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Weekly Energy Status Report

1. Northwest Power Pool Status (WA, OR, ID, MT, WY, UT, No. NV, BC, AB)

- Power Pool peak load (Tuesday, 7/08): 45,210 MW
- Reserve margins were within comfortable ranges for Northwest Power Pool utilities.

2. Electricity, Petroleum and Natural Gas Prices

- Weekly Range at Mid-C: \$37-47 per MWh, Ave. = \$41.4
- Approximate change from previous week: \$-1.5 per MWh
- "Normal" price range, before 5/00: \$20-\$40 per MWh
- Petroleum, West Texas Intermediate: \$30.22 per barrel (year ago: \$24.47)
- Seattle gasoline price (7/8): \$1.64 per gallon (year ago \$1.50)
- Natural gas, Sumas Hub: \$4.46 per million British Thermal Units (year ago \$2.75)
- Approximate change from last week: Oil: +0.05 per barrel; Nat. gas: -0.32 MMBtu

3. California Electricity Situation

- CA ISO Alert Status
 - A stage 1 alert (7% reserve margin) was declared on May 28, 2003.
 - A stage 2 alert (5% reserve margin) was declared on July 10, 2002.
 - Most recent rotating blackouts: Tuesday, May 8, 2001
- Energy News Headlines from California and the Nation
 - Project could power 40,000 homes: \$175 million project in the wind (News Tribune, July 1)
 - 2nd PG&E unit goes under (Sacramento Bee, July 9)
 - BPA sees adequate hydropower in NW (Reuters, July 8)

4. River and Snowpack Information (Updated June 30, 2003)

- Observed May stream flow at The Dalles: 78.4% of average
- Observed May precipitation above the Dalles: 85% of average
- Observed 2003 snow pack as of May 7: 89% of average
- The latest forecast of Columbia River stream flows this January through July is 89.3 million acre feet, 83 percent of normal: National Weather Service Northwest River Forecast Center.

5. Energy Conservation Achievement (Updated Mar. 10, 2003)

- **State Agencies:** From January to December 2002 electrical usage was 7.6 % less and natural gas usage was 4.1% less compared to the same period in 2000.

6. Winter Load Loss/Reservoir Impacts/Fish (Updated April 21)

- Federal reservoir system storage: 46% full: Precipitation Oct. – to date, 93% of normal.
- Estimated winter (2002/03) load loss probability of 1%

7. Power Exchanged: (July 8, 2003)

- Average flow of power during the last 30 days
 - California (exported to) 3,374 MW
 - Canada (exported to) 280 MW
 - Net power export: 3,654 MW

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Project could power 40,000 homes: \$175 million plan in the wind

AL GIBBS; The News Tribune

KITTITAS COUNTY - Andrew Young stands by a tall tower on Whiskey Dick Mountain, a desolate pile of volcanic rock and soil 3,873 feet above sea level 20 miles or so east of Ellensburg.

It is very early morning. The sun has been up little more than an hour. A rising breeze twirls the blades of anemometers at various altitudes on the tower.

"The winds are waking up," Young says as his grin beams in the morning light.

Welcome to the remote site that Young hopes will become the Wild Horse Wind Power Project, a proposed \$175 million, 165-megawatt wind farm to be developed by Zilkha Renewable Energy. This is the third such project proposed for Kittitas County.

Surrounded by little but basaltic rock, sagebrush and a few towers that dutifully measure the wind, this could be one of the most remote locations in Washington State.

"This site begs for a wind farm," says Young, 35, Zilkha's director of project development. "What else would you do with it?"

The project was scheduled to be formally announced today. The proposal will be filed this week with Washington's Energy Facility Site Evaluation Council.

If permits are granted and construction proceeds as scheduled, the site could be generating electricity by 2005. Energy from the project could light and heat more than 40,000 homes.

Wild Horse is the latest example of Washington's growing use of wind-to-energy projects.

As of this spring, the Northwest Power Planning Council counted about 450 megawatts of new wind farms in the region, said spokesman John Harrison.

"There's a boatload of new construction," he said.

