

Power Resources Advisory Committee  
House Hearing Room No. 2, Legislative Building  
Olympia, Washington  
May 31, 1961

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Committee Members

Shirley R. Marsh, Chairman	Ted Lloyd	S. Ernest Miller
Truman P. Price, Secretary		George Brunzell
Earl Coe, Director, Department of Conservation		

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Others in Attendance

Albert D. Rosellini, Governor, Olympia  
Charles F. Luce, Bonneville Power Administration, Portland  
Glenn Lee, Tri-City Herald, Pasco  
Don Pugnetti, Tri-City Herald, Pasco  
Lew Selvidge, Allied Daily Newspapers, Olympia  
Roy Lycksell, Clallam County PUD, Port Angeles  
Byron Price, Eugene Water & Electric Board, Eugene  
Worth Hedrick, United Press International, Olympia  
Willis J. Batcheller, Consulting Engineer Columbia Basin, Seattle  
Sol E. Schultz, H. Zinder & Associates, Seattle  
Sam Nicholls, United Mine Workers of America, Renton  
Elizabeth Nicholls, United Mine Workers of America, Renton  
Harry Swenson, Grays Harbor PUD, Aberdeen  
James A. Tannahill, Grays Harbor PUD, Aberdeen  
Owen W. Hurd, Washington Public Power Supply, Kennewick  
Ray Bloomberg, McGraw-Hill, Seattle  
Miles O'Malley, Douglas County PUD, East Wenatchee  
R. Ries, Grant County PUD, Ephrata  
E. B. Gibbons, Grant County PUD, Ephrata  
Axel E. Strom, Grant County PUD, Ephrata  
John A. Richardson, Department of Conservation, Olympia  
Travis Ayer, Thurston County Grange, Olympia  
Lester E. Chilson, Thurston County Grange, Olympia



Raymond Perry, Kittitas County PUD, Ellensburg  
Laurence Møllergaard, Kittitas County PUD, Ellensburg  
Jim McGiffin, Daily Record, Ellensburg  
A. W. Moody, General Electric, Seattle  
H. C. Glaze, General Electric, Seattle  
Syd Steele, Snohomish County PUD, Everett  
Glenn Hittle, Cowlitz County PUD, Longview  
Lyman Harris, Alcoa, Vancouver  
Alan P. O'Kelly, Washington Water Power Co., Spokane  
M. L. Blair, Washington Water Power Co., Spokane  
M. F. Hatch, Washington Water Power Co., Spokane  
William D. Frans, Bonneville Power Administration, Seattle  
Dick Beebe, Department of Commerce & Economic Development, Olympia  
A. J. Benedetti, Tacoma Light Division, Tacoma  
J. D. Ferguson, Tacoma City Light, Tacoma  
Vince Cleaveland, Clark County PUD, Vancouver  
D. Edwood Caples, Clark County PUD, Vancouver  
R. W. Clark, Coal Producers Association of Washington, Seattle  
Earl R. McMillan, Northern Pacific Ry. Co. Coal Dept., Seattle  
H. H. MacGowan, Corporate Services, Inc., Seattle  
Gene Barnum, Pacific County PUD, Raymond  
W. N. Rickert, Pacific County PUD, Raymond  
Henry R. Gray, Consulting Engineer, Seattle  
Ellery R. Fosdick, Consulting Engineer, Washington, D. C.  
Kinsey Robinson, Washington Water Power Co., Spokane  
Frank Stewart, Kittitas County PUD, Seattle  
Fred Hahn, Department of Conservation, Olympia  
Bruce Reeves, Department of Natural Resources, Olympia  
Francis Pearson, Public Service Commission, Olympia  
H. DeWayne Kreager, Consultant, Seattle  
Tom Hunt, Public Service Commission, Olympia  
John Riley, Attorney General's Office, Olympia  
Al Neal, Pollution Control Commission, Olympia  
Kenneth Kaseberg, Regional Solicitor, Portland  
Bernard Goldhammer, Bonneville Power Administration, Portland



Minutes of Meeting  
Power Resources Advisory Committee

Olympia, Washington

May 31, 1961

The meeting was called to order by Chairman Shirley Marsh at 10:00 a. m. in House Hearing Room No. 2, Legislative Building, Olympia, Washington. Board members Shirley Marsh, Ernie Miller, and Ted Lloyd were in attendance.

