



Oregon Historical SOCIETY

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2/28/57

Gene Doleman

Thanks, Gene. It's going
to be very helpful to have
your Luce IV to work from.

He's agreed to do it. Michael
O'Rourke will interview.
Just a matter of finding a time
when Luce comes out.

Best,
Jim Strassmeyer

Charles F. Luce
Administrator (1961-1965)

Interview with Gene Tollefson
September 7, 1984

25
Q. Rolling. Could you give me just a brief sketch of what your background was prior to coming to the Bonneville Power Administration, for example, where you grew up, where you went to school, what you did, what your first jobs were?

A. I was born and raised in Platteville, Wisconsin, town of about 4,000 in the Southwest corner of the state. Went to public schools there and then went to what was The State Teachers College for 2 years at Platteville. From which I went up to the University of Wisconsin and finished up my undergraduate work and went to law school. Finished law school in 1941. Then I, one of my professors advised me to spend at least a year outside the Mississippi Valley, it being my intention, at that time, to practice law in the county seat of my home county. And he said he thought I could a scholarship at one of the Eastern schools because my grades had been quite good at law school so I applied at Harvard, Yale and Columbia. I could have gone to any three of them. As it turned out, I chose Yale. While I was at Yale in 1941-42, on a ^{Sterling} ~~strolling~~ fellowship, WW II broke out. I then decided I wanted to get into the War Effort. I couldn't get into the armed services because I'd had polio so I went to Washington at the end of that academic year and worked for something called the Board of Economic Warfare. I'd been there about a year when Justice Hugo Black asked me if I would be his law clerk in the Supreme Court of the United States so I went up there for a year. Between the period when I was a senior at law school in Wisconsin and the year I spent with Judge Black, I had hitchhiked out to the Northwest and the whole West Coast and had decided that was the place I to live instead of the middle West and so when I finished my clerkship with Judge Black, I went over to the Interior

Department which I knew was the Department of the West and made the rounds of the various agencies, Bonneville Power Administration, Bureau of Reclamation, Bureau of Land Management, asking what jobs they might have for a young lawyer. This was in 19, early 1944. The job that appealed to me most, that they had, was as a staff lawyer with the Bonneville Power Administration. It appealed to me because I was excited about what Bonneville was trying to do. I'd seen Bonneville Dam when I hitchhiked out here and that was a great sight for a Mid-Western boy. And I liked Portland. My first visit to Portland was just a happy one. And so, I took the job with Bonneville in July of 1944.

- Q. One of the fascinating stories in not only Bonneville's history, but in American history, is the passage of The Public Utility ^{Holding} ~~Building~~ Company Act in 1935 and then the tremendous political campaign that was launched by Electric Bond and Share and the other utilities during the 1930's, basically on two ^{times} ~~things~~. That the Roosevelt Administration was creating a dictatorship and two, that public ownership of utilities was socialism, ^{was} ~~And whose~~ directed, directly at Roosevelt. The person who pulled that one out for Roosevelt was Hugo Black who held hearings. And, I think, by the time his hearings, most of the historians indicate that by the time those hearings were completed, people were convinced that Roosevelt was correct and that the utilities were far too powerful and somewhat out of line in economic terms. In your association with Black, did that subject ever come up? Was there any discussion of that at that late stage that you, what I was kind of looking for was a connection between the Bonneville

Power Administration, other than intellectually and as it impacted on us. That personally is through a man who later became an administrator.

A. Well, it would be interesting if there were such a connection. I don't remember the Judge and I even talking about those hearings of his in regard to the Public Utility Holding, (Death Sentence) Company ~~Holding~~ Act. I came to Bonneville not because I had any particular or special interest in electricity or the public versus private power. I had to establish a residence in Oregon and Washington for a year in order to take the bar exams. My object in coming out here was not to work in public or private power, it was to set up my own law office. And Bonneville was just a waystop as far as I was concerned. I was married, I had a little baby, who's now a lawyer for Bonneville, and I had to make a living during the year that I established residence in Oregon and then a second year while I established residency in Washington. I became very interested in what I was doing at Bonneville while I was here but my whole objective was to get admitted to the local bars and set up my own law office.

Q. That was in early, what '44?

A. '44 to '46.

Q. Well, that still was quite an early period in Bonneville's history. Paul Raver was still in the early stages of what was to be the longest administratorship of any Administrator. During that period of time, '44 to '46, there was still a strong effort to create new PUDs and public agencies although most of those were not successful. There were a good

many that had been previously voted in that were energized but not any new ones created. I think 10 PUDs failed in Oregon in 1946, for example, with the vote of the people. Were you connected through the district office in any of those efforts to bring these public agencies that had been formed in the 1930's to get them into business, to get them energized?

- A. Oh, very much so. The Bonneville was operating under a directive from Secretary Ickes which was based on Secretary Ickes' interpretation of the preference clause in the Bonneville Act. The directive, as I remember it, was to the effect that preference required that Bonneville actively seek to set up preference customers instead of just sitting passively and waiting for a preference customer to be formed and to acquire properties and then serving them with power. What Bonneville should do to carry out the spirit of the Preference Clause was to help these public agencies to acquire properties and get into business and then, of course, serve them with Bonneville power. I came out here thinking, somehow, I was going to be assigned to the Seattle District but shortly after I came to Bonneville in July of 1944, I was assigned, instead, to the Walla Walla District. The District Manager at that time was H. R. (Russ) Richmond. My principal duties, really, were to be his lawyer in whatever problems he had, reporting to the General Counsel here, who was Jebby Davidson, and more directly to the Assistant Counsel who was Bob Willard. But I had a lot of leeway to act as, more or less, personal counsel to Russ Richmond in whatever problems he had in his Walla Walla District which was a big district including Washington counties as far away as Yakima, and in Oregon, running all the way to Hood River on the West and Union and Wallawa Counties on the East and South. Russ spent a great deal of his

time, as he was expected to, trying to help the PUDs, that had been formed in the past, get into business. Klickitat County, Benton County, Franklin County and then in Oregon, Union County, Wasco County, I think it was called Northern Wasco PUD, come to mind, Yakima County was another one. We were confronted, in the Washington PUDs, with a situation where a financier by the name of Guy Meyers, who was working closely with grange leaders to try to buy out, by voluntary purchase, the utility properties in these PUD areas. For example, in Benton County or Klickitat County. Guy Meyers' operation was one in which he offered a good deal more for the properties than their book value, than their original cost depreciated. What he did, was to figure out what the PUD could afford to pay, given its tax advantages in financing and paying of income taxes and so forth, and still reduce rates somewhat. Then to offer that amount to the holding company that held the voting stock of, in this case, Pacific Power and Light, which was the main utility in the areas that Russ Richmond's district covered. The result of that capitalizing of the tax benefits was that Meyers would offer a great deal more than the original property. As I remember it, his formula generally came out that he was offering about 5 times gross revenues for the district for which he was making an offer. Paul Raver was very much opposed this. He felt that this was unfair to the consumers, that these properties ought to be acquired for a lot less than the original cost depreciated and so he had us trying to persuade the PUD officers not to go along with Guy Meyers but rather to bring condemnation suits to try to acquire the properties at what their original cost depreciated was. And so we met frequently with these PUD commissioners and made our arguments as to how they ought to go. With some success. Franklin County, Benton County, Klickitat County, as I

recall, hired a law firm from Seattle, Houghton, Cluck & Caughlin and brought these suits and prevailed and then acquired the properties. I don't remember what the price was but in any event, it was whatever the jury set.

Q. What were your general impressions at that time? Were those prices, set by the court, any more than they might have expected had they gone Guy Meyers' route?

A. We think, yes, we thought so. Although that was something you never really knew because you didn't know quite where Meyers would come out with his formula but, generally speaking, we thought they were getting a much better buy than if they'd gone with Meyers. In Oregon, the PUD law was different so we found in Northern Wasco, for example, that the bond issue that had been voted was not sufficient to acquire all of the properties that Pacific Power and Light within the PUD boundaries, and the PUD officers didn't want to go and have a second bond election. In Oregon, you had to have a bond election to get bonds authorized whereas in Washington, you did not have to do that. In Washington, the PUD commissioners themselves could issue revenue bonds without the vote of the people. And so, in Northern Wasco, Russ Richmond and I worked out a plan with the PUD commissioners for them to build a competitive system. To do that, they first had to get a franchise. And so I drew up an initiative petition. The City Council wouldn't give them, wouldn't give the PUD a franchise to build a competing system in the Dalles. I drew up an initiative petition having looked at the Dalles Charter and the Oregon States, actually decided that a franchise could be obtained by

initiative. The PUD got enough signatures for the initiative election.
The City Council then would not call the election, claiming that the
initiative process was inappropriate for a franchise. The PUD hired Judge
Solomon, then Gus Solomon, Lawyer, to help Don Heisler who was our local
Council and I worked closely with Gus and Heisler since I had drafted this
initiative petition and its franchise that it was sort of why my theory
that were trying out. The case went to the Oregon Supreme Court and the
PUD won and the election was held and they got the franchise by election
and the competitive system then, was then built. // At Hood River, likewise,
there was a PUD. They had gotten defeated in a bond election in which
they'd attempted to issue bonds sufficient to buy all the Pacific Power
and Light Company. This was a Guy Meyers proposal. Guy had convinced the
PUD commissioners that they would be the acquiring vehicle for the whole
Pacific Power and Light System and so they put a huge bond election,
issue, up before the voters and they lost. So the question for Hood River
was, where to go? They, PUD commissioners, asked Russ Richmond and me to
advise them in what their alternatives were. So I wrote a long memorandum
exploring all the alternatives that I could think of. The principal ones,
were a PUD election, or forming an electric co-op to be self-financed, not
to be financed by REA. And I recommended that the co-op was the better
route for them to go. They decided to do that, they formed the Hood River
Electric Co-op. I drew up the Articles and By-laws. In this case, I was
working with a local attorney by the name of Tunis ^{Wyers} Wires. Most of the
directors of the Co-op were also directors of the PUD. It was really the
same people, with some additional individuals on the Co-op board. Nearly
all the PUD officials and Co-op board members were substantial fruit
growers in the valley, in the Hood River Valley. We decided to wait to