Tacoma Power is one of a few utilities not in the market. It has enough resources to fill demand for five or 10 years.

But FPL Energy is adding to its Stateline project west of Walla Walla. Energy Northwest, the former Washington Public Power Supply System, also will add wind turbines to its Jump Off Joe Butte site near Kennewick.

"Keep an eye on us, because I have a feeling there will be more announcements, and sooner rather than later," said Jan Johnson, a spokeswoman for PacifiCorp Power Marketing. PPM, as it's called, is the Portland-based subsidiary of PacifiCorp, which hopes to have 2,000 megawatts of wind power in the United States by 2010.

PPM sells FPL Energy's wind power to folks like Seattle City Light, Puget Sound Energy and the Bonneville Power Administration, among other utilities.

"Utilities now get it, and the public wants it," Robert Kahn said of wind power's environmental attraction. "They'll pay a little more to get it."

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Kahn, a Mercer Island consultant for Zilkha, has been around what utilities call renewable resources for years.

Wind power typically costs one penny or less for every kilowatt a consumer uses, slightly more than hydropower.

Bonneville first measured the wind on Whiskey Dick Mountain in the 1970s, Kahn said. The site was largely ignored, however, until Zilkha acquired the rights to use it about two years ago.

Zilkha also controls a site at the west end of Kittitas Valley that it intends to develop near a peak called Chinaman's Hat.

There's also enXco, which proposes to build a 225-megawatt wind farm with 150 turbines northwest of Ellensburg.

Although wind is a popular source of electrical energy, that doesn't mean it's universally loved.

Take opponents who oppose Zilkha and enXco projects at the west end of the Kittitas Valley. Zilkha folks call them Microsofties, but they're not all Redmond millionaires.

Steve Osland is a barn builder and horse shoer, a farrier who with his wife, horse trainer Amy Osland, operates out of a small farm in Duvall.

Osland owns 80 acres with views of the Kittitas Valley and Mount Rainier. Although there's no power or water to the site, Osland thinks there could be soon.

"These things are monsters," he said of wind generators. "I'd be looking into nothing but white tubes."

Osland calls the battle to put in the wind farm "a long, ugly, ugly fight." Zilkha developers, he said, "like to call us richies from the Eastside."

But no longer is living there an option for Osland.

"I'm so scared of wind farms, I put our (80-acre) property up for sale.

"I'm not," he adds, "going to be moving there now."

Although Washington is not among the world's - or even the United States' - top wind farm areas, the state's geography provides an example of how they work.

Winds that pour from Western Washington's generally colder climes to the heat of Central Washington roar past Chinaman's Hat, east across the valley, and then across Whiskey Dick Mountain on what was once called Parke Creek Ranch.

They're like a river, said Young, "a river of air."

"The other site at the end of the valley is where the wind speeds up" because of the land's contour, he added.

Whiskey Dick Mountain is in "the known, desolate part of the county," Young said.

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Even with sagebrush and a few flowering plants, there's little to recommend the area. Broken basaltic rock from Washington's volcanic past covers the ground, and that's a good thing because it will provide raw materials for the road construction needed to get 200-foot steel towers, giant generators and 100-foot wind blades to the site.

About 85 local jobs will be created during construction, and 10 people will be employed full time after completion.

About \$6.4 million in locally produced construction materials will be purchased, according to an economic report prepared for Zilkha. Another \$900,000 will be spent on food and lodging for workers brought to Kittitas County for the project.

Altogether, the Whiskey Dick project is expected to add around \$12 million to the largely agricultural area's economy. Directly and indirectly, some 185 jobs will be added, and the county can expect to receive more than \$800,000 a year in new property taxes.

Property owners can expect to receive between \$4,000 and \$6,000 a year for each wind tower located on their land, depending on how much power is generated.

Power can be handled by two major transmission lines owned by Bonneville and Puget, one on each side of the project.

Only one major question mark remains.

A federal tax credit of about 1.7 cents per kilowatt-hour of energy generated makes wind farms economically feasible. The current tax expires at the end of this year.

An extension until 2007 is included in the federal energy bill being debated by Congress. And if the tax credit isn't extended, as it has not been - although briefly - in the past?

