

His volunteer efforts are a model for his fellow citizens. Please join me in saying thank you to a man who has truly made a difference, Mr. Robert Uribe.●

THE SERVICE OF LARRY HOBART

Mr. HATFIELD. Mr. President, I thank my colleagues for this opportunity to recognize the longstanding service of Mr. Larry Hobart, the executive director of the American Public Power Association. Mr. Hobard joined the APPA 35 years ago. Today, he is recognized nationally as an innovator and broker of solutions to complex problems in the public power industry.

I have come to know Mr. Hobart through our work together to address issues facing public power generally and Bonneville Power Administration in my home State of Oregon in particular. Mr. Hobart has never failed to bring constructive expertise to the table in our efforts to resolve differences among parties. I have valued tremendously the knowledge, creativity, and experience he contributes to the process.

In addition to his work in the power industry, Mr. Hobart serves as vice president and a member of the board of directors of the Consumer Federation of America, the largest consumer organization in the United States.

I was sorry to learn that Larry will be retiring from the American Public Power Association. I know I am joined by many other members of this body in expressing regret at his departure but great thanks for his many valuable contributions to the legislative process on behalf of public power.

I appreciate this chance to share with my colleagues a speech Hobart gave on a recent trip to the Northwest. His remarks demonstrate a comprehensive grasp of the complex energy and natural resource issues facing the Pacific Northwest that only decades of active involvement and much thoughtful consideration can provide. I ask that it be printed in the RECORD.

The speech follows:

UPDATE FROM YOUR CHANGING NATION'S
CAPITOL

(By Larry Hobart)

A lot of things have changed for public power in the past few years. Let me tick off six of them of importance to the Pacific Northwest:

1. The Energy Policy Act of 1992 was passed by Congress. Now the Federal Energy Regulatory Commission can order any transmitting utility, including Bonneville Power Administration under certain circumstances, to provide transmission services for any entity—utility or non-utility—generating electricity for sale for resale inside or outside of the region. FERC decisions encourage network access, comparability in pricing, and creation of Regional Transmission Groups. A more competitive bulk power supply market has developed with bidding pitting utilities against independent power producers against IOU subsidiaries against federal power marketing agencies.

2. Because of federal requirements, the price of salmon protection rose to an annual

rate of \$500 million a year, and combined with the effects of drought and lost revenues due to releases to flush fish, shoved BPA rates up near or beyond the point of noncompetitiveness, and raised the question for some preference customers as to whether federal power is the best buy.

3. Federal court interpretations of the Endangered Species Act reinforced the rigid nature of that statute, and suggested that there is no way short of an amendment by Congress that will prevent the imposition of an open-ended expense on power users that could ultimately price BPA power right out of the market and leave taxpayers to swallow an \$8 billion investment.

4. Provisions of the Pacific Northwest Electric Power Planning and Conservation Act passed by Congress and signed by President Carter 15 years ago began to look increasingly obsolete because regional planning has been eroded by individual utility purchases in a competitive bulk power supply market, environmental demands placed on the federal power system have escalated costs, demand-side management approaches are now focused more on cost-effectiveness and customer information, and renewable resources must meet the economic test of gas-fired generation.

5. Global competition for sales of goods and services in international markets caused industries and businesses to engage in continuing rounds of down-sizing and cost-cutting; electric bills—even for firms that are not considered energy-intensive—became important expense items, and for some utilities, the principle for structuring rates for big users became “whatever it takes to keep the consumer.” Retail competition became a reality across the nation. Failure to meet the challenge can now mean loss of industrial customers or even loss of the franchise.

6. And lastly, the Republicans took control of the U.S. Senate and House of Representatives. The Pacific Northwest has nine new U.S. Representatives. Tom Foley is gone as Speaker of the House, but seniority still gives your region important Republican representation. Mark Hatfield is chairman of the Senate Appropriations Committee, Bob Packwood heads the Senate Finance Committee, Frank Murkowski chairs the Senate Energy and Natural Resources Committee, Ted Stevens controls the Senate Rules and Administration Committee, and Don Young leads the House Natural Resources Committee.

