

ACCESS

T B L M A R K E T I N G B I - M O N T H L Y

Issue No. 1

March 1999



A member of Larry Ringer's Idaho Falls line crew braves snow and ice to improve service. See article, page 6.

Welcome to your first edition of *Access*: a marketing newsletter on transmission issues from BPA's Transmission Business Line. We designed it to answer some of your questions about the industry — and the concerns you raised in last year's survey of customers.

We asked customers in July 1998 how the quality of our services compared to what you want. The survey asked 48 customers from direct service industries, public utilities, investor-owned utilities and power brokers about how well we deliver service. You said service in 1998 was an improvement over 1997, but you'd still like to see more progress.

Here are some of the issues you raised and what we're doing about them.

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E** *"I am concerned regarding the timing of the TBL rate case." "The TBL rarely asks for our input as to its pending business decisions."*

We heard you. You want certainty in transmission rates. So we are speeding up our rates process. We already have been talking to some of you about your issues and the services you want in the future. Workshops are being set by customer group. Look for a notice in the mail and on our web site, www.transmission.bpa.gov.

It's clear it will be difficult to meet all customers' needs. Some would like TBL to develop new rates and lock them in place as soon as possible so

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they can evaluate and select which power products they want to buy. Others want TBL to consider new and innovative tariff structures that may take considerable time to develop. At any rate, we are ready to start work. The workshops should give you the information you need and a chance to help design the new tariffs before the formal process.

After the workshops, we'll have the formal process of adopting new rates, terms and conditions to replace the existing tariffs, which expire Oct. 1, 2001. We'll begin this as soon as the majority of customers are ready. The first few weeks of workshops will give us all a better idea when that will be.

Then the Federal Energy Regulatory Commission will need to approve the rates and tariffs after they are developed in the rate case. If we do well in the workshops and the rate case, we should be able to proceed to FERC without delay.

We will be listening to you, but more importantly, you will need to listen to each other and to FERC. That's the only way to quickly come up with the common understandings you need to better plan your business future.

**I
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E** *"TBL contracts could be less complex."*

You want clear and concise contracts. By the end of 1998, the network and point-to-point service agreements were shortened by as much as 18 pages. Lengthy supplements, such as rate schedules and transmission scheduling provisions are posted on the web site or printed for those who want them. Some of you may have seen the new agreements. They were filed with FERC in December.

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E** *"[TBL] is quite a large organization. It could be more efficient."*

Since 1992, TBL has cut staff through attrition by 36 percent.

We did this while keeping in mind that our highest priorities are reliability, public safety and customer service. We continue to streamline the organization to improve the way we do business. We're working to better coordinate outages. We are setting higher standards for billing and scheduling. Expect to see more focus on the products you need and the people who deliver them.

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E** *"I would like more timely responses to my questions and requests."*

We know you like working with your account executives, so we are giving them more support so they can better respond to your questions. We also are holding "town hall"

meetings to improve understanding and communication. This newsletter is one way to support that "conversation." Tell us if it works for you. Next time your account executive calls, tell him or her what you think. Or fill out the form on the last page.

"The TBL has come light years from a year ago. It has changed the way it operates; we appreciate that." That's from one of those interviewed in the 1998 survey. You said last year that we had improved in 11 out of 17 measures of performance. Overall, you gave us a 7.35 rating out of 10. It's nice to hear positive comments, but clearly we can — and will — do better to meet your expectations.

— Chuck Meyer, vice president of sales and marketing, Transmission Business Line

Town Hall meetings win customer interest

Transco and rates were on the minds of the 32 people who attended Transmission's first two town hall meetings. Tacoma on Feb. 25 and Spokane on Feb. 26 hosted the events. TBL planned the meetings to "update you on rates, industry and regulatory trends, and state and national legislation," but the time was spent listening to customer issues.

Several were curious about the latest moves from FERC and what it is doing to create regional transmission organizations.