"We'd carry on," Kahn said. "We wouldn't build without the credit, but we'd carry on."

2nd PG&E unit goes under

National Energy Group's Chapter 11 plan calls for assets to go to creditors.

By Dale Kasler, July 9, 2003

PG&E Corp.'s unregulated energy company filed for bankruptcy protection Tuesday, joining its sister utility in Chapter 11 and ending PG&E's disastrous foray into the free-market energy business.

Two years after PG&E's flagship utility Pacific Gas and Electric Co. filed for bankruptcy protection, the corporation's National Energy Group subsidiary followed suit by filing for Chapter 11 protection in U.S. Bankruptcy Court in Maryland.

That means the two main operating subsidiaries of the parent corporation are in Bankruptcy Court, although the similarities end there. PG&E Corp. is working on a plan to bring Pacific Gas out of bankruptcy protection, while it's giving up on National Energy. The corporation filed a bankruptcy plan that calls for the surrender of National Energy's assets -- a nationwide string of power plants and pipelines -- to its creditors.

"PG&E Corp. has made the decision that this is the point of separation," the corporation's chief financial officer, Peter Darbee, said in a conference call with investors and analysts.

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Robert Glynn Jr., PG&E's chairman and chief executive, said the National Energy filing won't affect the parent company or its Pacific Gas utility. But the corporation already has written off billions of dollars invested in National Energy.

With the second bankruptcy protection filing, PG&E effectively has been hammered twice by the California energy crisis -- by the crisis itself and then its stunning aftermath.

The utility got clobbered first. The state's deregulation scheme forced Pacific Gas to sell many of its power plants and buy electricity every day from wholesalers, a plan that turned nightmarish when prices soared in 2000 and 2001. Pacific Gas filed for bankruptcy protection in April 2001.

At the time, the parent company took solace in National Energy, which was formed in 1998. The company was starting to make good money selling power to utilities in other states as deregulation swept the nation.

But prices fell, the energy crisis ended in California and Enron Corp. collapsed in scandal -- drying up credit markets for National Energy and many other deregulated energy sellers. National Energy defaulted on billions in debts and since last year its bankruptcy was inevitable.

PG&E's stock closed unchanged at \$21.90 Tuesday on the New York Stock Exchange.

BPA sees adequate hydro power in U.S. Northwest

Reuters - *July 8, 2003*

Hydro power generation this year in the Pacific Northwest looks set to match the average seen in years past, the region's biggest electricity provider said on Tuesday.

"We don't think there will be any problems meeting our energy needs," said Mike Hansen, a spokesman for Bonneville Power Administration (BPA), the Portland, Oregon-based federal agency that markets energy from the region's giant dams.

Hydro power accounts for about 75 percent of the electricity used in Northwest states like Washington, Oregon and Idaho.

"The region's runoff is lower compared with last year. But the flip side is that demand is down because of the economic downturn and that is making it easier to meet our energy demand," he said.

Hansen said water conditions in the region averaged about 105 million acre feet per year over the past 30 years, generating some 7,000 megawatts a year.

This year the region is likely to end the so-called hydro season this month at around 90 million acre feet of water, below last year's 103 million acre feet but well above the 58 million acre feet seen in 2001, when the region was hit by its worst drought in 50 years.

In mid-June, BPA said improved Northwest hydro conditions played a role behind a drop in a proposed rate increase it initially announced in February due in part to the agency's poor fiscal outlook.

BPA said wholesale power rates it charges its utility-based customers could rise by about 5 percent from current rates over the next three years instead of the 15 percent announced in February.

The rate increase, if approved by the Federal Energy Regulation Commission, would take hold Oct. 1. Rates are reviewed every six months to take into account changes in market conditions, such as hydro electric output.

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New power supplies have also added to the Northwest's relatively stable power supplies.

In January, the Northwest Power Planning Council said the region had added about 3,200 megawatts of new generation since January 2000 when power prices rose sharply amid California's energy problems and the region's drought shortly after.

Fuel prices increased approx. 8 cents per gallon during the last 5 weeks.