Minutes of the April 13, 1961 meeting were read and approved.

Shirley Marsh introduced the Hon. Albert D. Rosellini, Governor of the State of Washington, and Committee members. He then introduced Charles F. Luce, Administrator, Bonneville Power Administration, who covered the economic background of BPA, history of proposed electrical interconnections with California, and BPA's draft of a bill which would provide legislative safeguards to power consumers of the Northwest.

Mr. Luce demonstrated by charts that BPA's financial plight stems from its inability to sell surplus power. In every year since 1958, when BPA first incurred a deficit, BPA had more unsold power than the amount of deficit. In fiscal year 1960 BPA had a deficit of \$12,000,000, yet it spilled power worth \$30,000,000.

Mr. Luce stated that one of his primary objectives is to place BPA in a profitable condition again without raising rates. One of the means by which this objective can be reached is the marketing of secondary power in California.

Selling secondary power to California is not a new proposal. In 1952 BPA had plans to construct a tieline connecting with USBR lines in Northern California. In 1959 BPA was ready to sell power to Pacific Gas & Electric through an intertie to be constructed by California-Oregon Power Company and Pacific Gas & Electric Company. The Senate



Interior Committee stopped this interconnection until further studies had been made. It also adopted a resolution which requested that the Secretary of the Interior submit to the Congress a draft of proposed legislation designed to guarantee to consumers in the Pacific Northwest first call on power generated by Federal agencies in that region.

In response to the request of the Senate Interior Committee, BPA prepared a preliminary draft of legislative and contractual safeguards after consulting with industrial and utility customers and state agencies. Mr. Luce emphasized that the preliminary draft was not in final form and that it would be circulated to BPA customers and state agencies for comments.

Mr. Luce introduced Ken Kaseberg, Assistant Regional Solicitor, who outlined, section by section, the preliminary draft of safeguards.

Section 1 defines the Pacific Northwest which would hold a regional priority over other areas. The area would consist of Oregon, Washington, the parts of Wyoming, Utah, and Nevada within the Columbia Basin, and all or such portion of Idaho as the Secretary of the Interior determines to be within BPA's marketing area.

Ted Lloyd wondered if the priority provisions of Section 1 could be altered by an interstate compact. Mr. Kaseberg said this would be possible under the enabling legislation of a compact.

Section 2, subsection (a), provides that energy sold for use outside the Pacific Northwest shall be subject to cancellation upon 7 days' notice if such energy can be used within the region.

Governor Rosellini asked who would make the determination of regional sufficiency. Mr. Luce answered that the BPA Administrator, acting through the Secretary of the Interior, would make the determination. The Administrator today makes the same type of determination in regard to interruptible power. In the case of an intertie,



Pacific Northwest customers would be further protected by contractual provisions which would give them the right to call back power sold outside the region. The contractual provisions would apply to new customers as well as existing customers. Also, they would not be subject to repeal by congressional action.

Subsection (b) provides for sale of peaking capacity. The purchaser would be required to return energy to support the capacity, and sales can be terminated upon a notice not in excess of 42 months.

Mr. Goldhammer explained the difference between peaking capacity and secondary energy. Power shortages in the Northwest result from insufficient energy - not insufficient capacity. Because the area will have about 2,000,000 Kw of firm capacity available until after 1975, it can be sold on a different basis than energy.

Governor Rosellini asked if sale of peaking capacity to California could affect the sale of firm power in the Northwest. Mr. Goldhammer replied that firm power sales would not be affected, because sale of peaking capacity would not reduce regional energy, which limits the availability of firm power.

Francis Pearson asked if BPA contemplates selling firm power outside the Northwest. Mr. Luce replied in the negative and added that the proposed legislation would not permit such sales.

