

PSE reviewed its engagement challenges from customers' perspectives, and split them into four categories: customer interface, integrated work management, data analytics and data management.

The utility is developing a robust mobile app to meet customers where they spend more and more time. Mills shared an early look at the app in development. It will let customers address many issues that now often need a phone call to resolve. Ratepayers will be able to explore their energy use, report an outage, pay bills and more.

Utilities' cultural focus on reliability has made the industry risky-averse.

"We're not really good at taking on risk," Mills said. "We'll obliterate risk to kill innovation, because we think it's safer."

PSE is trying to undo that mentality, especially around customer engagement. Mills said Puget has one-and-a-half floors full of employees working on these challenges.

Their efforts are already showing positive returns. Where PSE customers in the past took to Twitter and other social media platforms to criticize the utility's handling of an outage, they now are sending thanks.

During two recent outages, one customer posted on Twitter, "I have gotten an email almost instantly telling me PSE was aware of the problem, were working on it and an estimated time of restoration, and another just as soon as the power came back on."

"Good job, PSE! Thanks for taking the steps," the user said in the post. *[Dan Catchpole]*

Supply & Demand

[10] NW Condemns Trump Call to Sell BPA Grid, Charge Market Rates for Power • from [1]

Condemnations of President Donald Trump's latest call to privatize BPA's transmission assets came swiftly in the Northwest after the idea appeared in his proposed fiscal year 2019 budget released Feb. 12.

But there was more for the region to criticize this time, because the proposal would also authorize Bonneville and other power marketing administrations to charge market rates for their power, rather than the wholesale rates currently mandated by federal law.

A bipartisan group of 13 House members from Montana, Oregon and Washington who saw an advanced copy of the budget wrote to Mick Mulvaney, director of the Office of Management and Budget, urging him "to exclude any provision that would adversely affect the rates or operations" of BPA.

Also, they said in a Feb. 9 letter, if market rates were imposed, "Northwest public power utilities would see no value in continued BPA service. The consequence would be to leave the federal government holding non-economic assets, as well as a financial responsibility for fish mitigation costs that approach \$1 billion per year."

They noted that the entire BPA system—both capital investment and operation and maintenance—is fully paid for by the users of the system, and that divesting these assets to the highest bidder, or changing the rate structure, will merely jeopardize the consistent revenue that BPA sends to the Treasury each year.

Signatories included House Energy and Commerce Committee Chairman Greg Walden (R-Ore.).

Sen. Ron Wyden (D-Ore.) said Feb. 12 in a statement "Oregonians raised hell last year when Trump tried to raise bills for Pacific Northwesterners by selling off Bonneville Power, and yet his administration is back at it again."

Sen. Maria Cantwell (D-Wash.), ranking Democrat on the Senate Energy and Natural Resources Committee, vowed to work with "all my Pacific Northwest colleagues to stop this bad idea in its tracks."

Scott Corwin, head of the Public Power Council, praised the region's lawmakers for pushing back against the proposal. "We really appreciate their leadership," he said.

In a statement, PPC said charging of market rates by PMAs would conflict with BPA's statutes and with power sales contracts with utilities, which don't expire until 2028.

After the previous Trump budget proposal, the Northwest Power and Conservation Council [estimated](#) the impact of selling Bonneville's grid as a 20-40 percent increase in electricity rates, effectively adding \$20-\$40 to the \$94 monthly bill of an average residential customer.

In a Feb. 12 [blog post](#), Council spokesman John Harrison noted that there have been efforts as far back as 1986 to change how BPA sells power and transmission, ranging "from selling the power marketing authorities to selling power at market rates to changing Bonneville's debt structure and the way it pays off its debt to the federal Treasury."

Harrison added that all these previous attempts have been "defeated in Congress."

In email comments, Portland-based economist Robert McCullough said additional impacts of the administration's proposal to sell BPA's transmission assets would be market power, anti-competitive behavior and poor service to rural locations," adding, "Politicians, industry

groups, and ratepayers are correct to criticize this proposal."

McCullough also observed that the price the budget placed on BPA transmission assets has increased approximately 5 percent, from \$4.9 billion last year (CU No. 1801 [16]), to \$5.2 billion this year. "The unexplained detail would seemingly represent ongoing discussions with an undisclosed buyer," he wrote.

Credit rating agencies have taken a similarly dim view of the proposal, with Moody's saying the grid sale would be "credit negative . . . because it would reduce transmission related revenue, a stable revenue source and weaken federal government support, key considerations that support their respective ratings."

