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Bonneville Power CEO Plays Lead Role in Resources Balancing Act

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It's about 6 o'clock Friday night as Stephen Wright wends his way through Portland traffic on the way to his kid's ball game. As CEO and Administrator of the Northwest's largest electricity producer, the Bonneville Power Administration (a federal agency under the U.S. Department of Energy), Wright is a very busy man. But he wants to communicate with industry, so he multitasks, answering important questions about everything from sticky conservation issues to the drought and its effect on regional power and BPA's finances.

Frankly, it's been a hell of a week for Wright, and he could probably use the commute time to wind down. On May 26, a U.S. District Court ruling in Portland effectively negated the Federal Agencies' plan for operating under the Endangered Species Act. As has been the case in the past, at the heart of the issue are the migration and protection of Columbia Basin salmon. BPA has a week to prepare for a June 10th hearing to come up with some answers, and Wright's wheels are turning. "The problem that was

created for us is that the plaintiffs in the case have described a remedy, and that remedy would cost us about \$100 million this year," he says. "The challenge now is to see if we can get an agreement with the states as to the remedy that we would propose."

Any BPA problem almost automatically becomes a State of Oregon problem. Bonneville provides nearly half of the electricity used in the Northwest and operates over 75% of the region's high voltage transmission system. The vast majority of its power, about 90%, is hydroelectric; the rest is generated by coal, nuclear, natural gas and other resources. What's not generated in the region is imported. BPA's widespread service area encompasses approximately 300,000 square miles with power delivered via 15,342 miles of transmission line serving more than 11 million Northwesterners.

"We manage assets that are incredibly valuable to the region," explains Wright. "So, the challenge is to figure out how the public interest is best served by the utilization of those assets. I think part of the job we have is to define the choices that the region is confronted with, then seek the public's input and try to figure out where the public interest is." He says that BPA also looks to publicly elected officials as well as industry for input and guidance. "You put all of that input together then, and you make a judgment call on how you divide up, basically, what I describe as an over-appropriated river system," says Wright. "I think that the Columbia River has a huge amount of value. The question is: How do you best use, for the common good, the value that the river represents?"

To some, the value of the Columbia resides in its wildlife. BPA seems to hear their message clearly, having revised its Mission Statement to include "Mitigation of the Federal Columbia River Power System's impacts on fish and wildlife" as one of its primary goals. The agency helps fund and manage the largest fish and wildlife program in the world, according to its web site, www.bpa.gov. The massive effort includes about 500 fish and wildlife projects a year at a cost of more than \$600 million annually. According to Wright, with annual fish and wildlife expenses at the same level as the costs of our entire transmission business line, BPA needed to embrace this mission and move it to an operation

much like a business—create clarity about objectives, then manage it in a cost-effective fashion to achieve the objectives.

It's a little like walking a tight rope... over the windy gorge. Wright and his team must balance the need for river conservation with the energy needs of consumers and industry, all while buffeted by unexpected gusts like energy crises. "Everyone wants us to provide power," says Wright. "We have more demand for power than we have resources to supply. What happens is we then go out on the open market and purchase power to add to our base supply." That can be costly.

Wright was interim Administrator at BPA during the winter of 2000-2001 during the West Coast energy crisis. Making matters worse, the region was in the midst of a drought. "I am a huge believer in that the West Coast energy crisis was fundamentally about a supply and demand problem," says Wright. The dire situation reinforced his belief in the need for better infrastructure. "The most important thing that we can do is to build an adequate electricity infrastructure to allow our economy to grow going forward. I think one of the things that we learned is that it's very expensive to be a little bit short."

That affects everyone, from consumers to industry, which brings Wright to the point of this conversation. "The general message to industry is that they need to realize that we've been through some very tough years," he says. "The West Coast energy crisis combined with what is now six years of drought has had significant impact on us (90% of BPA's system is hydric). There are a lot of people who lose sight of the fact that the electric power rates in the Northwest are still very attractive relative to the national averages. Sooner or later, this drought is going to end. There is potential for some better times ahead," but Wright notes that mounting costs for fish and wildlife conservation programs could challenge that.

He believes that industry can play a big role in helping ensure affordable power to the Northwest. "One of the things that we've done in the last couple of years, which I think we're deriving significant and real value from, is we have begun to interact with some specific industries in the region in order to be able to better understand and adopt best practices," Wright says. "We are partners with industry in the region. We can go out, and we can learn about best practices in terms of, for example, capital allocation decision-making processes. Like all electric utilities, we're a huge devourer of capital. How do we best operate capital programs? How do we make high quality decisions about allocation of capital? Those are things where we're constantly looking for new and better ideas. What we've been able to do is to

go out and talk to industry folks around the region (he mentions Boeing and Kimberly Clark among others) and find some best practices, then use them at Bonneville. We are trying to build the economy of our region together, and we are always looking for ideas that we can use. If people have ideas, send them to us. We're happy to come and visit to see what we can learn."

The fact that BPA is able to benchmark and adopt best practices from the business world is a show of its dedication to improvement. Making any major decision is complicated. "We're a federal agency," says Wright, who you sense would have no problem running a company in the private sector either. "The thing about a federal agency that makes us different from a private company is that you can do whatever is not against the law (in a private company). In the public sector you can only do what you're authorized to do. So you start with the statutes in figuring out how to do things. When the statutes are clear, that makes it easy, but in most cases the statutes are not clear."

What is clear is that Wright is up to the task of leading BPA toward its diamond anniversary in 2012. In his opinion, the 68-year-old organization is still very healthy, perhaps in even better condition than it was just a few years back. "We've made huge investments in the hydro system," he says. "We have an aging hydro system that is a tremendously valuable asset, but it's old and it needs to be refurbished." BPA's goal is not just to patch up the current system so that it will last for another 50 years, but to use innovation to make it even more efficient.

"For me, it's about the opportunities to build on the established legacy that the Northwest inherited," says Wright. He believes Northwesterners are lucky. "We had people with tremendous vision 50 and 60 years ago to build this hydro and transmission system that is the cornerstone of the Northwest economy," he says. "Preserving that value and enhancing that value and hopefully doing just half-as-good a job as the people who preceded us, that is a tremendous motivator."

"I've worked at Bonneville for 25 years, and it's an unbelievable honor to lead an agency that I think has been of incredible importance to the Northwest. You'd be hard-pressed to find a job that has more opportunity to make a positive difference in the world than being the Bonneville Administrator," Wright says, but adds, "I've got a lot of friends who have been in the industry, and over the years when you find yourself in positions where you must make decisions on things that they're not very happy about, that's personally quite difficult. Having said that, there are tremendous rewards. I'm really motivated by doing meaningful work, doing something that makes a positive difference in the world; it's my number one motivator."