Everyone wanted to know about costs: How much a Transco would cost, how it would shift costs among utilities and power marketers and how it would affect the business bottom line. Most customers, like Duke Power, want TBL to be separate and independent from BPA's power side. Others, like Seattle City Light, want to move incrementally. Some are tired of the talk and want to quit "spinning

wheels." But most, like Power Resource Management, think that the current situation — with TBL and its 80 percent of Northwest transmission capacity at the heart of a Northwest "Transco" — works pretty well. "We want to make sure the solution isn't worse than the problem," said Pend Oreille PUD.

"NEARLY ALL UTILITIES WANTED THEIR MANAGERS AND ACCOUNT EXECUTIVES TO STAY IN TOUCH AS TECHNICAL STAFF WORKED THROUGH THE RATE CASE."

Costs also drove the conversation on rates. Customers want the rates for fiscal 2002 and beyond set sooner rather than later. But few agreed on

what shape rates should take. Some suggested adopting FERC standards. Some, like Okanagon PUD, suggested moving to zonal pricing. Others would rather tweak existing rates. "It's clear that the more options kept on the table, the longer the rate case will take to resolve," Kootenai Electric said.

Town hall meetings are posted on TBL's web site. The next will take place April 7 in Missoula, Mont.

Transmission Business Line Sales Team

Bonneville Power Administration



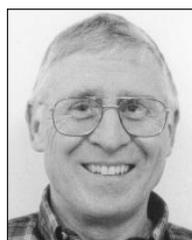
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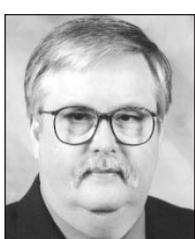
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FERC tests waters on regional transmission organization

FERC asked state utility commissions how to set boundaries for regional transmission organizations at a series of three consultation workshops. The workshops were held in February in Las Vegas, St. Louis and Washington, D.C.

This is FERC's first step toward Chairman James J. Hoecker's goal to form regional organizations to operate transmission systems, a task it hopes to complete before the end of 1999.

"FERC is testing the waters at these workshops by asking state agencies what criteria should be used to geographically structure the regional organizations," said Brian Silverstein, TBL manager of business strategy and assessment. "FERC is also asking whether its rules that functionally separate generation and transmission within utilities are working."

A regional organization, variously known as an independent system operator, regional transmission operator, or Transco would simplify transactions for transmission customers. As envisioned by FERC, the regional organization would be independent of power generators to ensure fair prices and facilitate equal access to customers. If it were a Transco, the organization would own, build, operate, maintain and schedule electric transmission use.

Silverstein said FERC is going to state commissions first because it is required to do so by a 1930s provision of the Federal Power Act that first gave its predecessor the authority to set boundaries in order to interconnect utilities voluntarily, an authority FERC has never exercised. "Its next step will certainly include consultations with utilities and other interested parties," he said.

Saying that reliability and commercial interests are linked, the western states gave FERC commissioners a list of principles at the Las Vegas meeting

to guide the formation of transmission organizations. They said that the organization's operations must be transparent to customers, independent of market functions, eliminate rate pancaking and allow states to decide their role. The number of RTOs should be based on benefits. A boundary can't be set until the RTO's function is determined.

"I WANT TO MAKE CLEAR THAT IT IS MY GOAL TO INITIATE AND COMPLETE A GENERIC PROCEEDING THAT WILL VASTLY ACCELERATE THE ESTABLISHMENT OF ISOs OR TRANSCOS, AS APPROPRIATE, IN EVERY REGION OF THE COUNTRY."

— FERC CHAIRMAN HOECKER

The National Energy Policy Act of 1992 permitted FERC to take action to order access to transmission systems. FERC issued its 888 and 889 rules to bring about broader access to utility transmission systems. These rules are

designed to cause functional separation in such a way that promotes fair access to the transmission system and fosters a competitive wholesale marketplace.

