

1 telephone wire.

2 We had a partnership with Bonneville Power. I  
3 guess that's probably the most important thing I need to  
4 talk about. We entered a partnership agreement with  
5 Bonneville about September of '99. It was last fall  
6 actually.

7 COMMISSIONER SHOWALTER: Let me explain to the  
8 rest of the panel in case they don't know it. The Federal  
9 Bonneville Power Administration operates the hydroelectric  
10 dams. WPPSS was the Washington Public Power Supply  
11 System, which was a joint operating agreement of the whole  
12 government public utility districts that constructed five  
13 nuclear plants. When they failed it was the largest  
14 default in U. S. history of municipal bonds. So it was at  
15 the beginning a government electric undertaking.

16 TAMI GARROW: Back to Bonneville. I don't  
17 remember where I was. We signed a partnership agreement  
18 with Bonneville Power to bring fiber to the site. As you  
19 may know, Bonneville has undertaken an effort to string  
20 fiber in their service territory, which I forget how many  
21 western states, nine or 10, something like that. It's a  
22 pretty broad spectrum.

23 They are running fiber throughout their  
24 service territory for their own energy needs. We said to  
25 Bonneville when are you going to bring fiber to Grays

1 Harbor? They said, Oh, five years. Whenever we get to it  
2 in budget. We said, We would really like it now and what  
3 would it take to get there. What we ended up doing was  
4 signing the first ever partnership with another public  
5 entity, and we are a public entity, to bring fiber to the  
6 site. We paid Bonneville 1.5 million dollars to string 46  
7 miles of fiber optic cable from Olympia to Satsop and on  
8 into Aberdeen.

9                   What we got for that was ownership of 24  
10 strands of fiber for 30 years in a long term lease and a  
11 revenue sharing agreement with Bonneville for another 24  
12 strands. That gave us incredible con activity. So the  
13 fiber, we have invested about another about \$500,000 in  
14 electronics to light that fiber. We are negotiating  
15 partnership agreements with an ISP and with a C-lect  
16 (phonics) a competitive local exchange carrier.

17                   We are going to end up being sort of a  
18 wholeseller of those voice service on behalf of the site  
19 and we're going to partner with local businesses that have  
20 an interest in partnering with us to provide these  
21 services to the site.

22                   What we have been able to do is create an  
23 atmosphere where we've developed the site in quads and  
24 we're putting OC48 sonnet rings around each quad. This  
25 belt and suspenders con activity. It is not going to go

1 away. We understand we need to have a lot of it and we  
2 need to have it be triple redundant.

3           There are two separate power grids that feed  
4 our site, and if we lose power it's because Washington,  
5 Oregon and California are out of juice. If we lose it on  
6 one feed, we get it on the other. So for a dot come, for a  
7 technology company, you're never going to lose power. God  
8 help us, you're not going to lose con activity. You're  
9 going to have more band width than you can possibly  
10 imagine and you're going to have ownership and control of  
11 destiny in that regard because you're working with a  
12 partner that's a public agency, whose goal in life is to  
13 create jobs and economic opportunity and, of course,  
14 enough profit to sustain ourselves.

15           So that's what we have been doing. I would  
16 love to answer any questions that you might have. I hope  
17 in five years I can tell you about dozens of technology  
18 companies that have seen the light because it's really a  
19 pretty good deal and we hope they don't pass us up.

20           COMMISSIONER SHOWALTER: Thank you very much.  
21 There's a question about what is on that picture. There  
22 are two towers.

23           TAMI GARROW: Yes, there are.

24           COMMISSIONER SHOWALTER: The scale doesn't  
25 show up at all here.

1           TAMI GARROW: The are 500 feet high again in  
2 diameter about three football fields. This is simply a  
3 shell, which we are actually creating a public park space  
4 in in partnership with SafeHarbor. This is an active  
5 cooling tower. We have a client that is going to be using  
6 the cooling services. Everybody said that would never  
7 happen. So I can hardly wait until we fire it up.

8           COMMISSIONER SHOWALTER: What was that for?

9           TAMI GARROW: Cooling process water. This is  
10 the turbine building that was going to house the twin  
11 nuclear power plants. They had unit number three and unit  
12 number five and this one was about 75 percent complete at  
13 shutdown. Actually, it's one of the other quirky things.  
14 We inherited a nuclear power plant that's about 95 percent  
15 complete, parts on site. So we have the joyous challenge  
16 of selling a nuclear plant, either in parts or in pieces.  
17 That will provide us with additional revenue. That's  
18 what's housed in these interesting looking buildings. The  
19 balance of this are simply construction buildings, office  
20 buildings, etc.