Republicans attempted to “nationalize” issues in the campaign, running on a “contract with America” that stressed a balanced budget, tax cuts, and a build-up of national defenses. Meeting these goals will call for some form of new “revenues,” which currently includes sale of four federal power marketing agencies—the Alaska Power Administration, the Western Area Power Administration, the Southwestern Power Administration, and the Southeastern Power Administration.

This morning I want to talk to you about some questions I think you must consider in the face of these facts as you plan the future of public power in the Pacific Northwest.

How can we avoid flushing down the river North America’s greatest renewable energy resource—the Bonneville Power Administration?

Who is responsible for saving the system? What steps need to be taken now?

Why should we worry about it?

We face a different situation than we confronted last year. Last year, the problem was political and the answer was economic: BPA critics charged that historically low interest rates constitute a subsidy, and BPA supporters responded with a scheme to restructure repayment. This year, the problem is eco-

nomic, and the answer is political: BPA rates have become noncompetitive, and turning around the situation requires congressional decisions to change the ground rules.

If BPA’s rates are not competitive, consumer-owned electric systems in the Pacific Northwest will increasingly turn to other less expensive sources of wholesale power. As the bulk power supply market expands with open access transmission, the opportunities for “shopping” the market will become greater, intensifying interest in suppliers other than BPA. Loss of load will leave BPA with the same fixed costs but fewer customers to share the burden. Even higher rates could result, giving other systems a reason to depart. The dismal reading is a “death spiral” in which BPA collapses like the pull of gravity into a black hole.

BPA is taking the business steps that any such threatened institution is expected to initiate in similar circumstances. It has backed away from a number of deals where power costs loomed larger than market prices at the margin, including a unit at McNary Dam, a gas-fired generating plant to be built by an IPP, and purchase of power from the province of British Columbia. It is seeking to control and cut costs, it is reducing personnel, it is restructuring to streamline operations, it is scaling back transmission line construction and improvements, it is emphasizing customer relations, and it is promoting packages of power at prices it hopes will hold in place existing markets. But the job is a tough one. BPA must deal with a significant body of statutory law that dictates how it operates, including 42 pages of dense language contained in the Pacific Northwest Electric Power Planning and Conservation Act. BPA must follow federal personnel practices, and accept the dictates of policymakers in the Department of Energy, the Office of Management and Budget, and the White House. It has looked at restructuring itself as a federal corporation, but the Office of Management and Budget and some members of Congress simply see such a solution as the first step toward privatization. BPA is the target of plenty of advice within the region from the regional council appointed by four governors, the press, and interest groups of all kinds.

But right now, the overriding fact about BPA economics is its open-ended obligation to pay for salmon survival. While the expenditures posted or postulated have produced questionable results in terms of fish, the one sure thing is that they represent the marginal measure of BPA’s economic trouble. If these costs are not capped and cut back, their continued escalation poses the federal equivalency of bankruptcy with the loss of a source of revenue to repay taxpayer investment, the elimination of monies that might be employed to preserve fish under a practical program, and the disappearance of the regional asset at a “going out of business” sale.

What’s the answer? The answer is congressional legislation, either through amendment of the Endangered Species Act or a specific statute limiting BPA’s financial responsibility to an amount that allows it to price power at levels that permit a competitive response to current conditions.

Is this a special subsidy for BPA? No way! What is happening is that federal fish figures, activist jurists, and environmental groups are force-feeding BPA with experimental programs and giving no consideration to the costs versus the benefits.

Let’s get real about this matter. Saving salmon with the methodology now in place is going to result in no money for repayment or fish. Randy Hardy said it right in testimony before a congressional committee earlier this year. “In today’s competitive utility

marketplace, Bonneville must first succeed as a business if it is to serve its wide-ranging regional mission and meet its federal responsibilities," he said. "Without revenues from the power side, it will be difficult, if not impossible, to continue to fund the region's fish, wildlife, conservation and renewables programs."