BPA completed its separation in 1997. Although it is still revising some transmission tariffs to ensure fairness in cost and access, BPA has separated its power function from the transmission function and each is now known as the Power Business Line and the Transmission Business Line.

"We completely separated power from transmission nearly two years ago and continue to take the requirement to remain separate very seriously," said Silverstein.

To read more about what FERC commissioners think about the agency's mission to deregulate the electric utility industry, see Commission speeches on the worldwide web at: www.ferc.fed.us/intro/oea/speeches.

Keeping the lights on with fewer people

When the National Energy Policy Act of 1992 signaled a change to restructuring the U.S. electric power industry, it brought deregulation, competition for wholesale electricity markets and a drive to reduce all electricity-related costs. Since that time, the TBL has cut the number of transmission staff by 36 percent, from 2,598 employees to 1,665 employees. The number of on-site contractors dropped by 33 percent, management declined by 55 percent and support staff by 22 percent.

Staff reduction is but one of the initiatives TBL has taken to become the more efficient organization its customers demand. Use of system-improv-

ing technologies, more efficient scheduling techniques and other cuts to budgets: All should lead to a more low-cost transmission system. "It's our job to promote an efficient marketplace for wholesale power by keeping transmission costs as low as possible."

So says Alan Courts, TBL vice president of engineering and technical services.

"The most difficult cuts were those to our longtime workforce. But we had to make those cuts to become as efficient an organization as we need to be."

Courts said TBL made the same cuts the organization's customers also have had to make to keep their

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Tariff trues up

In a Dec. 18 filing to revise its transmission tariff with FERC, the TBL changed the way some contracts will be structured in the future.

At issue was the “no point of interconnection” provision of BPA’s existing point-to-point tariff. A customer’s bill normally is based on whichever is higher: demand at POIs or demand at points of delivery. Under “no POI”, a customer’s demand for transmission at the POI is not used to calculate the customer’s bill if the generating resource was in BPA’s control area and was redispatchable. The new PTP tariff turns this around and includes transmission at the POI in the calculation.

FERC GAVE BPA ONLY TWO OPTIONS: ADOPT THE PRO FORMA TARIFF FERC HAD ESTABLISHED IN ITS 1996 ORDER 888, OR REVISE THE TARIFF IN A WAY SIMILAR TO A FLORIDA POWER TARIFF.

“The no POI provision mainly gives an advantage to partial requirements customers,” said Dennis Metcalf, rates manager for BPA’s Transmission Business Line. “These are customers that transmit both federal power and power they’ve purchased from other energy providers.”

FERC said the no POI provision discriminated in favor of generation on BPA’s system, which in turn favors BPA’s Power Business Line.

Metcalf said an example would be a customer who moved a 100-megawatt purchase from the PBL to their distribution system for part of the year and 100 MWs of non-BPA generation to their system for the remaining part of the year. That customer would only be charged for 100 MW of transmission because the 100 MWs of PBL pur-

chase would not be counted in the calculation of POI demands under the no POI provision. Because of FERC’s ruling, the same customer would be charged for 200 MW.

Because customers generally plan ahead and buy power based upon existing tariffs and services, BPA will wait until the next rate period to make changes to existing contracts, but new demand or new contracts will immediately fall under the Dec. 18 tariff.

“BPA will not change the no-POI provision at this time for partial requirements customers who made power purchase arrangements counting on the no-POI provision,” Metcalf said. “We will make those changes at the earlier of the next contract or rate period.” However, in order to address FERC’s concern about favoring the PBL, the no POI provision will be eliminated from the PBL’s PTP arrangements.

FERC gave BPA only two options: adopt the pro forma tariff FERC had established in its 1996 order 888, or revise the tariff in a way similar to a Florida Power tariff. Since parties could not agree how to structure a new tariff, Bonneville was required to adopt the FERC pro forma tariff, thus leveling the playing field for all customers.