21           COMMISSIONER NESS: What do you have in the  
22 500 feet of the towers? Is there anything in there at  
23 all?

24           TAMI GARROW: No, it's simply a shell and what  
25 happens is you stand in there and the natural updraft

1 makes your hair (laughing and indicating). It's about 10  
2 degrees colder inside in there than any place else.

3 Honestly, it's a people magnet. I mean, it's the kind of  
4 thing that people will follow the beacon off the highway  
5 to try and find it and stand underneath it. It's not  
6 likely to serve any revenue producing purpose.

7 COMMISSIONER DIXON: You did say you are going  
8 to put something on the top?

9 TAMI GARROW: Not unless else somebody give us  
10 a lot of money. We could put a restaurant up there. We  
11 have lots of people wanting to bungee jump. We sort of  
12 have to build a customer base up here before those are  
13 going to make very much money.

14 CHAIRWOMAN DIXON: Where are you going to build  
15 the athletic field?

16 TAMI GARROW: The athletic field, maybe inside  
17 the cooling tower. The reality is these structures, if  
18 you think about it from a business perspective, the cost  
19 of tearing them down is astronomical. We are not a taxing  
20 authority. We are just learning to embrace them as part  
21 of our history because the cost of getting rid of them is  
22 sort of a sunk cost and it's not going to produce any  
23 revenue. We're learning to love them.

24 COMMISSIONER SHOWALTER: How many businesses  
25 are now located or how many do you expect to have over the

1 next year or so?

2 TAMI GARROW: Good question. We do have  
3 SafeHarbor, which is going to occupy close to 100,000  
4 square feet when the second building is done. Those  
5 projections are those business are going to house 600  
6 employees, and if they keep growing at 25 a month they'll  
7 hit it in about a year and a half.

8 We have a company Tech Line located in our  
9 telecommunications building. Which is where all that cool  
10 stuff is a housed in concrete vaults beneath the ground.  
11 Tech line is a regional internet service provider and they  
12 are creating an operations center on the site. So they'll  
13 have about 30 employees when they get that facility built.  
14 They have an office in Aberdeen.

15 We have a company called Cyprus Resources,  
16 which is located in a portion of our administration  
17 building at the office building, and they're an e-commerce  
18 company that provides billing services and other kinds of  
19 things, primarily to the utility industry and the  
20 commercial industrial customers.

21 We have a small startup company called Buyer's  
22 Edge.com, not dot com, Buyer's Edge, Inc., which is an  
23 internet port in a little office building we have down  
24 here. We have a more traditional company using warehousing  
25 space for products. We have a specialty woods products

1 manufacturer in one of the buildings down below. They  
2 make parts for the piano industry.

3           So we have a sort of an interesting mix of  
4 traditional and non-traditional kind of businesses on the  
5 site because we inherited an interesting mix of buildings.  
6 We have a lot of warehouse space and we're using the  
7 office space for technology kinds of need; warehouse space  
8 for those kinds of needs and some manufacturing  
9 activities.

10           We figure that on 440 acres we can create a  
11 pretty diverse viable business park that can accommodate a  
12 wide variety of activities. Part of our master planning  
13 effort is to segment those out and start with a  
14 processing, like manufacturing at the base of the site and  
15 sort of work your way up into the technology part of the  
16 site. That's our vision, we're getting there. We've  
17 really not started to market the facility yet because we  
18 want to get the fiber in and get the electronics hooked  
19 up, and we're about three weeks away from that.

20           I should have mentioned that we did receive a  
21 curb grant and a loan which has actually helped us pay for  
22 the remodel in the telecommunications building and the  
23 vault space house, the electronics that will light the  
24 fibers, so that we will be able to sell those ingredients  
25 to SafeHarbor.

1                   COMMISSIONER DIXON: That area right there, is  
2 that what it is?

3                   TAMI GARROW: It is. It's about 400 acres in  
4 the site proper and another 40 plus in what was basically  
5 a lay down area for the construction site. Some of the  
6 pieces of equipment were barged up because you couldn't  
7 put them on the road and stored here and then brought up  
8 to the site.

