share ideas 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 the electricity industry in our region.

In addition to providing detailed information and technical and legal advocacy, PPC offers the opportunity for utility leaders to chart a course through the very important and evolving issues impacting regional wholesale power and transmission. PPC’s mission remains centered on access to a reliable, affordable power supply for consumer-owned utilities.

As described in this 2014 Annual Report, our expert staff and our utility members work hard every day to further the wholesale power interests of consumer-owned utilities. It is very rewarding to serve the citizens and economy of the Northwest through our work on the costs and policies that impact electricity in our region.

Scott Corwin
Executive Director
Public Power Council
A Message from the Chairman

While the pace of change in our industry seems to increase yearly, the Public Power Council (PPC) is a consistent voice for the concerns of preference customers of federal power in the Northwest.

The past year proved to be one of renewal after a harrowing time of upheaval at the Bonneville Power Administration (BPA). PPC and its members worked throughout the year to ensure that BPA’s authorities to run its core business functions, including human resources, were fully reinstated by the Department of Energy. These functions are fundamental to BPA’s ability to meet its critical mission of serving the loads of consumer-owned utilities.

PPC worked diligently in the BPA budget processes that led to a cut in the size of the forecasted power rate increase, advocated for prudent spending cuts on the power side to reflect BPA’s actual spending patterns, and worked with Energy Northwest to facilitate refinancing Energy Northwest bonds to reduce those costs recovered in power rates.

In both Washington, D.C. and in the region, PPC continues to push hard for a renegotiation of the Columbia River Treaty that will lead to a more sensible and equitable distribution of power benefits to citizens in the Northwest. Also on both coasts, we advocated for our members’ transmission needs and against increased oversight by the Federal Energy Regulatory Commission over BPA policies.

The region saw some of the largest returns of salmon on record this year. To build on that success, PPC worked to promote the ratepayer interests of seeing a science-based, cost-effective fish and wildlife program. Next year, we are looking for the courts to approve the regional plan, or Biological Opinion, for compliance of the federal hydropower system with the Endangered Species Act.

We’ve had success or held the line on key issues this year. And, we’ve been able to see PPC grow and get even healthier with the addition of several new members. As I leave the Chairmanship, I would like to thank the Executive Committee and the PPC staff, and I give my sincere thanks to all of the members within the public power community who make the work of PPC possible. They are very dedicated to our shared mission of ensuring that consumers have access to the clean power that has electrified our homes for almost eight decades.

John Gerstenberger
Chairman, Public Power Council
General Manager, Hood River Electric Cooperative
Keeping our Eye on the Ball – Power Costs

Costs and Rates – During 2014, PPC worked intensively in BPA’s Integrated Program Review (IPR) budget process to reduce the size of the forecasted power rate increase by several percent. PPC staff also advocated for prudent spending cuts where BPA agreed to reflect actual spending patterns (a $24 million a year reduction in costs), and worked with Energy Northwest to arrange for refinancing of maturing Energy Northwest bonds (a $29 million a year reduction in costs).

Capital Costs – In light of escalating capital budgets and customer concerns, BPA inaugurated a Capital Investment Review (CIR). Although oversight of BPA’s capital program is still a work in progress, PPC worked with BPA as it took the important step of initiating a capital prioritization process to evaluate proposed BPA capital projects on an agency-wide basis. BPA also acknowledged that there was an upper limit of capital spending that it could undertake without raising rates to unsustainable levels. PPC will continue to work with BPA to refine both the prioritization process and the manner in which spending limits are determined.

Time to Rebalance the Columbia River Treaty

PPC is working with its members and other economic interests in the region to help lead an extensive effort to push for opening engagement with Canada to address the inequity in the current distribution of power benefits under the 1964 Columbia River Treaty that was created to provide flood control and power benefits to the region. Through persistence, cooperation with other river users, and good working relationships with the Northwest Congressional Delegation, PPC was able to help guide the response to the recommendations made by the U.S. Entity (BPA and the Army Corps of Engineers) last year. PPC even testified at a hearing of the House Committee on Natural Resources on this subject.

Although some advocates have repeatedly attempted to use the Treaty discussions as a new venue to change river operations, the Northwest Congressional delegation has supported the reasonable balance struck in the U.S. Entity recommendations, and has urged the President to act expeditiously. The Administration’s interagency policy group is still reviewing the issue at year’s end; PPC will continue to push for a more equitable distribution of power benefits, and for an approach to future funding of flood control operations that does not hit electricity ratepayers.

The Federal Energy Regulatory Commission and BPA

More and more, the operations of BPA are influenced by actions of the Federal Energy Regulatory Commission (FERC). FERC oversees wholesale power markets and transmission to ensure “just and reasonable” rates. Historically, FERC has had only a limited role in BPA operations and policies. But, amendments to the Federal Power Act and aggressive FERC Commissioners and staff have changed that over time. As a result, FERC has intervened in BPA’s policies on intermittent resources, transmission planning, and other critical issues; and, concern over increased FERC regulation is at the forefront of regional discussions on proposed markets for imbalance energy.
Those efforts have proven fruitful. During the confirmation process for two new FERC Commissioners, delegation members stressed the importance of Northwest-driven solutions. One result: a FERC decision on transmission planning that granted BPA and public power utilities greater autonomy.

**Maintaining Regional Control**

Following the strange happenings last year regarding BPA hiring issues, PPC focused on ensuring that BPA’s authorities to run its business, including human resources functions, were fully reinstated. Another federal policy issue this year involved the U.S. Environmental Protection Agency’s proposed regulations for carbon emissions from existing power plants. The rules establish targets for each state, with compliance “building blocks” that include deployment of renewables and energy efficiency. How state implementation plans impact BPA — from resource decisions to use of the BPA transmission grid — is yet to be seen. Another matter that PPC is closely watching is the roll-out of the Department of Energy’s Quadrennial Review; PPC is on the lookout for new initiatives that might seek to utilize BPA to implement Administration objectives on a wide range of topics.

