

CONCLUSION

Part of the solution: Western's new life at 25

Since the agency's first days, events threatened its existence, but Western Area Power Administration always managed to survive. These milestones started with the uncertainty of establishing a new agency giving way to a period of construction, rate-setting and building. Almost at the moment Western completed its most noteworthy construction project—the California-Oregon Transmission Project—it spent most of the 1990s racked by external efforts to legislate the PMA out of existence. Internal downsizing, while necessary to keep Western's rates competitive, has had impacts that the agency will feel for years to come.

A year or so before its 25th birthday, chaos within the power industry gave Western an unexpected present. It was a gift of opportunity wrapped in the uncertainty of the modern power industry. The agency—from administrator to lineman—felt a twinge of déjà vu, as this opportunity had a similar feel to the circumstances that brought Western to life in the late 1970s. At this crossroads, Western now faces an opportunity to help determine which path the West—and ultimately the nation—will follow.

The Starting Point

In 1990, Western Administrator William Clagett addressed the chaotic nature of America's transmission system. Before an American Public Power Association conference, he traced the century-old story of America's century of power industry by identifying three milestones:

A hundred years ago, you had a few electric light bulbs around. And up until the '30s, you had little local utilities. And when I say local, I mean local: one or two or three city blocks sometimes, supplied by one diesel engine that was turned off at 10 o'clock. You got your electric light from that. Bit-by-bit, those little entities were merged and consolidated until finally, in the '30s, it became obvious that we needed something called the Holding Company Act, the Federal Power Act, the Federal Power Commission, and those things which established a new structure for the utility industry.¹

According to Clagett, it was around the time of Western's birth that the industry went through its next phase. "It was in the '70s that the utility industry got severely overbuilt with conventional generation. So the big challenge in the '70s was: How do you carry that kind of debt load, those kinds of surpluses, without going belly up? Now, as we enter the '90s, we see some pretty strong evidence that we have phase three right here in front of us. Phase three is when we are underbuilt in conventional generation, and we have to find other kinds of resources."²

Since Clagett's 1990 address, the market stunted the growth of the third phase in a quest to reorganize the power industry. Potential new technologies combining with the possibility of less regulation shook power to its foundations. However, some established ways of doing business held fast. In 1995, Department of Energy Deputy Secretary William H. White described Western as a link between decades of marketing stability and current uncertainty: "When Western was created in 1977, it took over the power marketing responsibilities and policies of the Bureau of

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Reclamation. These policies were born in a long time past. Western today is embarking on a maturation of its power marketing program. Today, Western must assume a leadership role in creating a bigger renewables and efficiency resource in the West.”³

In the 1990s, as deregulation fever touched statehouses nationwide, Western answered a series of questions from Deputy

Secretary of Energy Elizabeth Moler regarding the agency's place in a changing power industry. One pointed query probed: "Industry changes do not justify a more 'activist' role for the PMAs. Expanding Western's role to include direct retail sales, rate regulatory review of consumer-owned utilities and load profile analysis is unnecessary and inconsistent with the desired reduction in the role of the PMAs in a competitive marketplace."⁴ Western shunned any willingness to expand on its current duties. "Although Western has broad statutory authority, there is no compelling policy rationale for Western to become more activist in its role."⁵

At 25, Western will hold on despite potential changes brought by deregulation. During the 1990s, the Energy Planning and Management Program brought the agency and its customers closer together. Robert Fullerton, senior power marketing advisor, pointed to the program as benefiting customers in the years to come:

We were able to extend a major percentage of the resources to existing customers. Given the existing political climate, it was gratifying and important for us and our customers. The power rates in their regional economies were very much impacted by the amount of power they received from us. It was also satisfying to show that we were an organization that was flexible and willing to change with the times and offer the benefits of cost-based Federal hydropower to entities that had not historically enjoyed them as much, notably the Native American tribes.⁶

Change also brought back one of Western's favorite roles—as a transmission line builder. In May 2001, Secretary of Energy Spencer Abraham directed the agency to develop plans for the construction of Path 15—an 84-mile, 500-kV transmission line between Los Banos and Gates substa-

tions in central California. The proposed line would be Western's first major construction project in the state since the California-Oregon Transmission Project went into service in 1993. Administrator Michael Hacsckaylo remarked on Western's return to the construction business: "We bring technical expertise in planning, designing, building, operating and maintaining a large high-voltage transmission system. But we cannot complete this project on our own."⁷ Hacsckaylo and Western spent the summer of 2001 searching for public and private partners to complete the project.

At a quarter-century, Western's corporate character is well-adjusted enough to realize and live within its limitations. Western cannot build a major transmission system on its own; nor can the agency construct alternative sources of energy for delivery into the generation pool. Moreover, Western is loath to solicit attention during Capitol Hill budget battles and shuns political posturing.

Western's stature in the power industry is a mix of contradictions. It oversees more miles of transmission lines, more territory and is involved in more issues than any other PMA and many other Federal agencies. However, unless you are a participant in the power business, it is more than likely you have never heard of Western. Western's fourth Administrator, Michael Hacsckaylo, recalled a story describing his agency's nature in the words of a popular writer and broadcaster. "The approach I take is of Garrison Keillor's shy Norwegian bachelor farmer. People who know us, know that we do really good. But, those who don't know us—that's OK."⁸

Senior managers present and past appreciate Western's place out of the spotlight. Victoria Ponce is one of a handful of people who worked for both Bonneville Power Administration and Western. After a decade as a senior administrator at Western's headquarters, Ponce found that the agency's big size and soft voice kept it out of a number of political fights:

*Bonneville is a big fish in a little pond, and Western is a bunch of little fish in a bunch of little ponds. When Bonneville does something, it affects the economy of the whole Northwest. They are the primary provider of electricity in the Northwest. They are just a big gorilla up there for better or worse. I know a lot of the managers at Bonneville and they try to work with the Department as much as possible, but if fundamentally they basically disagree, they can pull out the political clout. Western doesn't have that political clout.*⁹

Western's political muscle did appear when the PMA needed it the most. During two proposed sales of the PMAs in 1985 and 1995, Western relied on support from a cadre of Upper Great Plains legislators. These senators' commitment reflects the continuing importance of the agency to their constituents.

Will Only Make Me Stronger

Despite all the troubles brought by a barrage of changes, Western emerged from the 1990s with an optimistic outlook. Transformation, the threatened sale of the agency, uncertainties brought by deregulation and the launch of the RTOs put the PMA in a surprisingly stronger position, according to some. Robert Fullerton, a Western veteran of more than two decades, reflected that the agency came through these trials by fire all the better for it: "Compared to some points in the past, Western is stronger. You don't hear people wanting to get rid of Western. Instead, you have Western pointed to as the solution for Path 15 and bills being advanced by Republicans from Texas that would formally place us in that role. Now, no one is talking about selling us. People are pointing to us as being part of the solution."¹⁰

Where Do We Go From Here?

In the West of a hundred years ago, the Federal government's construction of dams gave homesteaders and town builders a chance at survival. Reclamation did not realize it at the time, but electricity would propel the West beyond survival toward prosperity. Despite internal and external controversies, Western continues that legacy of delivering power at the lowest cost. Western's core values and what defines it as an agency—the preference clause, hydropower as the primary source of generation and maintaining partnerships with customers and other power authorities—serve as the agency's foundation. These characteristics link the agency's aims to its original mission. To lead in a chaotic future threatened by dwindling resources, Western will apply the lessons of the past to achieve its vision of being a premier power marketing and transmission organization. ▼