assure that it would succeed was to finance it by bonds sold to the customers of the PUD and so I drew up a revenue bond issue to be issued by Co-ops. We got it registered and under the Blue Sky Laws of Oregon and the PUD commissioners, or the Co-op officials went out to sell bonds to their neighbors and buy bonds themselves. I remember the interest rate was 3%. The bonds were well subscribed, the Co-op hired a manager. Then the problem was, how do you get the equipment? This was right at the end of WW II when electrical equipment was very scarce. We learned that the electrical equipment at Hanford, in a construction village, was going to be auctioned off, and so the manager of the PUD went up there and bought the transformers and the other switch gear and all the rest of the equipment and we moved it down to, that is the Co-op did, and we were advising them and helping them, move that equipment down and that was the equipment that formed the first distribution system that was under a Co-op. We had a lot adventures in regard to Hood River. The Hood River Valley is bisected, for example, by the Hood River. Parallel to which runs the Pacific Power and Light Flume. The Bonneville point of delivery to the Co-op was on the west side of the river, just south of the City of Hood River. But a lot of the customers of the PUD were on the East side of the river. The Pacific Power and Light Company refused to give an easement to the Co-op to swing a line over the flume to serve the East side of the valley. The Co-op did not have the right of eminent domain so the question was what to do? I went, and Russ Richmond went to Paul Raver with the problem and he called in Saul Schultz and we asked them to give a second point of delivery to the Co-op on the east side of the river. Bonneville had the power of eminent domain. So, one Monday morning

A. We had losses, I might say, we never were successful in Yakima. We tried very hard in Yakima to interest the PUD in either acquiring Pacific Power and Light's property but we just didn't succeed. That was our biggest failure because that was the biggest area of population and load. In Union County, Union County PUD, had had a bond election like Wasco County, had and had authorized bonds but the bonds weren't sufficient in amount to buy the entire system of the utility that served Union County. The, while we were trying to figure out what to do in Union County, the little utility that served Union County and Baker County decided to sell out to the California Pacific Utility Company which owned scattered properties around the West, both in California and Oregon. And so, we went to them or the PUD did with Bonneville's encouragement, and offered to buy the Union County properties and let CalPac have the Baker County properties because there wasn't, as I remember, there wasn't even a PUD in Baker County. CalPac agreed to do that but when we got down to talking price, again, it turned out we didn't have sufficient bonds to pay the price that they agreed to sell for. So, we didn't want to have another election, I forget, the PUD commissions for whatever reason, local reasons, decided that they'd rather not do that. CalPac would not sell just part of Union County so Russ Richmond and I went back to the REA in Washington, D.C. and asked if they would lend enough money if we formed a co-op to buy the rural properties in Union County and let the PUD buy all the La Grande properties. And with REA financing and the PUD bond issue we'd have enough money to pay CalPac. And so we, they said yes, after a good deal of discussion. So we formed a co-op and drew up an agreement with CalPac to buy these properties, by the PUD and the Co-Op in Union County. At this stage of the game, the Idaho Power Company got into the suit to

challenge the legality of this whereby the PUD bought part of the
properties in the county and this co-op bought the rest of the properties
in the county. The local judge decided not to sit in the case because he
was local. They brought a judge in from Portland, Judge Crawford, and
then a trial in which Judge Solomon, Gus Solomon then, helped the local
attorney, Charlie ^{Cater} ~~Kater~~, and I worked with both of them, having put this
plan together. We lost before Judge Crawford. We then appealed, that is
the PUD appealed, to the Oregon Supreme Court and during the pendency of
the appeal, the contract for the purchase of these Union County properties
expired. That is, CalPac had said that if we didn't pay for the
properties by a certain date, the deal was off, the contract expired. And
we tried very hard to get financing from, for the PUD pending the appeal
but we couldn't find any underwriter that would buy the bonds in the face
that litigation. So the contract expired and CalPac acquired the
properties. Ironically, we won the case in the Oregon Supreme Court but
by the time we won the case, we'd lost the deal. So we came very close.

Q. We're going to step forward about 20 years to 1958. The negotiations with Canada, then had been ongoing for 2 or 3 years, initiated by President Eisenhower. I know that Senator Jordan from Idaho was active. Senator Jackson was active. There were a number of people who were involved in those things. In fact, the treaty was signed shortly before the election in 1960 but it did not have the protocols, apparently, to implement and at that point...

A. Shortly before the inauguration I think.

Q. Right.

A. Not the election. I think it was signed in January.

Q. At that point, a decision had to be made about a Bonneville Administrator. How did Chuck Luce come to be Administrator of the Bonneville Power Administration? Who were the ball players, who ~~headed~~^{had} the appointment, who was influential, and who said "Chuck Luce is the guy"?

A. I at the, at the 1960 Democratic Convention, I was a delegate. Having done that, having become a delegate at the suggestion of John Salter who was Scoop Jackson's administrative assistant at the time. John explained to me that Scoop was going to support Jack Kennedy for the candidate but that he, himself, hoped that he could become the Vice-Presidential candidate on a Kennedy-Jackson ticket. And would I try to get elected a delegate to support that so I had known Scoop from the days he was in the House of Representatives, I had been his local representative in Walla Walla County and so I said, "Sure, I would try to do that." And I was selected as one of the delegates and we got Kennedy nominated but we didn't make it with Scoop although, apparently, we came pretty close. I went back to Walla Walla to resume practice after the convention. I did not have it in mind at all to become Bonneville Power Administrator. That was really the farthest from my thoughts. What I rather hoped would happen, is that a Federal Judgeship would open up in the Kennedy Administration, I might have a chance at that. Sitting at my office in Walla Walla, on a December afternoon, 1960 and the telephone rang and it was John Salter and Joe Miller, who were across the street

from the ^{Senate} Center Office Building where Senator Jackson's office was, having a little libation at the end of the day. And they called up and said, "How would you," after a little kidding, "how would you like to be Bonneville Administrator?" And I said, oh you know, "Come on, I want to be Supreme Court Justice, and I'm not interested in those smaller jobs." Anyway, I just thought they were kidding me, you know, and so they said, "No, we're serious." And I said, "Well, I'd think about it if they really wanted me to put my hat in the ring, and what did Scoop think about it?" Of course, Salter was just AA so I assumed he was calling, when I decided he was serious, that he was calling with Scoop's knowledge at least. So he said, "Well, Scoop would like to see you do this." So, I don't know, a day or so later, I called Henry Jackson to confirm that this was a serious suggestion and Scoop said, "Yeah," it was. And I said, "Well, look, I've got a good practice here in Walla Walla." I had one of the best in town and "I'm very happy here." "Well," he said, "Just try it for a couple years. We've got three or four candidates for this job and we're really not satisfied with any of them. Take it a couple years and give us a little time to find the right guy." So I said, "Well, Scoop, I want to be a Federal Judge. I'm not really, that's, I'm a lawyer, that's my interest and experience." "Well," he said, "It'll be a lot easier to appoint you a Federal Judge if you're a Bonneville Administrator, because you'll get known in the region. Now you're a lawyer in Walla Walla and I know you but you're not that well known and there isn't any judgeship open now anyway, so that isn't a really possibility so why don't you just do this for a couple years?" Well, I talked to, of course, my family and other lawyers around Walla Walla, people that I went to for advice and called Scoop back in a week or so and told him that if he was serious about it, I

would certainly do it. 'Course, Scoop didn't have the appointment, himself, legally. He was Chairman of the Senate Interior Committee but he certainly was very influential with Secretary Uda~~ll~~, who did have the appointment. I went back to the inauguration of President Kennedy with some, another couple from Walla Walla and Scoop suggested I go see Stuart Uda~~ll~~ while I was there and he said, "I think he's going to offer you the job." So I made an appointment and went in to see Stuart in this great big office that Harold Ickes built and I no sooner sat down and Stu said, "You know," he said, "I understand you represented the Indian tribe in Oregon." And I said, "Yeah, I have for a number of years." "Well," he said "Scoop's been talking to me about you being Bonneville Administrator. What I'm really looking for is a Commissioner of Indian Affairs. Would you be the Commissioner of Indian Affairs?" So, I said, "Well, Secretary Uda~~ll~~, I love Indian people and I've enjoyed my work with them, but no, I really don't think that's the path I want to follow." "Well," he said, "OK. Then how would you like to be Bonneville Administrator?" So I said, "That's what I came here to talk about." And he said, "Well, all right." And we made the, we had the understanding then that I would be appointed.

- A. From what I've been able to gather, you pretty well hit the ground running when you came in. Somebody told me that the day after taking the oath of office, you were already in negotiations with the Canadians on the protocols to the Treaty. How did that all transpire?
- A. Well, I don't recall that it really happened that fast but I had been, in my private practice, had been attorney for some of the legal work for

Benton County PUD. I'd been attorney for the Eastern Oregon Electric Co-op. In other words, I had had some utility practice, co-ops and PUDs and I'd kept an interest in what Bonneville was doing because I'd worked here as a young lawyer and I'd enjoyed my two years here. When I came down here, the first thing I did was to call Russ Richmond, who had left Bonneville, I guess he felt he had to leave Bonneville with the McKay~~hee~~ Administration and had gone to Los Angeles to work for Great Lakes Carbon Company and I asked Russ to come up and join me. And he said, "Gosh", he didn't think he could do that but I said, "Well, will you come up then, and help me get started?" And he had worked for Bonneville, I think, up to '54. He was much more current on what Bonneville had done and was doing than I was. So Russ said, "Sure, I'll come up for a week or two and help you get started." And then, I said, "Well, will you round up the guys who ran the organization back in the Roosevelt-Truman days? Paul Raver and Saul Schultz and Bill Dittmer and that group and get them in here to spend a weekend with me? I'd like to hear what they think ought to be done." And it was the first or second weekend I was on the job, it was very early. Russ did that and they came in and we spent a weekend here in the building outlining all the problems and the potentials of Bonneville and I was hearing what they thought what ought to be done. So, that's how I got started.

