

# The Northwest Power Act and Northwest Jobs

What makes the Northwest Power Act of 1980 relevant today, I believe, is its fundamental purpose: “to assure the Pacific Northwest of an adequate, efficient, economical, and reliable power supply.” Those who wrote and supported it in Congress emphasized “Pacific Northwest,” that is, the region as a whole.

Those who dismiss the Northwest Power Act today would do well to remember three things.

It’s still the law. It has not been significantly amended, much less repealed or replaced. In addition, to assure the entire region an adequate, efficient, economical, and reliable power supply is still the law’s purpose and the mission BPA asked Congress to give it. The law also supplies BPA with many tools to accomplish that purpose, some of which have never been used.

Today’s Northwest Congressional Delegation believes in that purpose as much as the Northwest Congressional Delegation of 1980. In my view, those who would lead the regional power system in some other direction—something less regional, something that allocates and benefits only some but not all—fundamentally misperceive what the Northwest Delegation wants.

Members of the delegation are re-elected largely on the strength of local prosperity. They worry about utility bills, but like

their constituents, most of them care more about paychecks. To our delegation, the Northwest economy has long been driven by low-cost power. Not merely residential ratepayers and not merely customers of public power have enjoyed this benefit: low-cost power gives the Northwest industry and agriculture the only advantage they really have.

Industry and agriculture use 60 percent of all Northwest power. The figure is higher for BPA power, and higher for public power, which supply a disproportionate share of the region’s agriculture and other industry. Northwest industry and agriculture are at a competitive disadvantage vis-à-vis

other regions and nations with respect to transportation costs, labor costs, and taxes.

Within our delegation, low-cost power is seen as a great regional economic advantage and a fundamental purpose of the Northwest power system. It is not to be given up lightly, or self-destructed within the region in order to save it from predatory

“other regions.” Our Northwest Congressional Delegation, today no less than in the past, is capable of holding off the Golden Horde of “other regions.” But they have to fight for a cause. Low-cost power to drive the regional economy is such a cause.

Today there is a fundamental battle for the soul of the Northwest power system. The Power Act sensibility—striving for adequate and economical power for the entire region, including agriculture and industry—represents one point of view. A second battle cry is for the residential and small-farm consumer, to the exclusion of industry and major agriculture, whom some consider capable of shifting for themselves in a competitive commodity market for electric power. A third battle cry is for public power *über alles*—a narrow and

come was achieved through an agreement to shut down production at the local mill, the largest employer in the county.

There have been many such news stories in the Northwest this year. Induced shutdowns of smelters, mills, factories, and irrigators have dropped demand by some 15 percent, and power prices have plummeted. It is becoming impossible to finance and build the new power plants that 10 months ago were hailed as a solution to the crisis. BPA rates have increased “only” 46 percent, in the expectation of buying less of the expensive power than BPA first projected. But the power is not expensive now, and BPA is not buying it. What has been lost? Regional employment, income, production, taxes, and all the associated economic activity on which the region thrives.



exclusionary quest that neglects the region’s economy as a whole.

The battle is about regional industry and agriculture—generally, about Northwest power for Northwest jobs. The saddest news story I’ve seen all year appeared in the Clatskanie Chief. “PUD Announces No Rate Increase,” the headline blared. The story revealed that this favorable out-

I mentioned to someone that the story in the Clatskanie Chief would cause Sens. Magnuson and Jackson to roll over in their graves, and Sen. Hatfield, alive and well in retirement, to become ill. “What headline would they prefer?” the person asked. I said, “PUD Limits Rate Increase to 5 Percent”—or 10 percent, or whatever it took—“and Saves Local

## The Aluminum Industry

. . . continued . . .

Jobs.” Today there is reluctance to have BPA assure the region of an adequate, efficient, economical, and reliable power supply by acquiring all the power needed to meet all the demand that eligible utility and industrial customers would like to place on BPA. That was, however, what Congress primarily envisioned in the Northwest Power Act, because that is what BPA told Congress it wanted to do.

This mandate was all contained in the 18 pages of the Northwest Power Act as originally drafted. There are, however, 100 additional pages. Within those pages an alternative Northwest Power Act is written, one that could easily be brought to life. Those pages give BPA the authority to assure the Northwest an adequate, economical, efficient, and reliable power supply by other means—namely by supporting the development of non-federal power sources by utilities and BPA’s industrial customers. BPA was granted many tools for this purpose, but it has neglected to use them because of its initial desire to supply the entire load placed upon it with federal power. But today, BPA can and should use the Act to support and stimulate new non-federal power sources developed by BPA customers for regional benefit.