If the situation were not serious, it might be viewed as silly. The Direct Service Industries reported recently that under the Endangered Species Act, at least 214 West Coast salmon subspecies are potential candidates for ESA listing, even though they were members of four healthy species of salmon. "The listing of just three of those 214 subspecies has already created regional economic unrest and a greater than \$500 million per year recovery price tag." The recently released National Marine Fisheries Service Snake River Salmon Recovery Plan suggests that doubling the 2,000 adult wild salmon now returning to the Snake to spawn could cost \$300,000 a fish—assuming the plan works and that BPA can generate the money to finance the plan.

Where is the money to come from? If power users decline to pay higher prices to BPA than those charged by competitors, will fish interests cough up the cash? The navigators? The irrigators? The flood control beneficiaries? Federal taxpayers? In the current federal budgetary environment, is the U.S. Treasury likely to spawn money for salmon eggs? Not likely.

Power users cannot be forced to make electricity choices that are not in the interests of their consumers.

The Pacific Northwest Electric Power Planning and Conservation Act, enacted December 5, 1980, declares "that Congress intends that this Act not be construed to limit or restrict the ability of customers to take actions in accordance with other applicable provisions of Federal or State law, including, but not limited to, actions to plan, develop, and operate resources and to achieve conservation, without regard to this Act."

"Cost-effective" is defined by the Act to mean handling of the needs "of the consumers of the customers at an estimated incremental system cost no greater than that of the least-cost similarly reliable and available alternative measure or resource, or any combination thereof." Put differently, if consumers of public power systems and rural electric cooperatives would benefit from less expensive purchases made elsewhere, that would be the "cost-effective" decision.

What is happening in the wholesale bulk power segment of the electric industry is that it is undergoing a fundamental transformation from a monopolistic segment of the economy, regulated on a cost-of-service basis, to an open access, competitively priced, commodity-oriented activity. Competition has created within regions a "market clearing" price—a charge that represents the lowest marginal rate within a marketing area. This can cause "stranded investment"—that portion of the cost of a utility's facilities that is more expensive than the market price of electricity will support.

Who bears the cost if customers switch? Here are the four possibilities:

Write it down against utility shareholder equity

Charge to remaining customers through rates

Levy a "wires charge" by moving the investment to transmission

Create a "competitive transition" assessment

Some non-power interests are arguing that if consumer-owned electric utilities diminish their take from BPA, they must pay an "exit fee" to cover costs of WPPSS #2, renewable energy resources, conservation programs,

and fish recovery plans. There is no requirement in law or contract that public power systems and rural electric cooperatives make payments of this type, and to do so would be detrimental to the interests of their consumers. To the extent that the charges equaled the differential between BPA prices and that of other suppliers, competition in the bulk power supply market would be diminished.

A "wires charge" is totally inequitable because it arbitrarily moves the cost of investment in generation—the principal element of "stranded investment"—and renames it "transmission." Furthermore, doing so is tantamount to creating a tying arrangement illegal under the antitrust laws.

Use of a "competitive transition" assessment punishes customers for a condition they did not create—the advent of a more competitive market driven by open access transmission, surplus capacity among utilities, and the development of gas turbine generation with short lead-times, high efficiencies, and low costs. The arrival of this competitive market is not a surprise—the trend has been evident for years—and where consumer-owned electric utilities choose to exercise their contractual options to switch or supplement a supplier to decrease consumer costs, they should not be penalized for doing so.

As APPA told FERC recently, the imposition of stranded cost payments—be they "wires" or "transition" fees—would have anticompetitive effects in the marketplace because they:

erect artificial restrictions on new entry for alternative suppliers and trades;

discriminately favor individual entrenched suppliers and their shareholders;

give that entrenched competitive a paid-off asset with which to punish rivals;

distort relative transmission prices if charges are placed there;

reduce electricity consumption to suboptimal levels and distort the investment of electricity-using industries into more labor-intensive technologies; and

slow the diffusion of new technology.