- Q. There were a number of problems that you were confronted with. Certainly the Canadian Treaty was one and there also was the whole question of steam generation that had become a national issue. Senator Jackson, for example, had been involved with President Kennedy in a case of legislation to allow the Atomic Energy Commission to construct steam generation, that

piece of legislation. They had passed the Senate but had failed in the House and as a result of that, there was not a skip from hydroelectric power to Federal steam power in the Northwest or anyplace else. Were you involved in those discussions at all?

- A. Not before I became Bonneville Administrator. And my recollection at the time I got to Bonneville, there wasn't any general proposal to put Bonneville into the steam generating business. There was a proposal to add heat exchangers and turbine generators to a AEC reactor that was being built at Hanford for weapons production. So-called dual purpose or NPR reactor. And before I came down to Bonneville in the late '50's, Scoop had gotten the Congress to authorize the construction of the reactor portion at an additional cost of 25 million dollars in such a way that you could add heat exchangers and turbine generators but the Congress had not authorized their addition. So when I got down to Bonneville, that project was sitting there, hadn't been authorized but the reactor was being built at an additional cost of 25 million dollars so that it could be converted to produce electricity with the waste steam. The General Electric Company in the 1950's, had proposed a rather grandiose project, as I remember, to use the waste steam from the reactors that had been built during WW II to, or the waste heat rather, to generate electricity and the president of the General Electric Company had a meeting with his board in Seattle and had announced this as a conservation measure to take advantage of all this waste heat that was being dumped into the Columbia River at Hanford. His proposal was immediately denounced by the private utilities of that time, who did not want to see this happen because they thought this would be another TVA in the Northwest so he dropped it right away. And that

proposal, as far as I know, was never revived but Scoop had picked it up on this new reactor to have it designed so that it could generate electricity.

Q. One of the things that I know, I read some of the Hearing Record involving yourself and Senator Jackson on the bill that you're discussing, and on House side, Representative VanZan^{dr} for example, was saying, "What assurance do we have that Hanford will not be a precedent on which Federal Nuclear Power System will be" You fellows were having to deal with that problem in the hearings. Was it ever in your mind, anything more than a single project, the Nuclear Reactor?

A. No, it never was. We had so much undeveloped hydro. That was what I was interested in. We had the whole Lower Snake, beginning with the Ice Harbor Dam and running all the way up to Lewiston, we had the Dworshak Dam Site, we had the Knowles Dam Site which we never did get developed but we wanted to develop up in Montana, we had the Libby Dam Site if we could just get the Canadian Treaty ratified. In other words, we had so much hydro to develop, that that was what I was mainly interested in. This...

Q. That was mainly the Snake at that point, was it not?

A. Well, mainly the Snake but also enormous improvements in the Columbia River if only we could get the Canadian Treaty ratified we could build a third power house at Grand Coulee, we could put a second power house in Bonneville Dam, there was just so many great hydro opportunities that I felt that was the place to concentrate. The Hanford project was there and

we had to do something with it, the government had put an extra 25 million in but I didn't have any, I didn't see this as a precedent for Bonneville becoming a steam generating unit at all. We were concentrating on the hydro.

Q. It was simply a single opportunity but in weighing, well, four things that were involved during your administration. Steam generation at the Hanford plant. Extension of navigation up the Snake. Interconnection of power systems in the western United States which was a product of the Treaty negotiations and the upstream storage was also a product of those. And then, I guess, the last one would be Southern Idaho service, which was a major expansion of Bonneville Service Area. If you were assigning weights 20 years later to how those occupied your time and interest and focus of attention, which of those were the most important?

A. The Canadian Treaty.

Q. The Canadian Treaty was the central.....

A. No. And closely related to that, the intertie lines to California. They did not start out as related to one another, really.

Q. They did not?

A. No, no. As a matter of fact, an argument was made by some economists that the Treaty made the interties, or the interties made the Treaty uneconomic. In fact, one of the distinguished economists with the

resources for the future wrote a critique of the Treaty in which he contended that it economically was a bad thing. Well, here was the argument. The Treaty, by creating a lot of upstream storage that we otherwise didn't have, firmed up a lot of secondary power that we were spilling, that we couldn't sell in the Northwest because it wasn't assured power year in and year out regardless of the weather. With the intertie lines, the argument ran, we could sell that secondary in California for fuel displacement and we didn't need the upstream storage in order to utilize it. We utilized it by tying it into a big steam system in California and the argument further went, that we had some storage sites in the United States that we could develop and that we should then have forgotten about the Treaty and concentrated on developing the market for secondary in California and some additional storage in the United States. There was a school of thought in the Corp of Engineers, particularly out here in the Portland office, that, the North Pacific Division, that favored the development of US storage rather than the Canadian Treaty. It wasn't, I'm told, that it wasn't until the Chief's office took over the negotiations with Canada that the United States really decided that the Canadian Treaty really was a good thing. So the intertie lines and the Treaty were really separate and in view of some, were competing proposals rather than complimentary proposals. They became complimentary proposals when we had decided to go ahead with the Treaty and we couldn't get the intertie lines approved because the Northwest was insisting on region preference, Bonneville was taking the lead in that, but California utilities were insisting that they wanted some firm power. So the Treaty gave us the opportunity to get firm power for California that wasn't the Northwest's firm power, some 1,300 megawatts that the Canadians were

entitled under the Treaty, being half the downstream benefits at the US dams attributable to the Canadian storage that would be built under the treaty. So that's how they came together and became complimentary but they could very well have been competitive. (END OF SIDE ONE)

Bonneville, that they were not in favor of this Treaty and so I had to work out a coordination agreement with the utilities in the Northwest there, such that they would support the Treaty. It was important to do that for another reason, which is that the downstream benefits that we got from the Canadian dams, storage dams, were not just at Federal dams but they were also at non-Federal dams, privately owned and PUD owned. And so we had to have their

Q. There seems to be incredibly complex.....

A. It was very complex, right.

Q. Was it difficult just to get everybody together that needed to talk to each other?

A. It was, well, I don't know if it was difficult to get them together. There was a very good attitude among the utilities, public and private. But our meetings reminded me of the way the Sioux Indians used to travel around the Plains. They always traveled as a tribe and whenever we'd hold a meeting to discuss the coordination agreement, there'd be 60 or 70 people there. So, they were very large meetings.

Q. There were some other parts to that, the arrangement that, I think, Gordon Culp was involved in it, the arrangements for payment once the agreement was reached on the Canadian Dams and the sale of part of the power and all of that business. Were you directing that or was that done independently or how did it go?

A. No, no. We actually, Bernie Goldhammer and Ken Caseberg and I and others at Bonneville, worked out the plan for the financing of the purchase of the downstream benefits from the Canadians. See, we felt it would be very difficult to get appropriations from Congress to buy Canadian power and resell it in California. So the question, then, was if you can't get congressional appropriations, how you finance the purchase of the downstream benefits so that you can resell them in California and get the Californians to support the intertie plan? And our decision was to form a non-profit corporation. We did the legal research on that here at Bonneville. We found out that we could get tax exemption for a private corporation, a non-profit corporation, if the principal formers of it were public agencies. I'm not sure that you could^{do} that any more but under the regulations in 1963 and 4, you could do that. So we formed the corporation and I went back to the Treasury Department, met with Stanley Surrey, who was then Assistant Secretary, I think we, at one point, met with the Secretary of Treasury, himself. And got their blessing on this arrangement so that we would get a tax exemption for the bonds that this non-profit corporation would issue. Then, with that cleared, we entered into contracts to, whereby, this non-profit corporation bought, now let's see how that worked. It issued bonds guaranteed by the purchase contracts of the utilities of the Northwest that bought the Canadian power but the

utilities who'd bought the Canadian power were assured by us by a concurrent arrangement that they could resell it in California until such time as they needed it in the Northwest. So we had this non-profit corporation, which I think we called the Columbia Power Storage Exchange or something like that, who had no assets except a minute book and a bond register and a set of contracts from the Northwest utilities that had bought these downstream benefits from Canada agreeing under the contracts to pay for the power in amounts sufficient to support the payment of the bonds, the interest and the principal. And the proceeds from the sale of those bonds were put in escrow to be paid out at the time the Treaty was actually signed by Canada.

- Q. That was a fairly critical arrangement. As I understand it, there was a row going on between the Provincial Government and the National Government relative to the dams that were going to be built in Canada and that the, ultimately the Provincial Government won out and the money from the Columbia Power Storage Exchange was necessary to build the dams. In essence, they paid for the dams. Was that a drag on the discussions?
- A. Oh, well indeed it was. We were in the peculiar situation of dealing with Canada from 1961 through 1964, that at any given time, we could have settled either with British Columbia or with Ottawa. But we couldn't find a formula that they both would approve. That was the problem. The Premier of British Columbia, Premier Bennett was determined to develop the Peace River and he therefore, would only develop the Columbia River if the downstream benefits would be sold in the United States. We were prepared to try to buy the downstream benefits so we could have settled with

Premier Bennett. The Ottawa Government was opposed to the development of the Peace River at that time, thinking the Columbia River development was much more economic, the power was closer to the load centers, population centers of British Columbia. And so they wanted the Columbia River to be developed and the power, the downstream entitlements of the Canadians to be kept in, for the use of Canada. We would have agreed with that, too. We didn't necessarily want their downstream benefits. But we couldn't get them together because the government of Canada wouldn't agree to the sale of the downstream benefits in the United States. And, really, that was the thing we had to bring together on it. At one point, Premier Bennett called me. I was in Washington^(D.C.) at the time. Actually, when I was Bonneville Administrator, I must have spent a third of my time in Washington. I found out that's where I had to be to get the authorizations and the money to do our projects. He called me and he said, "We are ready to start the construction of Duncan Dam," that was the first of the three dams. "Immediately, if you'll pay 5 mills for the downstream benefits on that dam." And I said, "Well, have you the approval of the national government in Canada, Premier Bennett?" "No!" he said. "I don't have it. I don't need it. Water runs downhill doesn't it?" So he said, "If I build that dam, you're going to get the benefits, there's nothing Ottawa can do about that." So I said, "Well, I'll, I don't think our State Department will agree to that kind of an agreement, Premier Bennett, but I will check it out and I'll call you tomorrow." So I called up Ivan White and our Minister to Canada and we talked to the general counsel to the State Department. Of course they were aghast that we would think of our Federal Government making a deal with a Provincial Government over the objection of the National Government of Canada. I

knew they would be and they should be. So I had to call Bennett the next day and tell him that I had conferred with our State Department and we were unable to do this. We had to have the concurrence of the National Government of Canada. He was furious. He said, "The Treaty's dead! Treaty's dead. Don't ever talk to me again about the Treaty. I'll never talk to you again about the Treaty!" And he hung up. It was a kind of a bad moment.