BPA WILL WAIT UNTIL THE NEXT RATE PERIOD TO MAKE CHANGES TO EXISTING CONTRACTS.

In addition to forcing a separation between power providers and transmission providers, FERC’s order 888 decision outlined how transmission rates and scheduling would be structured when the wholesale power market is completely deregulated.

TBL functionally separated and issued open access tariffs in early 1996, just before FERC issued its order 888.

Tell TBL ♦ *Letters to the Editor*

**TO GARY PARKS
BPA REGIONAL MANAGER:**

I would like to thank your company and department for your excellent customer service. Specifically I would like to thank [chief substation operator] Bill Ward for his fine work.

Last week Bill set up a meeting with BPA, Pacific Power, Klickitat PUD and Hood River Electric to discuss the work BPA is performing on its 69-kilovolt lines supplying power to this area. Our questions were answered and I appreciated the proactive approach by BPA.

We are also working together on a joint Y2K presentation that BPA and Pacific Power will put on before the Hood River City Council and the Hood River County Commissioners. This presentation will be taped for later play on a local TV station.

Bill Ward is very much an asset to your company and we appreciate his commitment to customer service.

– Mark Kjelland, distribution and transmission manager
Pacific Power, Hood River

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Send your letters and comments to your account executive or to “Access: Letters to the Editor,” Bonneville Power Administration, Transmission Business Line – T-Dittz, P.O. Box 491, Vancouver WA 98666; e-mail: skblair@bpa.gov

Lights On — continued from page 3

operations efficient and to stay competitive in their marketplaces.

“Our customers need to cut costs. So do we. We want to provide service at the lowest possible price,” he said. “And that requires us to constantly look at how we can be more efficient.”

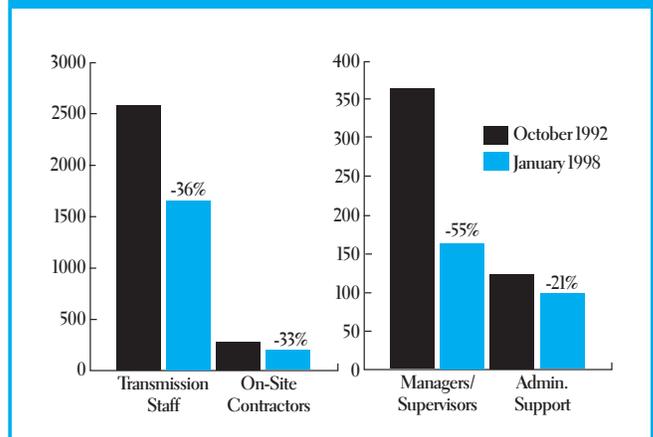
While the current size of the employee workforce is about right, according to Courts, BPA faces a tough transition in the coming years when 50 percent of workers who install equipment, plan, design, maintain and operate the system will be eligible for some type of retirement.

“We plan to hire and train replacements well before 2003 when many will be eligible to retire,” Courts said. “It’s important to cut costs, but it’s just as important to have a well-trained employee base to keep the system in top operating form.”

However this short transition is handled, customers can continue to expect low transmission costs and

high reliability in the coming decade, Courts promised.