9                   COMMISSIONER DIXON: That greenery is that a  
10 divide?

11                  TAMI GARROW: Uh-huh, this is part of our  
12 Wildfile Mitigation property and it provides kind of a  
13 natural buffer around.

14                  COMMISSIONER DIXON: Is there water there?

15                  TAMI GARROW: No, there's no river in here.

16                  COMMISSIONER DIXON: How are people going to do  
17 anything over here then?

18                  TAMI GARROW: How do you get from here to here;  
19 oh, the road. Yes, it's covered up by the greenery. And  
20 the barge slip is about two miles in that direction and  
21 also connected by road.

22                  COMMISSIONER DIXON: So you have water access?

23                  TAMI GARROW: We do. We own a barge slip, too.  
24 I don't know what we are going to do with it. We own it.  
25 We have a lot of interesting things that we are to have to

1 figure out how to make money off of. That's my challenge  
2 and certainly my opportunity.

3 I did bring a picture of the new SafeHarbor  
4 building just to show off. We are very excited about  
5 that. That will be done in August. That's our first new  
6 construction project, a smaller building that did for that  
7 company called Buyer's Edge. So we're doing it. Thank you  
8 so much.

9 COMMISSIONER SHOWALTER: Thanks very, very  
10 much. I think we can take our break a little early and  
11 then convene a little early. So let's be back at 2:30.

12 (AFTERNOON BREAK 2:15 P.M.)

13 (RECONVENES AT 2:30 P.M.)

14 CHAIRWOMAN SHOWALTER: We are going to hear  
15 now the view from Eastern Washington and that means east  
16 of the Cascade Mountains, which is a very, very different  
17 climate than we here. Instead of being wet and rainy and  
18 green, it's quite dry and quite sparse, both in terms of  
19 vegetation and also population. Spokane is a sizable city  
20 and there are about three or four small cities on the  
21 eastside. Otherwise it's pretty rural. So today we are  
22 going to hear from John Andrist from NCI and Bob Lahmann,  
23 from the Bonneville Power Administration, which we  
24 mentioned before and Rob Kopp from NoahNet. John, are you  
25 going first?

1                   JOHN ANDRIST: Thank you and thank you for  
2     inviting me here to speak. I was observing during one of  
3     the breaks that it was was, indeed, dryer in Omack when I  
4     left this morning and it seems like the further west I  
5     came the bigger the rain drops got. That's just part of  
6     the way it goes.

7                   One of the interesting things I always like to  
8     point out is when we talk about rural areas and we heard  
9     about an exciting project at Satsop and called that rural.  
10    I'm from Okanogan County where there are about 40,000  
11    people in 5,000 square miles. I'm not sure how rural  
12    rural is but we're quite rural and very sparsely  
13    populated. And it's an interesting place to do business.

14                  I own two private companies there; one is  
15    North Cascades Broadcasting, which operates three  
16    commercial radio stations, two FM's and an AM station in  
17    Omack. Thanks to the '96 Telecom Act we were able to add  
18    another FM station and so thanks to everybody who made  
19    that possible.

20                  The other company NCI Data.com, which is a  
21    telecommunications company. We have recently filed the  
22    large stack of papers necessary to become a C-lect  
23    (phonics) through the UTC here in Washington, and we're  
24    excited about that.

25                  About three years ago we started providing

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1 dial-up internet services in reaction to our own  
2 frustration with the services that were available. And  
3 since that time, we have -- I should point out that both  
4 of those companies are owned by my wife and I, and we are  
5 the only shareholders there now. We bought out our last  
6 partner about six months ago. So we're pretty excited  
7 about the area and we think we are on to something big.

8 Like we were hearing earlier, some of our  
9 traditional economic activities are kind of in decline or  
10 in troubled times and we see telecommunications as a a  
11 very exciting opportunity for a variety of reasons.

12 One of the things about sparsely populated  
13 areas is with a small number of people we wear a lot of  
14 hats. So the radio station owner is the ISP (phonics)  
15 I'm also the chairman of an organization called  
16 Partnership 2005, which is a volunteer organization  
17 commissioned by the County Commissioners to draft an  
18 economic diversification strategy for the county. That  
19 work is done and we have about a 20-member board that is  
20 meeting to try to actually put the plans in motion. I  
21 mean, we've got lots of great plans and those have been  
22 done repeatedly.