Q. How did it finally work out?

A. Well, he never did talk to me about the Treaty again. When the final negotiations took place in Ottawa, he was in Hawaii. It was in December, you know, and it was about 20 below in Ottawa and he was over in Hawaii on the beach and his BC people were calling him back and forth. We knew that was going on. But finally, the National Government of Canada agreed to let him sell the downstream benefits in the United States. So he got his way so he developed the Peace River and the Columbia River.

Q. That really was the key to the whole...

A. That was the key to, it was, it was, right, right.

Q. There were some other things. I don't want to keep you too long, but this is one of the most interesting of all periods of Bonneville history, I think. And that was the Federal Dams. Well, let's try the intertie, first of all. That had been ongoing prior to the time you got to Bonneville. Pearl had rejected it. His notion was that if somebody wants

their power, they can come to get it, which he said in so many words. But we kind of changed views after you came. How did that come about and what did you have in mind?

A. Well, there had been proposals to build some form of stronger interconnection with California for many, many years. I think they were even talking about it when I was a young lawyer with Bonneville in 1940, in the 1940's.

Q. J. D. Ross, in this original plan, was ...

A. Right. Well, and there were benefits, it was calculated, if you could coordinate the hydrology of the Sacramento River with that of the Columbia River. That is, the weather cycles are not exactly the same and so there would, if you pooled, in effect, the output of the Federal Dams on the Sacramento River with those on the Columbia River, you got more reliable power, a larger quantity of reliable power than if you operated the two systems separately. So that was used as a justification for some of the early Intertie plans. The ...

Q. Had not the private utility organizations in California, always opposed an Intertie? For that matter, I think, the public utilities up here, up until about 1968, opposed an intertie. So it wasn't very promising ground that you were working with. How did that get switched around to the point that they thought it was favorable and the public utilities up here thought it was a good idea?

A. Well, we needed a market for all this secondary energy that we were spilling. We were spilling far more kilowatt hours than we were selling. 30 billion or more a year were going over the spillways and Bonneville was in the red. We were losing money. And so we had to get a market, as I saw it, for this secondary and the right market is a steam market, where they can use this secondary for fuel displacement. So, we had an interest in it. Secretary Uda~~l~~'s undersecretary had a strong interest in it. He was Jim Carr, who had been the Assistant Manager of the Sacramento Municipal Utility District. And Carr wanted this tie line to California because he wanted to get cheap power for the public agencies of, particularly, Northern California. And, Stuart Uda~~l~~ was interested in it because he thought he could get, Stuart was a fellow who thought in big global terms, and he saw this as an opportunity to tie the power systems, not just to California and the Northwest, but Nevada and Arizona and have a grid that would be that wide. The, and so, we, I decided that Bonneville had better take the initiative in the planning of this because it was our power that they were talking about, or our region's power. I talked with Senators Jackson and Magnuson about it, and they made it absolutely clear that unless there was legislation to provide regional preference, that they were going to oppose it. But Scoop said, "If you could bring in a bill that the utilities and the industries in the Northwest think protect them, not just by private but public utilities as well, then we'll take a look at it." So, my first job, then, was to, in that area, was to put together legislation that I could get enacted that would create a regional preference for the Northwest against any customer outside the Northwest. And that took a lot of doing to do. The attitude of the private utilities in California was that they didn't want Federal,

any more Federal power down there. They were concerned that it would be the basis on which public agencies would be formed and take over part of their distribution territory. At that time, California, electrically, was two states. There was North and South California. The only intertie between them, North and South California, was a 230^{kv} tie for which the switch was open most of the time. They operated independently. We decided to come in with a bold plan so we proposed two AC lines and two DC lines to tie the Northwest to California but also to tie California together.

Q. Let me get you to insert one thing right there. Who were the technical planners of that within the Bonneville Power Administration?

A. Well, it was in the engineering department, the technical thing, the facilities. Gene Starr, Ralph Gens, Ev Harrington, I'm sure there were some others but those were the ones that I dealt with most of time. Gene White was more of a, an administrator, he wasn't the Chief Engineer when I came here, Gene was. Gens was our DC expert. Gens and Gene. Harrington was also very good. They were all students, or had been students of Gene Starr. It really was the Starr group of fellows who put this thing together.

Q. It's still students of Gene's. The whole generation that's here now. What, the reason that I raised that question.

A. Kenny Klein was another one although Kenny, like Gene White, was more of a builder and an administrator, than, I think, than he was a technical guy. You were asking about....

Q. What I was getting around to was when they went through this last round, changing where the Intertie Access Policy was concerned, and the benefits were, had changed drastically over the last 2 or 3 years, to where California was working over 8 or 10 times what Bonneville was getting in terms of benefits. And one of the points that was made in the policy statement, was that a relatively few utilities control that one end in California, you have this kind of open access at this end, and the thing was just not working. Were you aware of any of the prospects of that kind of thing or did you see it in a different kind of a way at that point?

A. Well, I, yes, I knew there was a problem on the north end of the line of the, of a situation in which all the utilities with hydro would probably be dumping power at the same time. And that that would give the California utilities a hell of an advantage in buying power up here because if you don't sell it, you waste it and so any you've got is better than nothing. And so I talked it over with Bernie Goldhammer and we decided to establish a policy where the secondary energy, that is the power that was not firm power but was available in most water conditions, would be sold in California with each utility generating it having access to the Intertie proportionate to its share of the secondary. I felt that was fair and actually, our federal system had most of the secondary so we got the biggest part of the market. And the, but the other utilities, the

PUD's and cities and private utilities that had hydro projects, got whatever share of the market their share of the spill would suggest they should have. So, that's the way we did it.

Q. One of the, I want to skip to hydro. And one of the things you said, way back, was something like this, and I might not have the numbers right. But what you said was that we've run out of authorizations. There are two authorized dams left, we're going to build them and after that, there isn't anything. And what you were really posing to the region was the question of whether we were going to continue to have hydro, with new authorizations, or whether we were going to do something else. And then we proceeded to, if I can find my hydro section, we then proceeded to construct some dams. Dworshak, I think, maybe we've got it wrong. Anyway, Chief Joseph and there were a couple of Federal dams that were initiated during the period of time that you were doing this. What were you thinking about in those, relative to hydro. How did you see the battlefield.

A. Gee, I don't understand this question. When did I make that statement?

Q. This was at the beginning of your term in office because it looked to me like what you were trying to do was map out the next 4 or 5 years in what you were going to be doing. And you were looking at interties and Canadian Treaties and hydro and all the things that you had to deal with and you were looking at hydro in this case and saying, "Now we're running

out of authorizations and we've got to decided what we're going to do."

How did that all work out? How did you proceed.?

A. Well, we had authorizations for the Lower Snake Dams, had been authorized, those 4 dams. And so we went to work, I think the first year I was Administrator, we, the Corp of Engineers, but with our support as to the need for the dams, got appropriations to start them. Ice Harbor, I think, was the first one. How did we proceed? Well, we had proceeded on a couple of fronts. One was to get the Canadian Treaty authorized because we couldn't build Libby Dam without the Canadian Treaty because it backed water into Canada and we couldn't build the third power house at Grand Coulee without the Treaty because we wouldn't have enough water there to justify it, enough reliable flow of water. So really, the first thing was to go after the Treaty but we also went after authorization of other dams, the Dworshak Dam as it was called. There was another one there in Idaho we tried to get and failed. There was one on the Lower, there was one just above Clarkston-Lewiston that we tried to get, China Gardens or something like that. We struck out on that one. The one we tried, I think, the hardest to get and failed was the Knowles Dam up in Montana where the Montana Power Company trotted out a alternative.

Q. Was that Penny Cliffs?

A. No, no. Penny Cliffs is the one I was trying to think of in Idaho on the Clearwater. And that was one we didn't get. But we got the Dworshak one. And we didn't get China Gardens and we didn't get Knowles but we got Libby and we got the third power house and we got Dworshak and, of course,

we got a lot of new machines and dams all the way down the river. We speeded up the completion of John Day.

Q. Hydro, the hydro then...

A. Chief Joe and so on.

Q. ...pretty much was an outgrowth of the Canadian Treaty and the increased storage and the third power house at Bonneville, second, or at Grand Coulee, second power house at Bonneville and so forth.

A. The Treaty was keyed to our hydro program. I won't say that we couldn't have done it without the Treaty but it was much, much easier with the Treaty because we had better economic justification and we had to flood less land in the United States in order to get the storage that we needed.

Q. Just about everybody who's written on the subject, regards the 1960's and your part in it as kind of the Golden Era of the Bonneville Power Administration. Mainly because everything seemed to work then. Our negotiations worked, we were bringing new dams ^{into} production, we were meeting loads, we were connecting, we were, it was kind of like carrying out the agenda of things others had thought of, in some measure, that had not been able to be accomplished up until that time. Did you have any sense of that then, or were you just working hard?