I’ve spent the past year working to help get three of these power sources built—two gas-fired plants and one wind power project. By agreement with BPA and United Steelworkers, the benefits of these projects will flow to two aluminum companies. These companies operate smelters at Goldendale, Washington, and The Dalles, Oregon. In normal operation they provide 1,225 jobs, making them among the very largest employers in eastern Washington and eastern Oregon. A year in the trenches of Northwest power plant development teaches one a lot, particularly about the significance of BPA support using BPA’s more obscure authorities under the Act. The reality at the moment is that without such support, few new regional power plants will actually be built, and those that do will not particularly benefit the region as a whole. If we want Northwest

power for Northwest jobs, we need to get the Northwest behind that effort.

A year ago, prices were so high that one could finance and build power plants “on spec,” betting on the market and relying on financiers for backing, even if the plant were intended strictly as a merchant plant which sold into the market at market prices. With the collapse of prices, financiers have withdrawn. They regard the West Coast power market as the equivalent of a Third World country for project finance purposes.

This has the perverse effect of making continued power plant development the more or less exclusive province of those who can finance a power plant on the strength of their own balance sheets. These are huge companies. Some can learn the importance of the Northwest power system to Northwest jobs, and be induced to play a constructive role in providing at least some power at cost within the region. But their corporate purposes are not the purposes Congress expressed in the Act. They are not riding in here on horseback to rescue Northwest jobs.

Today, even independent power producers who can finance a new plant with internal funds cannot or will not do so without, in most cases, long-term power sales agreements to assure an acceptable rate of return. Few Northwest industries (or agriculture) are likely either to consider such a commitment, since accountants and shareholders view such arrangements as liabilities, or to prove creditworthy to Wall Street if they do. Meanwhile, prices in the wholesale power market, as already noted, have collapsed.

**Northwest industry  
and agriculture are  
at a competitive  
disadvantage  
vis-à-vis other regions  
and nations with  
respect to  
transportation costs,  
labor costs, and taxes.**

What should we do? Remembering Sens. Magnuson, Jackson and Hatfield and the pro-economy and pro-regional spirit I believe animates our delegation even today, I think we should encourage BPA's use of its many authorities to support development of new power plants in the region which BPA determines will be used for regional benefit. This does not mean BPA should buy all the power from these plants and federalize it. It does mean BPA should use its authority to make sure these plants get built as non-federal but regionally beneficial resources.

Gov. Locke's energy advisor pointed out that every new plant uses up available infrastructure: gas pipeline capacity, transmission capacity, fuel, water, and increments of air emissions. Given this, it matters to the region whether or not a new plant confers regional benefits, in addition to reliability and power plant jobs. If it does, the states and BPA should favor such plants and help build them. The states and BPA have many ways in which they can properly do this.

It is not enough to say that commercial, industrial, and agricultural consumers view power as just another commodity or input which they are well equipped to buy in a competitive market. Of course they are, but if in the Northwest that market no longer enjoys a regional cost advantage, these employers no longer enjoy any significant competitive advantage either, and the regional jobs they provide will be lost.

We can continue to provide an advantage by making at least some of the benefits of federal power available widely and regionally, as the Northwest Power Act intended. I hope we

**Induced shutdowns of smelters, mills, factories and irrigators have dropped demand by some 15 percent, and power prices have plummeted. It is becoming impossible to finance and build the new power plants that 10 months ago were hailed as a solution to the crisis.**

will reconsider this, especially now that market prices are low.

But let us also provide that advantage by helping reduce what would otherwise be the cost of power from new regional power plants. The states and BPA can do this by favoring those plants that they determine actually would provide Northwest power for Northwest jobs.

The alternative, I believe, is to de-industrialize the Pacific Northwest. And not only de-industrialize it, but de-agriculturalize it as well. I almost added, "and no one wants that." But I should instead say, "No one in our delegation wants that." I believe that to be true. And I believe we should not want it either. We built the Northwest economy on low-cost power. That is still the purpose of the Northwest Power Act, which is still the law. We can find and develop more low-cost power, non-federal instead of federal. We can do it under existing law. And we can do it quickly. We need to, and we should.



Eric Redman, a Seattle lawyer, is national co-chair of the Energy Practice Group at Heller Ehrman White & McAuliffe LLP. Redman and his wife Heather founded Western Land Restoration, a company to help landowners restore native vegetation and wildlife habitat on agricultural and grazing lands.