23 I'm also on the board of a revolving loan fund  
24 that's funded through the federal government to fund  
25 business start-ups and and expansions that may not qualify

1 for traditional funding, and it's kind of a gap financing  
2 effort to elevate the comfort level of traditional lenders  
3 so that business enterprises can qualify for funding.

4 I point those things out to say that I'm  
5 involved in a lot of different things, all aimed at  
6 economic development and economic diversification for our  
7 area, Sea-Tel Communications is an important part of that.  
8 I think we are in a natural area for that and we have a  
9 community college in our area. We have clean water, clean  
10 air, low crime, good schools, and very good medical  
11 facilities. We have feel like we have the right building  
12 blocks, and early on, about a year and a half ago, a group  
13 of interested people got together and formed a website we  
14 call ConnectOkanogan and it highlighted those things. We  
15 attempted to draw some attention to the natural beauty of  
16 the area and the nice things we had to offer, feeling like  
17 people are interested in things like that, interested in  
18 getting away from the big cities and the high crime. And  
19 the traffic that we heard about a little while ago, we  
20 don't have much traffic. There's two stop lights in the  
21 county. There used to be just one until Walmart came a  
22 few years back. We saw an opportunity to reach out to  
23 people and say, This is a great place to live. Why don't  
24 you bring your business here, whether it's one person or  
25 20, and if it fits well with it, we would like to see you

1 here.

2 I became very involved in that because as an  
3 internet service provider we were kind of limited in what  
4 we could do because the infrastructure in the area, all of  
5 our local telecommunication services are served by a  
6 digital microwave system that is at capacity. At that  
7 time it was at capacity. You couldn't get anymore T1's  
8 out of Omack or Okanogan or from Okanogan to Omack north  
9 to the Canadian border. The map I distributed, and I  
10 think you have copies of, is part of our solution to that.  
11 We are building a wireless internet broad band network to  
12 serve the valley. We just signed another lease for  
13 another mountain top yesterday. We hope to have all of  
14 that system implemented in about 60 days or so. We are  
15 already offering services over much of it and have been  
16 for about a year, using right now 2.4 gigahertz of  
17 equipment, unlicensed, but we're looking also at the newer  
18 licensed frequency bands as a possibility for increased  
19 band width availability and as the capacity needs grow,  
20 we'll need to grow with that. 2.4 works really well for  
21 smaller band width applications, but we have some folks  
22 that want more than that. So we need to serve that, also.

23 One of the pieces that is still missing and I  
24 have been personally in negotiations with the local public  
25 utility district for over a year to build a fiber cable up

1 the valley to provide the high capacity backbone system  
2 that will serve not only our needs but the needs of the  
3 community around us and others.

4           It's been an interested process. They weren't  
5 ready, I think, for a private company like ours to come  
6 and ask for a pole attachment agreement. So we have been  
7 back and forth and around and around about that. We are  
8 currently negotiating a joint ownership agreement with a  
9 jointly owned fiber project that we will build together.  
10 The other players at the table are GTE and Charter  
11 Communications, which was Falcon Cable until one of the  
12 Microsoft millionaires decided to change the name. That's  
13 coming along.

14           With the new legislation recently passed that  
15 we have been hearing about, we are not quite sure how  
16 that's going to be affected. I think everybody is still  
17 committed to the project and wants to see it happen. It  
18 may change the shape of how it goes together because the  
19 PUD has authorities now that they didn't have before.

20           I guess if I had to express a concern it would  
21 be that whatever comes, we need to be able to compete  
22 fairly across the table with each other, if it's the PUD,  
23 if it's GTE, if it's Charter Communications. We need to  
24 be careful in the way that we deal with the market,  
25 particularly in rural areas, because depending on how

1 those things are put into place we give competitive  
2 advantages that aren't available to private companies. I,  
3 at a meeting not too long ago, said, If we aren't careful  
4 about how we do this we'll have a public network and no  
5 private companies will have any infrastructure because of  
6 the way we structure the regulation.

7 I testified on Bill 6675 and the local PUD  
8 didn't like that very well because I was pretty pointed  
9 about needing to protect the interest of private companies  
10 and their ability to compete with a public entity who has  
11 advantages that we just don't have. One is the ability to  
12 shift costs or to subsidize their network costs through  
13 the rate payer, the electrical ratepayer. The other  
14 advantages are tax advantages, tax exemptions, and those  
15 kinds of things and regulatory exemptions.