A. Well, the first, the first two years I was Administrator, things didn't go that well. Weren't getting anywhere with our intertie legislation, our regional ^{purpose}~~purpose~~ legislation. We weren't getting anywhere with the Treaty. Our Hanford project was getting defeated in the Congress. I know I'd come back from Washington and there was a man who ran the ^{motor}~~water~~ pool down in the basement, Aaron somebody? I should remember his name, he was a fine man. And I'd come back, just so despondent, you know, because I'd gone back there and got beat again, and he says, "Don't get discouraged. Don't. Just keep at it. Keep at it." He says, "It's gonna take you about two years. You're going to get this thing going." So, no, it wasn't all victory and roses at all. It wasn't, the first big win we had was when the House of Representatives finally approved the construction of the generating facilities at Hanford. (BLANK SPOT IN TAPE) ...was signal to the industry that we were, Congress was going to back an expansion of our program. At least, that's the way we saw it. And from there on, things seemed to go up.

Q. I happened to be at Hanford Generating Plant when they broke ground for it. President Kennedy was there. I filmed the whole thing, as a matter of fact. And there was one thing that President Kennedy had to say that is kind of interesting in retrospect. He talked about his power policy and the use of hydro resources to the fullest, to develop the means to make coal more competitive. Then he said that we have to develop low cost atomic power. That, he said that at the end of the century this was going to be a tremendous source and our experts estimate that half of all the electrical energy generated in the United States would come from these resources. Of course, 1960's was following a period when things had not

moved rapidly and Kennedy was attempting to make them expand and move rapidly. But we've also had the experience of 20 or 25 years to look at and in fact, most recently, you've been involved at looking at the WPPSS program here in the Northwest. How do you view the difference between the, almost that we can do anything kind of view of the early 60's, of which you did an awful lot of it and the kind of, the narrower look that we have now when we know that some of this stuff doesn't work out?

- A. Well, I don't know that our look today is narrower. I'd say it's different than it was then. In the early 60's, the economic analysis that had been made of the cost of nuclear power indicated that it was going to be very cheap power. I had asked Gene Starr, just for instance, to analyze the Oyster Creek project which was one of the first of the large nuclear plants built in New Jersey and he had reported to me that, after his investigation of it, that it was going to be very economical power. And if conditions had stayed the way they were in the early 60's, I think Gene's analysis would have been correct. Not only his, but that of the industry generally. But a lot of things changed. The enormous inflation happened, the public's concern about the safety of these plants heightened enormously. People became a lot more concerned about protecting the environment and so they weighed environmental costs into the total cost benefit picture much more heavily than they did in the early 60's when I was Bonneville. We couldn't, nobody, I think, today, could do what we did in the 1961 and 1966. The Canadian Treaty certainly couldn't have been put together, either in the United States or in Canada because the environmental questions that would have been raised about it, would have resulted in years and years of study, followed by litigation and the

political opportunity would have passed. You can only do things like that if you can close the arrangements in a short period of time, a relatively short period. If they drag on and drag on, the people change, the governments change on both sides of the line and projects fail. But in the early 60's, the emphasis was on economic growth, development of our resources for better production. There really was just beginning, in the country, a concern about the environment. And the concern about the safety of nuclear didn't come along until considerably after that. So I wouldn't say it's narrower today, it's just different. People have different values. Many people question whether economic growth is a good thing. We had a governor following my days at Bonneville, Tom McCall, who reputedly urged people not to move to Oregon because he didn't want Oregon to be overrun with people and all the environmental impacts that they bring with them, so things just change.

Q. One of the, one of the things that must have worked against the policies that you were pursuing in that period, at least there's some indication that it was, was the Southern Idaho Service. Reportedly, there was great concern on the part, certainly in the Idaho Power Company, but also elsewhere in the country, that the Kennedy Administration was not going to pursue the partnership policy as they viewed it in the previous years and Southern Idaho Service was an example of that. Bonneville moving out to observe more territory. How did you view that thing and what was the problems you encountered in doing it?

A. Well, we wanted very much to build a 500 KV line into the Pocatello area to get the phosphate loads. We had a lot of power that was going to come

on the line when the Treaty was completed, Treaty projects were completed and all the downstream projects that we'd started were completed and we wanted to sell it. And so, our main objective, really, was to get, it was a marketing objective. We didn't see this as any great national movement toward public power. The Idaho Power Company did see us as a threat to their service area. The Bureau of Reclamation didn't want us down there at all because that was Bureau of Reclamation territory. They had some generation, they didn't have a lot, but they had some, they had some public agency customers down there and they really just didn't want Bonneville down there. In the battle that ensued, Secretary Udayl was on our side. Frank Church, the Senator was undecided, really, on what he wanted. He liked to get along with the Bureau of Reclamation, and he wanted to get along with that whole power company, he'd like to get along with Bonneville. He never took a firm stand in favor of our going down there that, so far as I know. Although he never opposed us, he was just sort of neutral. The thing that finally defeated us, interestingly, was not the Idaho Power Company. It wasn't the Bureau of Reclamation. It was the, one of the phosphate companies which had a plant in the Pocatello area and another one at Western Montana. I think it was called the Victor Mining Company or Phosphate Company. And they hired Clark Clifford who went to Mike Mansfield, who was the Senior Democrat from Montana, and generally very pro-Bonneville, and they told him, through Clark Clifford, that if that line went into South Idaho, they would close their operation in Western Montana and move it all to South Idaho because, they said, their phosphate deposits were so much better in South Idaho that they couldn't afford...if they could get Bonneville power in South Idaho, as they were getting it in Western Montana, that it would make their Western

Montana operation uneconomic. And Mansfield killed it, killed our appropriation. So that's how that happened. Well, then, we never the less, persuaded Secretary Uda~~ll~~ to extend our marketing area, even though we didn't have the transmission down there. We felt that eventually we might get some transmission in that area although Mike had defeated us. And the argument was that we would lower the rates of the preference customers because we extended the Bonneville rate to South Idaho, which, of course, made them want us very much, the co-ops in Idaho Falls and a few municipals that they had in Idaho that were Bureau customers.

Q. The number that comes to mind is a reduction of 40%.

A. Something like that. Yeah, something like that. It was, I think, at least that. And the Bureau's consolation prize, if you will, for losing their customers down there to us, was that the irrigation subsidy from the Bonneville revenues would be extended to projects in South Idaho. So Secretary entered the order and we set up an office in Idaho Falls and took over the customers down there.

Q. One last question and this is current, almost current. Briefly past. You were asked to head the commission whose charter was what? As I understood it, you were going to look at the WPPSS situation and the power situation in the Northwest and basically, some people seem to think that it really was Jackson looking for a recommendation from somebody that he trusted as to what he should be doing relative to the situation out here. He died before that report was completed. I noted, for example, ^{you} ~~he~~ made a speech in Spokane one day and basically we're talking about things that Jackson

had always talked about, which was cooperation in the region and the accomplishment that can come from cooperation. Something that he pursued for at least 30 years. But that the editorial people in Spokane accused you of something you probably have never been accused of before, and that was being, it was almost as if cooperation was Pollyanna stuff. What's going to happen? What happened then and what's going to happen in the region? Do you have any sense for how you think it ought to be going?

A. Well, Scoop had asked me to, if I would get involved in trying to work out a compromise solution of the WPPSS problems wherein the bonds wouldn't be defaulted and the projects, or at least some of them, at Hanford, the ones that seemed ought to be finished would be finished. And I had talked with him about it. He said, "We've got to get Governor Spellman in this thing because his view always was that since WPPSS was a creation of the state that really the Governor had to take the lead." In any event, he called Governor Spellman and told him that he felt that he, well I wasn't there at the conversation, but what Scoop told me was that he had suggested that he come back to Washington, D.C. and meet with the Congressional Delegation. And see if a plan couldn't be worked out to put WPPSS on a sounder basis and Governor Spellman did go back to Washington and did meet with the Delegations, particularly those from Washington. And Scoop suggested to him that he appoint me alone as what Scoop called a czar. I said to Scoop, "Every energy czar that I know of had a half life of about three months so I'd rather not be a czar if it's all right with you."

Q.as Peter the Great.

A. So I said, "I'll be glad if Governor Spellman wants me to do this to get into it but I want at least 2 other guys to work with me on this thing because it's just not a one-man job." And I suggested Eddie Carlson and Scoop called Eddie and I called him and he agreed to go and Governor Spellman also called him. And then, we wanted somebody from Oregon, I wanted somebody from Oregon, and I think the suggestion for Herb Schwab, who I didn't know that well at that time, came from Governor Hatfield or Senator Hatfield. He was Governor when I was Administrator. And at least Governor Spellman had picked that up from him and so we sounded out Herb and found out that he would agree to serve. Our commission was set forth in a letter that was attached to our report, you can, a letter from the Governor to us, to the three of us, asking us to do this, you can see what the commission was. I felt that Scoop was looking for a basis for a legislative solution to WPPSS's problems. He kept telling me, he said, "Look, you're only going to get one bite at the apple on this in Congress. Don't bring these projects back one at a time." There was an attempt, you know, to get financing to complete number 3, I guess it was, or maybe 1 and 3. He said, "You've got to come back here with a total solution, not only for completing of 1, 2 and 3 but for whatever the claims of the bondholders are on 4 and 5." So we put a set of recommendations together that tried to address the total problem and, you know, ironically, the day before Scoop died I was up in Olympia and I had reviewed with the Governor's Administrative Assistant, what our recommendations were going to be but I wanted them to know it so if they gave them real problems we, at least, would be advised before we made a recommendation that we were recommending something the Governor felt he could support and the reception I got was very good to what we were going

to recommend so I called Scoop from the capitol, he was up in Everett. It was on a Wednesday. And he said, "Why don't you come on up? Let's talk about your report." I said, "Dammit, Scoop. I'm tired and I've got a cold and it's a long way and it's 3:00 in the afternoon and it's raining and can't we do this on Friday?" So he said, "Let me look at my calendar." And he said, "Yeah, I can clear Friday afternoon. Why don't we Sterling?" I said, "Great. Let's get Sterling." So we were going to have lunch on Friday, Sterling and he and I and spend all afternoon going over our report, this was still in draft form, we hadn't published it. Of course, Thursday night I get a call that Scoop had died. So I never got a chance to go over the report with him.

