

River's Power Flows South, Fueling California and Profiting Northwest

million profit. It paid its two top power traders \$285,000 each, an astonishing income in a county where per capita income is less than \$25,000 a year. The utility refuses to reveal the traders' names for fear their children might be kidnapped.

The chief operating officer of Chelan County Public Utility District acknowledged that increases in the cost of power were "huge" and "obscene." But the executive, Charles J. Hosken, added, "We would be imprudent if we did not maximize this market for our customer owners."

Next door in equally sparse Grant County, a public utility that also owns two dams on the Columbia has made even more money maximizing the market. It had a record \$88.8 million in profits last year — more than double its best previous year.

Grant County Public Utility District, which has just 40,000 retail customers, is using its windfall to help build a \$70 million fiber optic network for local residents. It has also bought 20 diesel generators to guard against power shortages and, if possible, exploit the power gold-rush. The utility estimates that those generators could add \$50 million to profits in the coming year.

Like Chelan, Grant is using its profits as a kind of drought insurance to insulate its customers from high market prices for electricity, when, as now, local needs exceed generating capacity in the river. Power rates in Grant and Chelan Counties are about one-fifth as much as in New York City.

Grant County's utility has rejected, for the time being, the idea of giving a share of its profits to its customers.

"How would it look if Grant County gives away rebates while so many people are paying more for electricity?" asked Lon Topaz, director of resource management for the utility. "It would be lousy politics."

An Upside-Down Economy

The second-worst drought on record in the Columbia River Basin has combined with California's deregulation mess to further distort the energy market. Drought has not only helped increase the price at which electricity can be sold on the spot market — 10 to 20 times as much as last year's price — it has strengthened a compelling bottom-line rationale for conservation.

Every megawatt not bought and used in the Northwest (often at locked-in, long-term prices that are a fraction of the current market rate) can be sent south to California. For many utilities, conservation spells local savings and a long-distance bonanza.

As a result, a regional economy built on half a century of cheap hydropower has been stood on its head. Irrigation farmers here are being paid up to \$440 an acre *not* to farm.

Similarly, aluminum companies are collecting about \$1.7 billion this year by *not* making aluminum. Companies like Alcoa have earned profits that delight Wall Street, while keeping about 10,000 workers on their payroll, by reselling hydropower that they bought in the mid-1990's under a cheap long-term contract.

Even residential customers are being offered a chance to make a few dollars from the power crunch. Avista Utilities has announced that it will pay its customers in Washington

and Idaho 5 cents for every kilowatt they do *not* use, if their consumption falls more than 5 percent below last year's level.

For utilities in the Northwest, by far the largest profits from California's electricity crisis have been secured in British Columbia. Some private American utilities have also benefited from California's troubles.

BC Hydro, a utility owned by British Columbia with dams on the Columbia and Peace Rivers, is the first corporation in the history of the province to exceed \$1 billion in profits, as measured in Canadian currency (\$712 million in United States currency).

To celebrate, the provincial government ordered BC Hydro to do something it had never done before. The utility mailed each of its customers a check for \$130. BC Hydro also guaranteed them no increases in electricity rates, which have not gone up for seven years.

"We are just happy to be lucky that we have reservoirs and dams that were built by people of great foresight," said Brian R. D. Smith, chairman of BC Hydro.

When reminded that a March study by the California Independent System Operator, which runs that state's power grid, accused BC Hydro of market manipulation and profit gouging, Mr. Smith was less happy.

"All they do is scream and shout and they won't pay you the money they owe you," he said, arguing that his company has gone out of its way to help California in its hour of need. Gouging has nothing to do with it, he said, adding that it was California's "awful mess" in deregulating power markets that fueled BC Hydro's record profits.

A Good Deal for Farmers

In the beginning, that is to say when federal money began transforming the Columbia from the world's premier salmon highway into a chain of adjustable lakes, no one paid much attention to electrici-