Exit fee proposals skirt the real issue. The real issue is maintaining a competitive price for BPA power.

"Exit fees" are a solution advocated where monopolists wish to preserve the status quo by enforcing their will; BPA has no legal or economic power to implement this approach. Furthermore, it is completely contrary to the thrust of the National Energy Policy Act passed by Congress in 1992 and now being carried out by the Federal Energy Regulatory Commission. The likelihood that, at this juncture, Congress would decide to circumvent that law and write into statute a special deal for BPA is virtually nil.

There is no apparent authority for BPA to assess an "exit fee." While BPA's rates are subject to "confirmation and approval" by FERC that they are sufficient to assure repayment of the Federal investment over a reasonable number of years and are based on total system costs, this authority is unlikely to mean that "stranded investment" can be encompassed. If the issue comes to a head at the Commission, it is perhaps more likely to result from application of the FERC's regulations dealing that transmission.

The Energy Policy Act of 1992 specifies that FERC has the authority to "order the Administrator of the Bonneville Power Administration to provide transmission service and establish the terms and conditions of such service." While provisions of "otherwise applicable Federal laws" continue in full force and effect, FERC is charged with determining that "no rate for transmission of power on the system shall be unjust, unreasonable, or unduly discriminatory or pref-

erential." Administrative procedures for requesting transmission services from BPA are outlined in the law, and BPA cannot be required to provide transmission service "if such order would impair the Administration's ability to provide such transmission services to the Administrator's power and transmission customers in the Pacific Northwest."

BPA is defined under the National Energy Policy Act as a "transmitting utility" because it "owns or operates electric power transmission facilities which are used for the sale of electricity at wholesale."

It's important to understand what FERC is doing in the area of transmission.

The Commission has issued a major proposed rule on this issue.

Under the proposal, IOUs are required to file generic nondiscriminatory open access transmission tariffs that will assure "comparability" between use of transmission systems by the transmitting utility and third party transmission customers.

The tariffs would functionally "unbundle" wholesale transmission from wholesale bulk power sales.

Each utility must have a tariff for network service, and for firm point-to-point service, including the necessary ancillary services.

The tariffs would include a duty to expand transmission capacity where necessary, and reassignment rights for firm point-to-point service.

Firm service requests would have the same priority as new transmission service for the utility's native load.

Utilities must also make available to potential transmission users the same electronic network information they use for their own transmission activities.

All transmission tariffs will contain a reciprocity clause.

With respect to "stranded investment," FERC postulates two situations:

1. Wholesale contracts executed after July 11, 1994, would be subject to recovery only if specifically provided for under contract.

2. For existing wholesale requirements customers, IOUs may seek recovery of stranded costs through transmission rates if (a) the contracts do not explicitly address such recovery, and (b) the utility can show it had "a reasonable expectation" of continued service to the customer beyond expiration of the contract term. There is a rebuttal presumption that if contracts contain notice provisions, the utility had no reasonable expectation of continuing to serve the customer beyond the notice period.

The IOU must attempt to "mitigate" stranded investment, by absorbing, marketing or selling it, over a reasonable period of time, and the customer must be given advance notice of the maximum charge if no mitigation occurs.

FERC's proposal provides that utilities that are not private power companies but are "transmitting utilities" can file a request to recover stranded investment under sections of the Federal Power Act dealing with transmission. However, they would be required to make the same evidentiary demonstration that is required of private power companies seeking extra-contractual stranded investment cost recovery.

In April, Senator Mark Hatfield of Oregon held a hearing on BPA problems. I think some of the material presented by public power is significant. Here are some pertinent parts:

While debt of the Washington Public Power Supply System is controlled and is actually declining due to refinancing and other cost control measures, making it a predictable and certain future customer obligation, fish costs are uncontrolled and escalating. Since 1990, the annual fish cost (both capital and

revenue expenditures) have more than doubled and continue to increase each year.