Q. There was one, just to get your reaction to it for the record, because I might use it. Senator Jackson gave a speech at Bonneville Dam which said a lot of things that he wanted to say at that particular moment to you and also to the region. And he used that opportunity to do it. And one of the things he did was credit you with all the good things that had happened in the 1960's which is, in large measure, true but one of his associates said to me, "Well, you've got to remember that Scoop seldom, except in political circumstances, took credit for himself." And that the 1960 period is also a tribute to Scoop Jackson. Did you view it that way?

A. Oh, yes. Oh, yes. And Warren Magnuson although Scoop was the driving force but he had to have Maggie for an ally. And Maggie was a very valuable and powerful one. No, without Scoop....(END OF TAPE) (16)

CHUCK LUCE

Q: Probably one of the most Tell me when.

THIRD PARTY: Go!

Q: Probably one of the most productive periods in Bonneville's history was the period from 1961 to 1965. During that period of time there were negotiations that produced three dams in Canada, one in the United States, a Coordination Agreement, and agreement to pay for the dams in Canada, Intertie with Canada, powerhouses at Bonneville and Grand Coulee and new generators up and down the river. It, I guess that negotiation would be the critical feature of the Luce Administration. Can you kind of give an overview as to what the situation looked like at the time you came on and how you came to focus on that Treaty.

A: At the time that I became Administrator in February, 1960, President Eisenhower had, within the past six weeks or so and just prior to his leaving office as President, signed a Treaty with Canada for the joint development of the Columbia River. The Treaty provided for storage dams to be built by Canada and for the United State, which had many dams on the Columbia River below Canada, to deliver to Canada, at the Canadian border, half of the increased dependable capabilities that the American dams would get because of the better flow control attributable to the Canadian storage dams. However, when that Treaty was signed, Premier Bennett of British Columbia sent a long telegram to the Prime Minister of Canada

objecting to the Treaty on the grounds that he did not wish that power to come back to Canada. He wished to sell it in the United States and to develop the Peace River in Canada for the needs of British Columbia. So, the situation I found was one where the National Government of Canada and the Provincial Government of British Columbia were at odds over implementation of the Treaty. Now, under the Canadian Constitutional System, it required both the National Government and the Provincial Government to agree on the Treaty. Our situation, in the United States, was that we wanted the storage in Canada both for flood protection and power production and we were willing either to buy the downstream benefits as Premier Bennett wanted or to deliver the downstream benefits back to British Columbia as the National Government of Canada wanted. Our problem was to find some formula that both the Canadian National Government and British Columbia would agree upon and, really, that's what the negotiations that I was involved in were aimed at. It took us three years to do it.

Q: How did you come to be one of the principal negotiators for the United States? It seems to me that the Administrator of the Bonneville Power Administration is relatively remote from Washington in most situations. So, it's unusual that you were in the negotiating position.

A: Well, we're not remote from the Columbia River out here, though, and the decision was made by the Kennedy/Johnson Administration to have a three-man negotiating team headed by the Minister to Canada, who is within

the State Department, and consisting of the North Pacific Division Engineer who was General Lapsly at the time, and the Bonneville Administrator. I was named to that spot by Secretary Udahl.

Q: There were several elements to that negotiation. How did you, first of all, in a chronological sense, how did you proceed? What was the most important issue? What were you dealing with first? And then, how did you move on to the other issues?

A: Well, really, the most important issue, as we saw it, was whether we could find agreement with British Columbia on a price for the downstream benefits that we could afford to pay and still dispose of the power. We had to depend on Premier Bennett to make his own peace with the National Government of Canada to get permission to sell those benefits in the United States. There wasn't much we could do about that. And so, over the course of almost three years, we negotiated with, first with British Columbia, then with the National Government of Canada, then with both of them and finally came to an agreement to pay them roughly five mills per kilowatt hour for the downstream benefits over a period of thirty years.

Q: I'm told that there is an interesting story related to the WAC . . . and an effort to kind of cut separate field.

A: Well, Mr. Bennett's a very aggressive man and a very impetuous and impatient man. He became impatient with the slow pace of the discussions between his Government and the National Government of Canada and us in the United States so, along toward the end of the negotiations, before they

were finally settled, I was in Washington, D.C. in our Bonneville Washington Office one day when the Secretary said, "Premier Bennett of British Columbia is on the phone." Well, I was a little surprised by that. I'd never received a phone call from him before and, indeed, had only met him a couple of times. The negotiations weren't handled by him personally but rather by his power people. So he told me that was, in the telephone conversation, that he was sick and tired of the delays that were being caused by the National Government of Canada, that he knew that we wanted this Treaty completed, that he was ready to start tomorrow to build one of the three dams, the Duncan Storage Dam, if we would simply agree to pay him five mills per kilowatt hour and he wanted me to tell him that we would do that. Well, I explained to him, that under our system of Government, the National Government, the United States Federal Government, was the one in charge of signing treaties and we would have to deal with his National Government and, however, he said, "Well, I'm putting it to you now. Will you do this?" And I said, "Well, let me call you back." I felt I shouldn't give him a flat "no" right off the bat. So, we agree that I would call him at a certain hour the following day. I immediately got ahold of Ivan White, our Minister to Canada, checked with the State Department people in Washington, D.C., who told me what I knew was the case, that we simply were not going to enter into an agreement between our Federal Government and a province of British Columbia. That would cause an international incident of major proportions. And so, the next day, I had to call Mr. Bennett back and give him the bad news. He reacted this

way. He said, "Well," he said, "Mr. Luce," he said, "That's that for the Treaty." He said, "I never want to hear the word "treaty" again and I'm never going to discuss it with you again, ever." And he hung up. And, you know, he never did discuss it with me again.

Q: But it was resolved. How was it worked out?

A: Well, somehow, the Province of British Columbia, when we told them that we would pay approximately five mills per kilowatt hour for the downstream benefits and felt that we could market them in the United States, convinced the Federal Government of Canada to go along with his plan. Now, his plan was to build the Peace River projects to serve the growing power needs of British Columbia and to build the Columbia to take care of their power needs maybe thirty years in the future. But, while he was Premier, he wanted to build both projects. He was a builder, he was a man of large imagination and great ambition and somehow or other, he convinced the National Government that his plan was a good one. Now what the politics of that were, I can't tell you but, in any event, he did get concurrence from Ottawa, his National Government, and we agreed upon the price and the deal was struck.

Q: There was a, in later years, there was a great debate

THIRD PARTY: Gene, ask a long question, if you will, please. I have a technical problem with our system that I'm trying to solve.

BREAK IN TAPE

A: Is this what you want, Gene?

Q: Yeah, just right. What's happening, guys? In later years, there was a good deal of acrimony in British Columbia over the price that was paid. The Opposition Party to the Social Credit Party took the position that WC Bennett had been guilty of a great sell-out at five mills per kilowatt hour. Did you ever feel that there was much basis to that confrontation?

A: No, I didn't. Actually, the price that we paid was the price that Mr. Bennett had asked for, which, at the time, was substantially above the Bonneville rate. The reason that the deal didn't look that good to Canada, some years later, was that the price did not include any allowance for escalation due to inflation or other causes. The reason it didn't have any escalation clause in it was that Premier Bennett wanted to be paid in cash, 100% of the price of the power for the full thirty year term and he wanted to use that cash to build the three storage dams called for by the Treaty on the Columbia River in Canada. Well, we indicated that if we did that, and he wanted an escalation clause in the price, that we would a de-escalation clause. In other words, if the price was going to be adjusted for what happened to alternative energy prices over the thirty years period, we wanted it to be adjustable in both directions. Not only up, but down. His government felt that they didn't want to take that chance. They wanted to get a sure thing, get the value of the power at his price over the thirty year term in one lump sum payment and that's what they got. I think it was a very fair deal if you look at it from the circumstances of the time when it was struck. As a matter of fact, in the United States, we would have been relieved if Canada had taken the power

back. We didn't really want to buy the power. It was a headache for us. As it turned out, we turned it into an asset because it gave us the firm power that we needed to convince the Californians and others in the Southwest that the California Intertie was a good proposition for them. But if we'd had our druthers at the start, we'd have said, "We'll deliver your power at the B.C. border and let's get on with building the dams and never mind buying these downstream benefits."

Q: The mechanism for that exchange of money was something called the Columbia Storage Power Exchange or the Columbia Power Storage Exchange, I've forgotten which. How did that work? Who's idea was it?

A: Well, it was an idea developed at Bonneville. I would think, probably, the architect of it was somewhere between Bernie Goldhammer and Ken Caseburg and myself with Bernie the principal architect, if there was a principal. The concept there was that the contracts for the sale of the downstream benefits would be pledged as security for bonds to be issued to raise the money to pay the Canadians. And so, over the thirty year period, after the power was sold, as the utilities had bought it, paid for it, they'd paid into this Columbia Power Storage Exchange, which used the proceeds to service the bonds, that is to pay the principal and the interest. It was very important for us to do this without an appropriation from Congress. One of the directions we had from the Johnson Administration was to try to buy the downstream benefits without a Federal Appropriation because that would have involved committees of Congress and delays that we felt, the Administration felt, were undesirable.

Q: One of the other aspects of that arrangement was the Coordination Agreement. I think the words that you used to describe it after it was completed was "to have the Northwest operate its power system as the Columbia River System operates; as if it were run by a single utility." How did that agreement evolve out of the Bonneville Power Administration and what part did it play in the negotiations?

A: Well, yes, we called it the Single Ownership Concept. To operate all of the dams on the Columbia River and its tributaries as though they had a single owner. The dams had to be operated that way to take full advantage of the Canadian storage. That is to say, the releases from the furthest dam upstream in our country, which would be Hungry Horse or Grand Coulee, had to be so timed that the water released not only would generate power at those dams but would not be wasted and go over the spillways of all the dams below; Chief Joe and Rocky Reach and all the rest of the dams clear down to Bonneville. But, at the time that I became Administrator, there was no agreement among the different utilities that had dams on the Columbia River system to coordinate their water releases and flows so as to get the maximum number of kilowatt hours out of the water coming down the river. On the contrary, some of the utilities, Bonneville included, were playing games with one another to starve the dam below them out for their own economic advantage.