**Transmission Rights and Rates**

**BPA Transmission and Ancillary Services Rates**— As we close the year, PPC is preparing for the upcoming BPA rate case in which we expect BPA to propose a network transmission services rate increase for FY 2016-17. PPC and other regional representatives worked with BPA on its budgets and capital program to reduce the expected rate increase.

Notably, the ancillary services rates will see no overall increase due to a settlement reached this year. Because the federal power system does not have the ability to serve all of the balancing needs of wind generators on top of the needs of preference loads, BPA must purchase additional capacity from the market to serve wind generators. Whether preference customers or wind...
for expanding its network transmission system. As BPA continues to build infrastructure, PPC is working to keep rates low and to reduce preference customer exposure to stranded costs.

**Involvement in the Northwest Power Pool’s Market Improvements Initiative** – BPA and other Northwest balancing authorities face challenges in managing their transmission system operations due to the energy requirements of variable generators. Throughout 2014, the Northwest Power Pool market initiative participants produced proposals for bilateral market improvements and for data sharing to better see problems as they develop. The group also continued to develop a design for an energy imbalance market (also called a Security-Constrained Economic Dispatch). PPC monitored this process to understand, and try to address, the legal and financial impacts of proposals on BPA and its preference customers. In 2015, PPC will lead discussions with BPA regarding the agency’s decisions on whether or not to join any proposed Northwest organized energy market.

**Ramping up the 7th Regional Power Plan**

With the Northwest Power and Conservation Council working in earnest on its 7th Power Plan, PPC weighed in by helping with development of the model that creates the analytical results for the plan. Our staff will be involved in reviewing and commenting as that model sees more action in the coming year. PPC also brought together utility members to ensure robust participation in the NWPCC’s policy and technical advisory committees. PPC will make certain that utility positions are represented on the key issues during the long process to create a regional resource plan by the end of 2015.
PPC Budget
The total approved budget for PPC for 2014 was $2,176,000. PPC collects no additional fees for its budget beyond this annual member assessment.

Fish and Wildlife Biology and Budgets
With regional fish and wildlife considerations making up a major component of the wholesale rate, PPC actively promotes ratepayer positions in this area. Last year, PPC worked with the Northwest Power and Conservation Council to push for a science-based, cost-effective fish and wildlife program to become part of the NWPPCC’s 7th Power Plan. PPC also worked with BPA and the U.S. Army Corps of Engineers to prevent large budget and rate increases, and worked with Northwest RiverPartners to maintain a strong ratepayer voice in the science and litigation surrounding the regional plan called the Biological Opinion. All of this is set against the backdrop of some of the largest returns of salmon on record in the Columbia River Basin. In the coming year, PPC will advocate for funding to be spent on the highest priority measures, push to reduce any unnecessary costs, and continue to defend the benefits of the hydropower system for statutory preference customers.

Energy Efficiency Evolution
PPC staff coordinated member positions throughout BPA’s “Post-2011 Review Process” on energy efficiency, which reevaluated and improved the BPA conservation program. Lasting nearly a year, the review was constructed to create flexibility and to improve offerings from the existing program. Flexibility was gained in a number of ways including allowing utilities to spend funds across rate periods, and creating a fund to help utilities achieve very large projects. Additionally, customers pushed for BPA to keep the door open to future improvements to the program. Future efforts include building a strategy for transitioning the program away from capital financing, and development of options for those utilities that are looking for the opportunity to self-manage the program funds that currently go through BPA.

Protecting Preference in the Courts
To advocate for its members’ preference rights to federal power, PPC joined in a case this year in the Ninth Circuit Court of Appeals seeking to limit the Federal Energy Regulatory Commission’s ability to influence and assert jurisdiction over BPA and its actions. PPC also joined forces with the American Public Power Association and others in a D.C. Circuit Court of Appeals case challenging the Commission’s interpretation of municipal preference under the Federal Power Act. And, PPC received another in a line of positive decisions from the Ninth Circuit Court of Appeals regarding payments BPA made to direct service industrial customers at the expense of preference customers.
### 2014 PPC Members

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

#### Municipal
- 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

#### Tribal-Owned
- Yakama Power, WA

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

### 2014 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

#### 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
- Mark Johnson, Flathead Electric
- Steve Klein, Snohomish County PUD
- Pat McGary, Clark Public Utilities
- Don McMaster, Cowitz 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
- Les Teel, Columbia Rural Electric Assn.

#### Alternates
- Dan Bickford, Benton PUD
- Travis “Bear” Prairie, Idaho Falls Power
- Linda Esparza, Franklin PUD
- Mike Jones, Seattle City Light
- Chris Robinson, Tacoma Power
- Roman Gillen, Consumers Power, Inc
- Dan Bedbury, Lewis County PUD
- Jeff Davis, Wasco Electric
- Erin Erben, Eugene Water & Electric Bd
- Heber Carpenter, Raft River Electric
- Doug Grob, Flathead Electric
- Craig Collar, Snohomish County PUD
- Wayne Nelson, Clark Public Utilities
- Buzz Ketcham, Cowitz PUD
- Jeff Nelson, Springfield Utility Board
- Will Purser, Clallam County PUD
- Bob Hammond, Richland Energy Services
- John Grubich, Okanogan PUD
- Scott Coe, Emerald PUD
- Holly Dohrmann, Klickitat PUD
- Chad Jensen, Inland Power and Light
Mission Statement
PPC’s mission is to preserve and protect the benefits of the Federal Columbia River Power System for consumer-owned utilities.