

Deregulation, RTO and Other Alphabet Soup

The Bonneville Power Administration (BPA) took one more step down the ill-fated electricity deregulation path in December when it voted to set up bylaws for a regional transmission organization (RTO) named Grid West.

Public power was nearly unanimous in its opposition to Grid West and BPA's move to legitimize efforts to transfer responsibility from organizations responsive to Northwest ratepayers to those outside our region.

The same people who blindly trumpet the virtues of a deregulated electricity market brought us the West Coast energy crisis of 2001 and the East Coast black-out of 2003. Market manipulation and greed from Enron and others are more easily accomplished when authority is transferred to these independent organizations.

The West Coast is different. We have long been the model of dependability and collaboration, with a cooperative model that addresses reliability from Canada to Mexico. It makes no sense to tear this successful structure down, putting our fate into the hands of private power executives and Washington, D.C. bureaucrats. It is foolish and shortsighted.

The Bush administration, the Federal Energy Regulatory Commission (FERC) and many people in Congress are trying to force BPA into the RTO. They claim an RTO is necessary because facilities are not being built, and that an RTO is needed to get projects moving. This occurs at the same time Congress is trying to remove BPA's ability to build by stripping the agency's borrowing authority as much as it can get away with.

BPA needs the ability to access funds to build the necessary transmission facilities to power our future. When BPA came up with an innovative way to get the job done, using third-party financing, Congress moved to further restrict BPA by counting others' funding against BPA's borrowing authority. For example, if users of the system such as KPUD or Calpine paid to build a line, we would receive value through use of the system, but Congress wants to count money KPUD would spend as if BPA borrowed the money from the U.S. Treasury.

Either Congress is more mixed up than usual, or there is a hidden agenda that is more about wresting control away from the Northwest than it is about making sure we have a strong, reliable, cost-effective system for powering our region.

We have some allies in our fight. The Northwest delegation in Congress supports our fight against the RTO and outside control. Decision-makers in the rest of the country seem to believe unrestricted electricity markets and unobstructed mergers and acquisitions are the vision of the future.

We have tried that already. It stifled competition, drove up prices and made a few stockholders very rich at the expense of the economy and consumers.

In 1935, Congress passed the Public Utility Holding Company Act (PUHCA) in response to the shady business practices of huge utility holding companies during the 1920s and '30s. These holding companies controlled utilities in complicated pyramid structures, where a few investors at the top held controlling shares of many subsidiary companies. In the early 1930s, three holding companies controlled almost half the utility industry.

Now, Congress is poised to repeal the holding company act in its never-ending pursuit of electricity deregulation. It is said history is doomed to repeat itself. Let's hope this is not one of those times.

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