Q: One of the interesting aspects of this were the people that were involved. Back at the beginning, Bonneville is credited with having a genius as its Power Manager; a fellow by the name of Dr. William Dittmer. A fellow who was considered a great thinker in power matters and in other

matters as well. At the time you came to head the Bonneville Power Administration, you selected a man by the name of Bernie Goldhammer as Power Manager, who is credited with many of the same attributes as William Dittmer. What was Goldhammer's role in this whole process? What is significant and how would you characterize the man?

A: Well, of course, Bernie's role was very significant as Bill Dittmer's had been prior thereto when Bill was the Power Manager. Bernie was a brilliant fellow. He had lots and lots of ideas. He was creative and imaginative. He needed an editor. That is, Bernie would throw off more ideas than you can imagine but not all of them were all that good but some of them were just great. And so, he was really our man who would give us the concepts that we needed to work with. Bernie, I think, was a mathematician. He certainly was brilliant mathematically. He was always an optimist. When we got this Canadian Treaty, got all this new power in the United States, I used to call Bernie in and say, "Bernie, for God's sake, can we sell this power?" "Yep, yep, yep," he'd say. "We're going to sell it." We didn't know to whom. We hoped we'd sell it because we sure had a lot of it but Bernie dealt a lot with the big aluminum companies and the other electroprocess industries and, by gosh, he sold it.

Q: What was, in the negotiations with Canada, what was the difference between your role and Goldhammer's role, for example? What sorts of things did he do and what did you do?

A: Well, in the negotiations, I was the spokesman for Bonneville and part of the time, for our whole negotiating team. We sort of took turns, the three of us on the negotiating team, getting up front and doing the negotiating talking. Bernie was the guy who was doing the staff work, figuring up different propositions that I might put to the National Government of Canada or to British Columbia. Figuring out what we could afford to pay, whether the price was right and so forth. That was the role that he was playing. He was with me at all these negotiations but I was the mouthpiece, I guess, and Bernie was doing a lot of the thinking.

Q: There are, I guess, the major item that is left unsaid or has been undiscussed, at the moment, is the Intertie and I have never quite understood what the relationship between the Intertie negotiations, which were going on with the utilities in California plus the fact that we had negotiations to have with our own folks in the Northwest who had, you know, reservations about, you know, whether we ought to enter into such an agreement. It might end up being a case of the dog wagging the tail ultimately if you start hooking up with those California utilities. How did that relate to the other negotiations that were going on?

A: Well, initially, the Canadian Treaty negotiations didn't relate at all to the Intertie. It was only, as we got into this impasse in Canada where we had to find some way to market the downstream benefits that we had to buy if British Columbia was going to approve the Treaty, that the Intertie came into play because we clearly didn't have the market here in the Pacific Northwest. The only place that we could sell it, within transmission distance, was in California and the only way we could get it

7

to California was to build the big Intertie lines. Now, we'd had negotiations with California, over the Intertie lines, starting long before I was Bonneville Administrator but when I came in, we stepped up our plans and proposed much, much more capacity in the way of new transmission between the Northwest and California. But the Californians would only consent to the building of these lines, politically, and we had to get the consent of Congress, if they could get some firm power. But we, in the Pacific Northwest, didn't want to send them firm power. We only wanted to send them our surplus power which is interruptible. Interruptible when the weather is very dry up here or when loads are very high because of cold weather or for whatever reason. Then along came this Canadian power that we had to find a market for. It WAS firm power. We DIDN'T need it in the Northwest and there was no political opposition in the Northwest to selling Canadian power, firm, to California. So, all of a sudden, what seemed to us to be a problem and a liability, namely how to market this Canadian power, became an asset and an opportunity.

Q: Early on, there was a survey made by the Bonneville Power Administration in California to find out and Intertie proposal I don't suppose you remember this, but you received a letter from the head of Southern Cal Edison, I believe it was Jack Something-or-other, that basically said, "We folks in California want nothing to do with what it is that you're proposing." So you start in a posture of absolute opposition and, for that matter, in the Northwest you have public agencies that are very fearful that Preference Power is going to end up in the hands of somebody else. What were the, what was the strategizing going on as to how one overcomes the opposition at home and the opposition in California?

A: Well, in the first place, you knew that the lines were right. You knew that we had the biggest hydro system in North America and the Pacific Northwest, which was spilling all kinds of secondary energy into the Pacific Ocean, not needed for our loads up here when water flows were above average. You knew that in California, they had nearly an all-steam system. Not all, but predominantly a oil-fired, gas-fired system that could save a lot of money if they could buy this interruptible power that we were putting over the spillways and wasting to the ocean and use it to displace the oil and gas fuel that they were burning in their plants down there so that, economically, you knew that this had to be a good deal. So how do you accomplish it? Well, first of all, you analyze and sell the economics. Well, we did that. We got out a report and analysis of the economics of the Intertie line. But, secondly, what we did was propose that if the California private utilities didn't want to participate, we'd build all Federal lines from the Northwest to California. That got their attention. They didn't want all Federal lines and they were very much afraid they might be built. They didn't know that they would be. They would do their best to stop us from building them but, on the other hand, there was a chance that we might succeed because the economics of the proposition, the conservation of the principals involved were so sound. So that's really how we got their attention.

Q: One of the things that happened later on, I think 1973 with the oil embargo, where the price of oil just went sky high. Did that tend to really demonstrate what a bonanza it could be for California because you

were displacing oil that originally, I think, was three or four dollar a barrel and ultimately it got up to around twenty, twenty-five? Did that change the economics . . . ?

A: Oh, yeah, it changed the economics of it enormously in the direction of making it more favorable. The oil that they were saving when we first built the Intertie lines, completed them, might have been costing them a cent a kilowatt hour, a cent and a half a kilowatt hour. But after the embargo shot the price of oil up as it did, the oil that they saved with our hydro was saving them five cents and six cents a kilowatt hour. In other words, it multiplied the benefits of the Treaty by five times, six times, seven times.

Q: You mentioned, one time, that California, at the time these discussion, negotiations were underway, was really two system; Northern California and Southern California, tied together by only a 230 Kv line that was not used most of the time. What relationship did that have to the problem that you were dealing with?

A: Well, it had a positive factor, as far as we were concerned, because we could demonstrate not only that there would be great benefits from the interconnection of the Pacific Northwest with California, but we could demonstrate secondary benefits from the interconnection with our same Intertie lines between Northern California and Southern California and so, the fact that they didn't have adequate transmission connecting the north and south parts of the state, was a plus as far as the economic justification for our Intertie proposal. The utilities down there

realized that very early on and before we ever concluded the Intertie deal, they had announced very ambitious plans to connect Northern California with Southern California with 500 Kv lines, the very type that we were proposing to build down there.

Q: There were two other aspects of this thing that were part of the original implicit, I suppose, in the original negotiations and agreements. That was that with 20 million acre feet of upstream storage that we had not had before doubling the upstream storage capacity, that it was going to make possible a lot of things on the Columbia in the United States that had not been possible before. Namely; the third powerhouse at Grand Coulee, a second powerhouse at Bonneville and additional generators up and down the river. What were the calculations that went into that and was it a time-phased kind of thing or what?

A: Well, you asked about Bernie Goldhammer. Bernie made the calculations for us. In evaluating what the downstream benefits were, we had to assume a certain level of development of the river and my recollection, at this point, is that we DID assume that added the power houses at Coulee and the powerhouse at Bonneville and did add the additional generators in the various projects so, I believe we calculated the downstream benefits payable to Canada on the basis of our taking full advantage of this 20 million acre feet of storage.

Q: One of the things that this whole development probably, I assume you had in mind, was that there was a great deal of surplus that was going to be produced by the system and you certainly would have been faced with the

problem of putting in a . . . with that surplus. During the same period, the expansion of the Bonneville Power Administration into Southern Idaho, not through the construction of a line, but through wheeling, was undertaken by your Administration. First of all, why was that line not built? And then, secondly, how did the Wheeling Agreement come to be?

A: We wanted to get to Southern Idaho to serve the phosphate loads, primarily because, as I mentioned earlier, we had all this additional power coming on the line and we needed markets for it and there was a big market with the phosphate loads down in the Pocatello area of South Idaho. The Idaho Power Company was bitterly opposed to our bringing the lines in because they served those phosphate loads and, naturally, they didn't want to lose the load. They also were concerned that if we came in there with a big line, we would promote public power and then there would be municipal systems formed in cities that they then served. However, it wasn't the opposition of the Idaho Power Company that finally defeated us in building that big line into the Pocatello area of South Idaho. Rather, it was the Victor Chemical Company, which had a phosphate plant on the Bonneville system in Western Montana. That chemical company went to Senator Mansfield, the Senior Senator from Montana and the Senate Majority Leader and told him that if Bonneville got its power into South Idaho, they would move their Victor operation from Montana to Idaho to take advantage of the Bonneville rate down there. They explained that the only reason that they were in Victor as contrasted to being in Pocatello was that they could get Bonneville power and couldn't get it to Pocatello, but if they could it at both places, they would move to Pocatello, Idaho because the phosphate deposits were richer and more economic to mine. That did it. Senator

Mansfield killed the appropriation and so we never did get the line built to South Idaho but Secretary Udahl decided, nevertheless, to re-define the Bonneville marketing area to include South Idaho. We took over the marketing of the power from a Bureau of Reclamation dam, I think it was called the Palasades Dam, and we got wheeling into South Idaho, took over the Bureau's public agency customers, such as Idaho Falls and a number of REA co-ops and some other smaller municipals. We did not, however, take over the phosphate loads. We never did that.

Q: One would suspect that there must have been terrific resistance from the Bureau of Reclamation, which also was in the Department of Interior, to having the Bonneville Power Administration take over facilities that had been theirs for so many years. Was there that kind of . . . ?