Staffing trends



Upgrade in transmission line improves West Yellowstone service

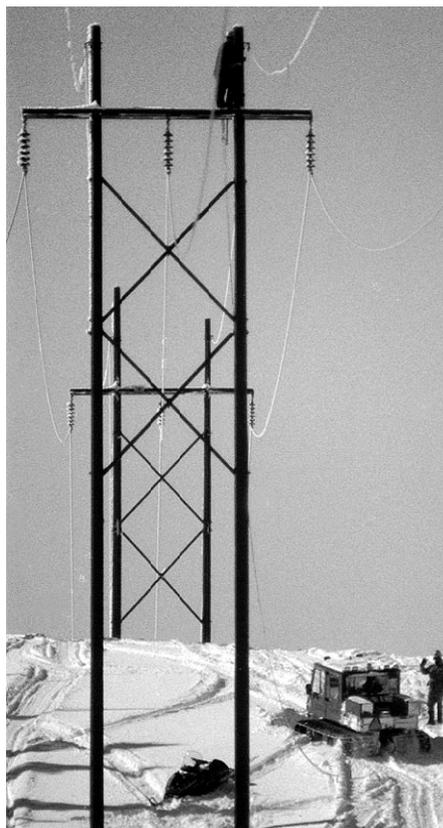
Using snowcats and snowmobiles to travel 12 miles into the area, an eight-man BPA transmission repair crew fought snow and ice in mid-February to remove two static lines from 3-1/2 miles of transmission structures that cross the continental divide between Idaho and Montana.

The crew removed a troubling section of wire to temporarily correct problems Fall River Electric Cooperative customers experienced with occasional power outages and flickering lights.

According to coop general manager Dee Reynolds, his 1,700 customers in Montana had experienced short outages and blinking lights caused by the sagging line since late December, while its remaining 8,500 customers experienced just the blinking lights.

“We began to work with Bonneville in December to isolate the problem and get it corrected,” said Reynolds. “I appreciate their willingness to correct it as soon as possible, especially considering the effort required to get through the snow just to get near the site.”

According to Lynn Kerzman, BPA manager of regional operations and maintenance in Idaho Falls, the outages occurred when a combination of



Snow, ice and freezing winds couldn't stop repairs to help Fall River Cooperative.

heavy icing and high winds blew the sagging lines into the conductors.

“The exceptional weather caused a build-up of as much as four inches of ice on the static lines,” explained Kerzman. “That amount of ice caused

the lines to sag into the conductor, resulting in the interruptions of service.”

He said the icing was worse this year because fog and slightly higher temperatures produced a thicker build-up of ice. Since the weather wasn't predicted to improve, BPA removed the static wires and will come back in late spring to replace them with a heavier wire that will be less prone to sagging.

“With a snow depth of eight to 10 feet, we couldn't get our normal line and bucket trucks in,” Kerzman said. “So our linemen had to do it the old fashioned way and climb the poles using hooks and belts.”

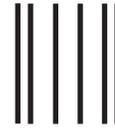
The crew first had to clear ice from the wires by pounding on them with large hammers at the structures and relying on the vibration to break the ice away, a hair-raising exercise, Kerzman said. Then the crew cut the 30,000-ft. to 35,000-ft. of wire in 600-ft. to 800-ft. sections and pulled it to the side of the site.

The crew will return in May or June to replace the static lines, Kerzman said. In the mean time, the transmission line continues to be protected from lightning strikes. Before they left, the crew installed lightning arresters on each pole.

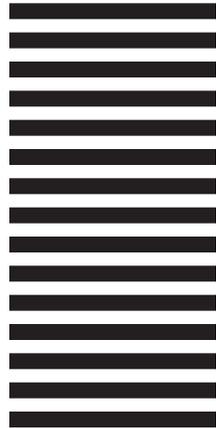
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- Did you read it?** No, if so, why? No time Get enough from BPA Didn't see anything interesting
 Other _____
 Yes. (please answer questions 1-4)

1. What did you read? (*check all that apply*)

- Welcome Letter Town Hall West Yellowstone Downsizing FERC Tariff

2. What did you find **most** useful? (*check all that apply*)

- Welcome Letter Town Hall West Yellowstone Downsizing FERC Tariff

3. What did you find **least** useful? (*check all that apply*)

- Welcome Letter Town Hall West Yellowstone Downsizing FERC Tariff

4. What was **missing**? (*check all that apply*)

- Rates Meetings Customers Outages Scheduling Y2K FERC Transco
 Other _____

Other Comments: _____

Bonneville Power Administration

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