Subsection (c) provides for sale of energy on a provisional basis to California. This subsection, in effect, strengthens subsection (a) and places further limitation on energy sales to California.

Subsection (d) would prevent non-Federal generating utilities from curtailing sale of Federal energy to California while they are selling energy from their plants outside the region.

Section 3 is reciprocal protection for other marketing areas which might sell power to the Northwest.



Section 4 provides that Federal interties must be operated on a common-carrier basis; i.e., private and non-Federal public utilities could not be refused the use of unused line capacity.

Section 5 contains an exception to Section 2 by permitting coordination with Federal and non-Federal plants outside the region. Such coordination must be effected only by exchange of power, not sale, and the resulting benefits must be equitably shared.

Section 6 directs the Secretary of the Interior to offer to amend all contracts for the sale of power within the Northwest. The section also provides that power cannot be sold outside the region if the withdrawal of such power would create a hardship on the purchaser or the economy of the area where it is used.

Section 7, the final section, excludes Canada's share of power under the Columbia River Treaty from the provisions of the Act. The United States' share of power resulting from the treaty would be excluded.

Mr. Kaseberg explained that the proposed legislation would provide for a regional power preference but would not affect application of the preference clause within the region.

Mr. Luce briefly commented upon the contractual provisions drafted by BPA. In substance, they would incorporate the safeguards of the legislation, with some refinements, into BPA's contracts with its customers.

Dewayne Kreager raised the point that great damage could be inflicted upon the Northwest by the Administrator of BPA making a false finding that power was sufficient in the Northwest. Mr. Kreager believed that litigation necessary to enforce the contractual safeguards could result in great delays and damage. Mr. Luce explained that time delays are always possible when one party of a contract fails to act in good faith. He believed, however, that the people of the Northwest



could rely upon the United States of America performing its contracts. Mr. Luce emphasized that, at the present time, the Northwest does not have any safeguards. Should BPA sell power to the California-Oregon Power Company which, in turn, would sell the power to a preference customer in California, the power sold to the preference customer could not be withdrawn. In fact, the California preference customer could even claim priority over industries and private utilities of the Northwest for additional power.

Francis Pearson wanted clarification of the relationship between the proposed legislative safeguards and the Report of the Task Force studying the Pacific Northwest - Pacific Southwest Intertie.

Mr. Luce said that they should be considered separately. He hoped that an acceptable draft of safeguards could be submitted considerably prior to the intertie report.

Dewayne Kreager stated that power is more valuable to industry in California than to industry in the Northwest. He believed that this was one of the important reasons why safeguards are needed.

Vince Cleaveland pointed out that the Northwest would be marketing only interruptible power to California and that no industry could be constructed in California basing its operation on the use of such power.

Mr. Luce again pointed out that the Northwest is not currently protected and that the time is propitious to enact safeguards before interconnects are effected. He cautioned that, should the Northwest reject legislative safeguards at this time, interties would probably be constructed without them.

Francis Pearson stated that, from his long legislative experience, it had been his observation that it is easier to change "no" to "yes" than to change "yes" to "no". By providing vigorous protest, one usually obtains better legislation than if one is too agreeable.

Mr. Luce didn't think that he had been too agreeable. He said



that he had attempted to draft the bill as tightly as possible in order to protect the interests of the Northwest.

At this point, Governor Rosellini excused himself to keep another appointment, but, before leaving, he thanked Mr. Luce and the BPA staff for attending the meeting and making such an excellent presentation. He further remarked, "From my standpoint, and from the standpoint of the State of Washington, we are certainly cognizant of the need for Bonneville to pull itself out of the financial situation it finds itself in. I think we are all in agreement that we do not want to see a rate increase, if we can help it. We know how proud we are of, and what an asset we have in, the low rates prevailing throughout the Northwest. We also realize how helpful our rates have been in attracting industry. My primary concern is, and of course will continue to be, to obtain the proper safeguards for the greatest resource we have in the State of Washington. We will be pleased to consider this bill and any other suggestions which may come from the Administration, the Secretary, and Mr. Luce."