A: There was enormous resistance. They, most of it; quiet, silent. That is, they weren't out in headlines but they were doing their best to kill our proposal to extend our marketing area down there because this was their domain. They didn't want to lose it to us. Senator Church was right in the middle of all this because he was the Senior Senator from Idaho and he was kind of first on one foot and then the other. I think the thing that finally convinced him to go along with Secretary Udahl's decision to transfer that marketing area from the Bureau to Bonneville was the opportunity for using Bonneville revenues to subsidize additional irrigation projects in South Idaho. I believe that's really the selling point with Frank Church.

Q: There was also, in addition to the Bureau of Reclamation, I would suppose that there was resistance from Idaho Power Company because there had always

END OF SIDE ONE

Q: . . . in would result in lower rates for the existing preference agencies and might cause existing preference agencies to be formed and therefore, they refused to wheel unless Bonneville would exclude new agencies. I think you refused to do that. Why?

A: Well, we could hardly justify, under the Bonneville Act, saying that there was only certain customers that can get our power and other preference customers can't get our power. We'd always taken the position that within our ability to transmit power, or to get somebody to transmit it for us, that the preference rights of the public agency and co-op customers had to be honored.

Q: Ultimately, I think that Congress turned the arrangement around, appropriated money to build the line into Southern Idaho, contingent upon an agreement with Idaho on wheeling and faced with that possible construction of a Federal line, Idaho then proceeded to the agreement the way we wanted

A: Provided we didn't take their phosphate loads away from them. But, strangely enough, by that time, we didn't need their phosphate loads. As a matter of fact, it probably was a service to Bonneville that we were

prevented from building that big line to South Idaho because we didn't have the power, really, to serve those loads. We had plenty of load up here in Oregon and Washington and other parts of our service area. On the contrary, however, it probably was a disservice to Idaho Power. They would have saved a lot of money, in the last fifteen or twenty years, if that big line had been built there so that they could transmit power from coal plants down in Wyoming, across Idaho and up into Oregon.

Q: Moving out of the, one last question the negotiation. How would you place the importance of that arrangement for upstream storage in the context of Bonneville's history? Do you believe that was a significant event for the people of the Northwest?

A: Well, I think it was VERY significant. It's hard to say that it was more significant than something else. I suppose the most significant event was President Roosevelt's decision to build Grand Coulee and Bonneville Dams and that's where it all began but, in the latter history of Bonneville, I would say that was one of the most important decisions that was made.

Q: Let me ask you one last question. This is out of the area when you were Bonneville Administrator. By now, you had served as Head of Consolidated Edison, which, I think, is the Nation's largest utility out of New York, had retired, had returned to the Northwest and you were asked to serve on a committee to look for a way out of the WPPSS crisis. How did that come about?

A: Well, Senator Jackson, the late Senator Jackson asked if I would be available to do that if I were asked by Governor Spellman and I talked with a number of people about it, including Administrator Johnson, Peter Johnson of Bonneville. Peter encouraged me to make a try at it. I finally told Senator Jackson that I didn't want to undertake it alone but as a chairman of a three-person committee

Q: He had used the word "czar"

A: He used "czar" and I told him that the only energy czars I knew of had lasted about sixty days, certainly no more than ninety days and they had a very short half-life so I didn't want to be a czar. In any event, Governor Spellman went back to Washington and talked not only to Senator Jackson but to other members of the Washington delegation. Then he talked to Governor Atiyeh of Oregon and the two of them, the two Governors, decided to appoint this sort of a commission and that's how it all began. Really, it was Senator Jackson who got the idea in the first place.

Q: What were findings of that commission?

A: Well, our findings were basically, that a compromise should be made between the claims of the defaulted bond holders, the bondholders who hold the defaulted bonds, two and quarter billion dollars of them, on the one hand and the rate payers, whose agencies had guaranteed these bonds on the other. We felt that until the claims of these bondholders were settled on some acceptable basis to all parties, that it would be very, very difficult to get the financing to complete the other two nuclear plants

that Bonneville had Net Billed; Units One and Units Three, both of which required very substantial financing and yet, the bond rating agencies in New York had withdrawn any bond rating on the bonds of WPPSS One, Two and Three, as well as Four and Five. We felt, largely because of this unresolved, these unresolved claims of the Four-Five bondholders. You see, in their lawsuits, they're claiming that they can reach the assets of One, Two and Three and consequently, the bond rating agencies are very hesitant to give a good rating or any rating to bonds sold to complete One and Three. We then suggested that a compromise that made some sense, although we didn't suggest this as the only compromise that might be worked out, would be to pay the bondholders the value of their bonds the day before the Washington State Supreme Court rendered the decision holding that the bonds were secured by invalid contracts. That came to about 36¢ on the dollar. As it turned out, the bond holders representatives, mainly lawyers, felt that was very inadequate and, at the same time, the PUD commissioners and city councilmen and so forth, whose agencies had underwritten these bonds but had apparently been relieved of their obligation by the Supreme Court of Washington, felt that they didn't want to pay anything unless ordered by the court to pay and so, our recommendation still just sits there.

Q: There has been suggestion by the judge that has been handling the Chemical Bank Case that, perhaps, it might be better to settle this thing out of dispute, out of court. Does this dispute have any chance of having your solution as a remedy or are we beyond that at this point?

A: Well, I think the proposal that we made, which is a good deal more involved than I've just described, I just gave you the bare bones description of our recommendations, I think we addressed all the points that needed to be addressed in a settlement and whether the settlement is on exactly the terms that we recommended, I think that the analysis that we made will be useful to the court and to the litigant parties if they ever do decide that settlement is better than more litigation.

Q: I think, from an historical point of view, perhaps there is some relevance to, you had just finished the report and were going to make a report to Senator Jackson on the subject. Do you recall that story? What, how that . . . ?

A: Yes. We had drafted our report, we had not released it yet and I wanted to review it with Scoop before we released it as I had reviewed it with Governor Spellman. Informally, off the record, and in draft form at a time when we could change our recommendations if either of those leaders found that our recommendations were just unacceptable to them.

Q: You had mentioned, for example, that Senator Jackson had told you one time that you were going to get one bite of the apple. What . . . ?

A: Well, Senator Jackson said that he felt that the authorization to complete the financing of Units One and Three could not be enacted separately from whatever legislation was necessary for a settlement with the bondholders of Four and Five. That the whole controversy, if you will, had to be settled in a single piece of legislation. So, I was going up to discuss

with Scoop our recommendations. I called him on a Wednesday and he said, "Come on up tonight." And I said, "Well, I'm tired and I'm down here in Olympia," and he was in Everett. "Well," he said, "Let's get together on Friday and we'll spend the whole afternoon. Sterling Monroe and you and I will just go over this thing." Well, that was on a Wednesday. The next night, Thursday, Scoop died.

Q: When, I guess this goes back to the beginning and doesn't relate so much to what you've discussed so far, and I can't think what in the hell it was I was going to ask you, but it has to do with

A: God, you've thought of almost everything so far.

Q: What did that have to do with?

A: Was it WPPSS or something else.

Q: No, it's, turn it off for a second, Bill. Let me think. What was that? Terrific. Thank you very much.

A: OK, alright, Gene. We're really all through now?

Q: Yeah.

A: How did the, let me see how this came out. Not the whole works.

THIRD PARTY: I really think you ought to take the mike off, though.

A: Oh, God. That's a good idea.

Q: It was something you said that triggered it and

BREAK IN TAPE

Q: One of the first things you did on taking over as Administrator was to call in some of the people who were involved in the Roosevelt and Truman era at Bonneville. Who were those people and why did you have them in?

A: The first call I made was to Russ Richmond. Russ had been the manager of the Walla Walla Area Office. I was his attorney . . . an attorney with Bonneville back in 1944 to 1946 and we'd remained close friends thereafter. At that time, he was in Southern California working for the Great Lakes Carbon Company. I told him I hoped he'd come up and join me, be my Number 2 Guy, Assistant Administrator and we'd see if we couldn't put together some of the programs that we'd dreamed about years before. He said, well, he didn't think he was in the position to leave down there but I said, "Will you come up then and get the gang that were running Bonneville when I was a young lawyer here, to sit down with me and you and let's talk about what a good program would be for Bonneville over the next four years?" So, Russ helped me. We got Paul Raver, who was then the Manager of Seattle City Light. Paul had been Administrator for many, many years. We got Saul Schultz, Bill Dittmer, Russ, I think there were several others but those were the principal ones and we sat down for a whole weekend, I think it was either first or second weekend I was on the job, at Bonneville Headquarters here in Portland, and I asked them to lay

out for me what they would do if they were back in charge of Bonneville and we talked it all over and, really, the program that we put together is the program that we worked out that weekend. Complete the Intertie line but first get Regional Preference legislation. Complete the Hanford NPR, which had been designed for power production but no power facilities had been added. Complete the Treaty with Canada. Get a Coordination Agreement. Extend our service area to South Idaho. Try to revive the sales of power to the electroprocess industry, which had flagged in the late '50's and, otherwise, really, just to do what it turned out we did.

Q: Does it ever surprise you that you were able . . . ?

THIRD PARTY: Please move the microphone closer the the knot of your tie?

A: You've got sensitive ears. OK?

THIRD PARTY: Rolling.

Q: Does it ever surprise you that you were able to accomplish that entire agenda?

A: Well, yes. I was surprised, although our accomplishments came one at a time. The first year, not much at all happened. And I used to come back from Washington, D.C. so discouraged and the man who was running the power pool down in the basement, he used to say, "Now, don't get discouraged," when I'd come home late at night from my trips to Washington. He said, "It was the same way with Raver." He'd been there all that time. He

said, "He didn't succeed at first, either. Hang in there." And finally, when we got the Hanford NPR approved in the summer of 1962, that was the first breakthrough and then things just really began to fall into place. Of course, we had Senator Jackson and we had Senator Magnuson and we had Secretary Udahl in back of us and without that combination, all these things would not have happened.

Q: Thank you. Sorry I kept you so long but I'll tell you, we got her edited down to the essentials.

THIRD PARTY: It worked out pretty good.

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