Forty percent of BPA's fish and wildlife costs are for the direct cost of the program, while 60 percent of the cost of the program is attributable to the cost of power purchases to meet flow requirements and revenues foregone because of spill or altered hydro availability. Fish and wildlife costs are 19 percent of EPA's total costs.

Reducing the generating capability for the Columbia River Hydro System is not a stranded investment subject to an exit fee concept. It is a change of water use by the federal government which should be subject to a recalculation of the repayment obligation. Transmission under the 1992 changes in the Energy Policy Act is a common carrier which should not be subject to external costs not related to construction and operation of transmission services.

BPA's resource base is 12,000 MW of installed, renewable and low-cost hydro. The advantage of purchasing power long-term from BPA is that it gives a utility access to this federal hydroelectric system, which is insulated from changes in energy costs due to changes in fuel prices. Gas prices and the price of alternate suppliers will not stay low forever while BPA's costs will decline as the Supply System debt is paid off. This is reason to believe that the BPA will continue to provide cost-effective electricity in the future. A long-term contract with BPA lessens the amount of decision-making on power supply that a utility needs to make. This creates a sense of "one-stop shopping" versus being an active participant in the market place. If BPA's one environmental externality (fish and wildlife concerns) can be addressed in an economically sustainable fashion, this system looks very good for a very long time.

BPA's future is not the only issue before Congress of interest to public power in the Pacific Northwest. For instance, Senator Slade Gorton of Washington is circulating a discussion draft of legislation to remove the public power exemption from regulation of pole attachments by the Federal Communications Commission. If his proposal were enacted into law as part of the telecommunications legislation pending in the Senate, FCC staff in Washington would decide what you could charge for use of your facilities and rights-of-way.

As many of you know, earlier this month, the House of Representatives, by a vote of 309-100, approved an amendment to the Clean Water Act that affirms the Federal Energy Regulatory Commission's proper role as a final arbiter over hydro-project licensing cases where Section 401 conditions conflict with FERC's responsibilities under the Federal Power Act. The people who helped make that happen include Representative Randy Tate and Representative Norm Dicks of Washington and Representative Helen Chenoweth of Idaho. The focus now shifts to the Senate, where we again need to explain the need for a final decision-maker to resolve federal-state disputes.

But Bonneville is the big issue. I think the stakes are large and immediate. If the hemorrhaging of water and money cannot be stopped, the agency is not a viable institution. It is unlikely that federal taxpayers will subsidize the operation, and it is unreasonable to expect Northwest electricity consumers to pay more than the going price for power. If the worst happens, Congress is likely to endorse an asset sale of a failing business. That shouldn't happen, and it doesn't need to happen. But your involvement in preventing it from happening is the essential ingredient.

It is important to understand a change in relationships that has taken place in the Pacific Northwest in recent years.

A long-term paternalistic resource planning and acquisition role for BPA is no longer sustainable in an era where planning horizons have shortened to five years and there are literally scores of potential suppliers, some with offerings that cost only 1/2 of Bonneville's current rates.

Technology choices have changed. Gas-fired combustion turbines can be ordered and brought on-line in less than a year, supplying power with efficiencies of up to 60 percent and prices lower than new hydro.

The partnership of BPA and preference customers cannot be the same when federal power costs more than purchases from IOUs.

Consumer-owned utilities have made payments to BPA over five decades and have built up the significant equity in the system. They have a continuing interest in protecting and enhancing that investment, but like BPA, they must adjust to a world where competitive bidding has replaced sole source suppliers.

BPA will have a more limited role in providing load growth services to its customers. In the future, this will more likely be the province of utilities, acting alone or in concert to diversify supply and reduce risk.