Standard and Poor's noted the proposal is "unlikely to lead to near-term changes" to their rating of Energy Northwest debt that BPA pays as operating expenses of its electric system, and that because the U.S. government's balance sheet includes BPA's Treasury debt, the rating

**The entire BPA system
'is fully paid for by the
users of the system.'**

agency believes that “the executive branch views divestment as a vehicle for reducing federal debt, even if this will not lower federal deficit spending because the enterprise’s operations support the debt.”

The budget proposal also took aim at the transmission assets and power rates of other PMAs—Southwestern Power Administration and Western Area Power Administration—as well as the Tennessee Valley Authority’s transmission assets.

Sen. Lamar Alexander (R-Tenn.), who chairs the Senate Appropriations Committee’s energy and water panel, dismissed the proposed sale of TVA’s grid as a “looney idea,” adding “it has zero chance of becoming law.” *[Rick Adair]*

[11] PUD GM: Market Trends Could Send BPA Over Financial Cliff • from [5]

Cowlitz County PUD and other utilities in the region that depend on BPA face a fast-approaching financial cliff, Cowlitz GM Steve Kern warned the Northwest Power and Conservation Council at its Feb. 14 meeting in Portland.

“I felt compelled to come here to really talk to you today about what I see as a financial cliff that’s coming that I hope you are aware of, and it’s going to be a dramatic cliff,” Kern said.

Key market trends are working against Bonneville, he said. After decades of delivering steady, cheap hydropower, BPA faces a future in which customers could abandon it for cheaper alternatives.

An influx of excess wind and solar power from California and around the Northwest has driven down secondary market prices, a critical source of revenue for BPA in the past. Natural gas prices are low and projected to stay low, putting more downward pressure on the market price.

At the same time, the agency faces increasing spills over dams and more spending on fish and wildlife mitigation and recovery. Its customers also have to meet higher RPS mandates.

Based on Bonneville’s own projections, the wholesale rate in 2028, when many utilities’ long-term contracts with BPA expire, will be \$42.68/MWh, while market rates are forecast between the low \$20 per megawatt-hour and the low \$30s/MWh, Kern said.

In 2028, “from my board’s position today, there’s no way Cowlitz PUD is going to sign up for 90 percent of its power from Bonneville,” he said.

Large industrial customers in Cowlitz are at a competitive disadvantage due to lower power market prices now, he said.

With his decades of experience in the industry, Kern has known times when BPA rates were above market prices. The difference then, he said, was the market price had been pushed down by short-term causes, and it subsequently rose.

“This is a fundamental shift in technology and the supply-demand equation that we have never seen,” Kern said. “This is the cliff that I worry about. Because in 2028, who is going to sign up for power with Bonneville 100 percent at the levels that they have today if we see those power prices.”

If Cowlitz and other utilities cut back their contracts with the BPA, that will only force Bonneville to sell more power at discounted rates on the secondary market. And that will simply drive rates higher for BPA customers, he said. “That’s almost kind of a death spiral.”

BPA holds a high level of debt, and “the power business line is really out of cash,” Kern said.

It needs to pay down debt and increase its cash, but that will mean more pressure to raise rates, he said.

The situation demands immediate action, he said.

To help with the situation, Kern recommended:

- Fish and wildlife spending be closely evaluated to maximize effectiveness and trimmed where it can be;
- BPA cut operating expenses and challenge any increases; and
- Use additional hedging and innovative power-supply agreements to improve management of BPA’s portfolio.

Given the circumstances, Kern said he expects a rate increase later this year, in the form of a cost recovery adjustment clause implemented when reserves run too low.

“I’d put my career on the line here to tell you that most likely Bonneville will have to trigger a [cost recovery adjustment clause] effective Oct. 1,” he said. “I will be surprised if they don’t.”

BPA itself last month, during its Quarterly Business Review, set the chance of a CRAC in fiscal year 2019 at 72 percent (CU No. 1836 [17]). *[Dan Catchpole]*

Environment



Fish

[12] ISAB Offers Guidance for Upper Columbia Spring Chinook • from [4]

Prompted by the slow recovery of naturally spawning spring Chinook salmon in the upper Columbia River Basin, the Independent Scientific Advisory Board conducted a 10-month review of recovery efforts in the Wenatchee, Entiat and Methow rivers.

The ISAB provided numerous recommendations in a

246-page [report](#), released Feb. 9 and shared at the Feb. 13 Northwest Power and Conservation Council meeting.

Two ISAB members—Stan Gregory, professor emeritus of fisheries at Oregon State University, and Steve Schroder, retired fisheries consultant and research scientist at the Washington Department of Fish and Wildlife—offered to the Council an overview of their work. And while the ISAB report included several recommendations for fish managers in the upper Columbia, the scientists also commended the fish managers’ efforts, methods and cooperation with the ISAB during the review.