Shirley Marsh solicited further comments from persons in attendance.

Travis Ayer wanted clarification upon the contention that sale of Northwest power to California would take industrial expansion from the Northwest.

Mr. Luce said that there would be no industrial sales permitted by the proposed legislation.

Francis Pearson stated that the power could be sold to a utility which, in turn, could sell to industries. Mr. Luce reiterated that the energy could be withdrawn upon 7 days' notice and that industries could not operate upon such a precarious power supply. Bernie Goldhammer added that interruptible industries located in the Northwest cannot even use the low-grade secondary which would be sold to California.



John Richardson asked how the intertie would relate to the California Water Plan. Mr. Goldhammer said BPA is currently investigating the relationship. One possibility is to exchange our surplus hydro-power which is available during the summer irrigation season, for thermal energy from the Water Plan which would be used in the Northwest during our shortage period.

Alan O'Kelly asked for an explanation of two qualifications made in the proposed legislation. First, he wanted to know if private utilities would be expected to construct steam plants under Section 2, Subsection (d). Mr. Luce said no utility would be expected to operate steam while hydro power was being sent to California. The language under Subsection (d) was to prevent Northwest generating utilities from curtailing power sales to California while selling their own power outside the region.

Mr. O'Kelly also wanted to know if the Northwest would have priority over the energy needed to coordinate with California. Mr. Luce assured him Northwest utilities would have priority over all energy transmitted outside the region.

Charles Luce stated that Eastern congressmen and others have suggested that BPA raise its rates to eliminate its deficit. He explained that, although a 20 percent raise would about balance the deficit, such an increase might not increase revenues proportionately. About 45 percent of BPA's revenues is derived from electro-process industries which are operating at a grave freight disadvantage. Raising rates 20 percent to such customers could easily cause production curtailment resulting in revenue drop. A rate increase would also be particularly hard on utilities obtaining all of their requirements from BPA.

Owen Hurd asked if BPA has set a date for submission of comments on the proposed draft. Mr. Luce said that a date has not been set, but that his staff will consider the comments and process the bill as soon as possible.



Shirley Marsh thanked Mr. Luce and his staff for attending the meeting and making such an informative presentation.

The Committee went into executive session at 12 noon.

The Committee discussed the BPA draft of legislative and contractual safeguards, and drafted Resolution No. 3-61.

Resolution 3-61

Whereas, the power consumers of the Pacific Northwest are not currently protected in the event an interregional electrical interconnection is constructed; and

Whereas, the following safeguards are embodied in the said draft:

- 1) The Bonneville Power Administration service area is defined.
- 2) Energy sold to California can be withdrawn by giving the purchaser a notice not to exceed 7 days.
- 3) Energy to support peaking capacity sold to California must be returned.
- 4) Sales to customers outside the region cannot be made if withdrawal of power would create a hardship to the purchaser or economy of the area where the energy is to be used.
- 5) Atomic power from the new production reactor at Hanford would be treated the same as hydroelectric power.
- 6) Interregional tielines must be operated on a common-carrier basis.
- 7) Power sales contracts shall be amended to incorporate the safeguards.



Whereas, the above safeguards would adequately protect the power consumers of the Pacific Northwest;

Now, Therefore, Be It Resolved, that the Washington State Power Advisory Committee endorse the safeguards contained in the Bonneville Power Administration's draft of legislative and contractual safeguards, and

Be It Further Resolved, that copies of this resolution be sent to the Honorable Governor Albert D. Rosellini and the Congressional delegation of the State of Washington, with the recommendation that legislation embodying safeguards proposed by the Bonneville Power Administration be introduced in the Congress as soon as possible in order to secure protection for the power consumers of the Pacific Northwest.

Ernie Miller moved that Resolution No. 3-61 be adopted. Ted Lloyd seconded, and the motion was unanimously carried.

The meeting was adjourned at 12:35 p. m.

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Shirley Marsh, Chairman

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Truman P. Price, Secretary