You have your responsibility to your users. BPA has its responsibility to taxpayers. But both of you benefit from working together. And that effort needs to take place now. •

THE 1995 ABERDEEN PHEASANTS

Mr. PRESSLER. Mr. President, when I was growing up, professional baseball flourished in South Dakota. I remember many games from the now-defunct Basin League. Those teams stimulated and nurtured my love of America's greatest pastime. Therefore, as a lifelong baseball fan, I am very pleased to announce that professional baseball has returned to Aberdeen, SD, after a 24-year hiatus.

Last Friday night, June 16, the Aberdeen Pheasants won their home opener at Fossum Field against Saskatchewan's Regina Cyclones, 7-3. Since opening their 71 game season on the road on June 9 against Manitoba's Brandon Greywolves, the Pheasants have played brilliantly, winning eight of their first nine games. They are tied for the lead in their division. I am confident the team's early success is an indication of great seasons and thrilling action in the months and years ahead.

The 1995 Aberdeen Pheasants are part of the newly formed Prairie League, an eight-team independent professional baseball league consisting of four American and four Canadian teams. The Pheasants' ownership committee has a distinct local flavor consisting of 20 Aberdeen residents. The committee's executive leadership consists of Jeff Sveen, Dr. Scott Barry, and Keith Kusler will work closely with Arthur Bright, the vice president of operations and Rich Bosma, the team's general manager. I congratulate them and the entire ownership committee for bringing baseball back to Aberdeen, and for their team's early success this year.

Mr. President, I also am proud, though not surprised, how the entire

Aberdeen community has rallied behind the effort to return pro baseball to the area. The Pheasants are the talk of the town. Friday's home opener was very well attended. Knowing the enthusiasm for baseball in the area, I am sure fan support will remain strong throughout the season.

The 1995 Pheasants are the latest chapter in the long and proud history of Aberdeen professional baseball. The city had a class D baseball team in the 1920 South Dakota League and from 1921 to 1923 in the reorganized Dakota League. In 1946, the Aberdeen Pheasants joined the old Northern League as a farm team for the Baltimore Orioles and remained in the Northern League until the entire league collapsed after the 1971 season.

During this 25-year period, as many as 40 Pheasant players went on to play in the Major Leagues. Among the notable Pheasant alumni were Hall of Fame pitcher Jim Palmer; Don Larson, who pitched a perfect game in the 1956 World Series; 1958 Cy Young winner Bob Turley and New York Yankee all-star player Lou Piniella. In addition, Cal Ripken, Sr., managed the Pheasants prior to assuming the same duties for the Baltimore Orioles. I am confident present Pheasants manager Bob Flori, assistant Coach Joe Calfapietra, and their crew of young, talented players will carry on the great traditions established by these players. Mr. President, I ask unanimous consent to place in the RECORD the team roster of the 1995 Aberdeen Pheasants at the conclusion of my remarks.

Mr. President, on behalf of the people of South Dakota, I want to welcome back the Pheasants to Aberdeen and wish them the best of luck in their inaugural season. Gentlemen, play ball!

TRIBUTE TO HELEN COLE

• Mr. ROCKEFELLER. Mr. President, I wish to recognize an outstanding woman whose hard work and dedication have touched the lives of many individuals. Indeed, it is rare to discover a character so willing to offer one's talents solely to serve and improve the lives of others.

Thus, I would like to take this time to express appreciation for an extraordinary citizen of Nicholas County, Summersville, WV, Helen Cole. Recently, Helen was honored at the Muddlety-Glade Creek Ruritan Club where she received numerous awards, including the prestigious Clara Barton Award, which is known to be the highest award given to volunteer workers. Currently, Helen is employed by Love, Inc., where she helps counsel financial management.

Helen, born in Ansted, WV, located in Fayette County, has been a lifelong resident of West Virginia. Helen has received a bachelor of science degree in home economics as well as a master's degree in extension education. In time, she became employed by WVU and USDA extension agents in Nicholas