

THE WALL STREET JOURNAL / NORTHWEST

Officials Probe Rising Cost Of Electricity

By Rob Eure

Staff Reporter of The Wall Street Journal

07/26/2000

The Wall Street Journal

NW1

(Copyright (c) 2000, Dow Jones & Company, Inc.)

The cost of wholesale electricity in the Northwest has surged in recent months to more than six times the levels of April, and Oregon regulators and Seattle City Light officials want to know why.

But so far, they say, they've been unable to obtain the information they need to arrive at an answer directly from the agency that has it.

They don't figure the law of supply and demand, even coupled with the volatility from nascent deregulation, can explain the dramatic spikes in late May and June, when the average price of a megawatt hour jumped briefly to \$1,000 from \$25 before settling back to a still sky-high \$160. But they do wonder if the costs are being artificially elevated.

The soaring costs are being blamed for the closures of three aluminum smelters in Oregon and Washington, a copper mine in Montana and a seafood processor in Bellingham, resulting in the layoffs of some 1,000 workers.

To unravel the mystery, the Oregon Public Utility Commission and Seattle's municipal electricity provider recently asked for generating and distribution data kept by the Western Systems Coordinating Council, one of 10 industry-sponsored power-availability monitoring groups established in the 1960s at the behest of the Federal **Energy** Regulatory Commission after East Coast blackouts.

So far, the answer -- to the displeasure of the regulators and officials -- has been a very firm no from the council, which cites a prohibition against disclosing the information to the public.

"We clearly think we ought to be able to get the information" directly from the council, says Ron Eachus, chairman of the Oregon PUC. He has managed to convince a Portland power company that belongs to the council to give him the data, but he's not happy about having to go through a third party. "I'm troubled that the information . . . is deemed not public."

That information is the council's minute-by-minute logs tracking which entity is generating exactly what amount of electricity when, and generally where the power is flowing on the region's major transmission lines. If they could get their hands on it, Mr. Eachus and others say, they could determine whether any power makers are "gaming the market" -- intentionally keeping their generators shut down from time to time, creating an artificial shortage to drive prices up.

Mr. Eachus, other Oregon officials and **Robert McCullough**, Seattle City Light's **energy** consultant, agree the situation can't be entirely explained by the conventional wisdom that supply shortages were created by hot weather in the Southwest, low supplies of hydropower in the Northwest and low power reserves in the West.

In fact, they say, Northwest river flows are at normal levels, and a few temporary power-plant shutdowns earlier this summer weren't enough to erase the region's reserves, which are kept at 20% to 30% above projected demand. "Something besides the usual laws of supply and demand is at work here," says Roy Hemmingway, **energy** adviser to Oregon Gov. John Kitzhaber.

Thus the request to the Western Systems Coordinating Council, based in Salt Lake City and responsible for monitoring power production and distribution in 14 Western states. But according to the council, what the PUC and the public utility want can't be handed out to any entity that might share it with the public.

Last year, the WSCC board of directors voted to make its data available only to concerns in the electricity business, including utilities, power marketers and independent generators. Dennis Eyre, the council's executive director, says the confidentiality policy was established "to give people an equal playing field" in the electricity market, which is now being deregulated.

"There were concerns among our members that the data should not be made widely available because it could affect competition," says Mr. Eyre. Besides, he says, the proposed policy was shared beforehand with the three state regulators who have nonvoting seats on the WSCC board, including one from Idaho, "and we did not hear any objections."

Mr. Eachus says that since then, things have changed, and the biggest change is the huge increase in the price of

electricity that continues to jeopardize jobs. (Residential rates are so far unaffected because those are set by state regulators far in advance.) He says it's outrageous that only they "who could use the data to make money can get it" and that "the only people who can't see it is the public."

Paula Green, deputy superintendent for power management at Seattle City Light, which serves 350,000 customers, agrees. "A truly competitive market requires open disclosure," she says. Ms. Green says the WSCC agreed to provide Seattle City Light with the information it requested, but only if it agreed not to share it with anyone, including its power consultant, Mr. **McCullough**, principal of **McCullough Consulting** in Portland, who is also working for a half dozen major Northwest companies on the issue. The Seattle utility refused to agree to the terms because it felt the information should be public.

According to Mr. Eachus of the Oregon PUC -- which has scheduled a hearing on electricity costs for Aug. 14 -- the data kept by the council are critical "to any investigation of what's driving those costs."

The information becomes available from the FERC "three or four months later in quarterly reports," he says. "But we don't want to wait to analyze what's happening while jobs are at risk."

Mr. Eachus says he can only speculate that some producers are shutting down their generators at times of peak demand, in order to create an artificial shortage, without having the data before him.

Mr. **McCullough**, whose clients include Boise Cascade Corp. of Boise and Oregon Steel Mills Inc. in Portland, agrees.

"Either everybody is way, way off on our forecasts and we're headed for blackouts in August, or somebody is severely manipulating the market," Mr. **McCullough** says. "The only way to tell is to get this information and sift through it."

The stakes are high, he adds. "There are many companies teetering right now," he says, with paper and steel manufacturers particularly vulnerable because of their high use of electricity.

Meanwhile, Portland-based PacifiCorp, a unit of Scottish Power PLC of Glasgow, is preparing to grant a PUC request that it share the information the PUC wants from the WSCC. As a member of the council, PacifiCorp has access to that information -- hour-by-hour data on 118 generators in the West and activity on major transmission lines from May 1 to July 12, which covers the period before prices began spiking during the third week of May until they began to settle down a bit this month.

PacifiCorp Vice President for Transmission Don Furman says the company intends to comply with the PUC request "in the interest of helping the state figure out what is going on." Mr. Eyre says the group won't penalize Pacific for sharing the data.

Mr. Hemmingway, the Oregon governor's **energy** adviser, says the state shouldn't have to go through an investor-owned company to get data that should be made public. He says it may be necessary for Congress to write a law forcing all the nation's power councils to publish their generation and distribution information.

"Nobody can explain, with what we know now, the prices we've been seeing," says Mr. Hemmingway. "This is not just some policy issue -- jobs are on the line here. Whatever the reason for these prices, we need to find out the cause, and stop it."

.....