16 Now, I want to assure everybody, including the  
17 public power folks that I'm at the table with, that I  
18 don't seek to limit competition. I'm not advocating that.  
19 I just think it needs to be fair as we're coming forward.  
20 One of the things that's going to happen as we build fiber  
21 to do these things is we are going to see increased  
22 competition, and I think that's good for the consumer if  
23 it's done carefully. I got a call from the local PUD  
24 representative that we're working through the process on  
25 the local construction project, and he had some really

1 good ideas about how this might work together. So don't  
2 read me wrong. I am not negative about what we can do  
3 together, but we need to be able to work in a way that's  
4 mutually beneficial and that's the challenge.

5 One of the things also that has been said over  
6 and over, and this was said to me early on, was we don't  
7 want to compete with private companies, and I think we  
8 need to make sure that that's what that competition means  
9 and exactly what do we want to do. So it's a hot topic.  
10 It's a controversial issue and one that I think that will  
11 continue to be for a while.

12 I'm excited to be in rural Washington in  
13 providing the services we provide. We see a real business  
14 opportunity for us in an area where apple prices have been  
15 a huge impact and low apple prices have been a problem for  
16 the local folks. The cattle markets are down. You can't  
17 cut trees anymore hardly, and we've seen our business grow  
18 in the middle of all this going on. In the last year and  
19 a half, we've hired five new people. We've moved into new  
20 offices, rented more office space, and we are glad to be  
21 there and being part of the growth that is taking place.

22 I made a presentation or was asked to speak at  
23 a local Chamber of Commerce meeting not too long ago and I  
24 said, I really think there's more opportunity for us than  
25 we've ever had. We just need to be able to see it maybe

1 and change the way we look and look for new opportunities,  
2 but I think they're there. That's why we are doing what  
3 we're doing. We've made heavy investments in Omac, in an  
4 area that's in a depressed economy and we're looking  
5 forward to being there for a long time.

6 So those are my comments. I supplied some  
7 drawings of what the network locations look like. We  
8 supply wireless connections all the way up and down from  
9 Brewster to the Canadian border at Orville, along Highway  
10 97, as well as Highway 20 in the Twisp and Metthaw Valley,  
11 a very popular area, and some basic drawings there about  
12 how that goes together. We have a waiting list for people  
13 wanting to get on. So people are noticing the technology.  
14 Any questions; I would be happy to answer.

15 COMMISSIONER SHOWALTER: Maybe we could hold  
16 that until the panel members have a chance to speak.  
17 Mr. Lahmann.

18 ROBERT LAHMANN: Thank you. We do appreciate  
19 the Commissioners coming out into our territory and an  
20 opportunity to address you. I am from the Bonneville  
21 Power Administration, and for those of you who are  
22 familiar with the Northwest you probablt know a bit about  
23 Bonneville. For thos of you who you are not, a little bit  
24 of background is probably helpful.

25 We are a federal power marketing

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1 administration. We were created in 1937, primarily to  
2 market the power from Bonneville and Grand Coulee dams and  
3 to provide electrification in the Pacific Northwest. You  
4 have a map that is Bonneville's transmission and fiber  
5 optic system and the white portion of that map is our  
6 service territory. Primarily, it runs from the crest of  
7 the Rockies in Montana to the Pacific Ocean and from the  
8 Canadian border to the California-Oregon border, with  
9 little bits and pieces being Wyoming, Nevada and  
10 California.

11 We are not a telecommunications service  
12 provider. We don't believe that we have the statutory  
13 authority. We don't want to be a telecommunications  
14 service provider, and so when I am speaking about what  
15 Bonneville is providing, you are not going to get N user  
16 aspects. I would be happy to talk about some of rest of  
17 the things, but we are a power and transmission company  
18 and that's all we are.

19 Contrary to the chairman's comments, it isn't  
20 Bonneville that actually operates the dams along the  
21 Columbia and Snake River systems. That's generally the  
22 Corps of Engineers and the Bureau of Reclamation. We  
23 market the power from those. I think the only generation  
24 that we actually have, that Bonneville owns, are a few  
25 prototype fuel cells that we're working on.

1           Bonneville markets a little bit less than half  
2 of the power in the Pacific Northwest in our service  
3 territory, but our transmission comprises better than  
4 three quarters of the transmission in the Pacific  
5 Northwest. For years we have operated and controlled the  
6 transmission system with an analog microwave system. A  
7 couple of things happened that gave us the word that we  
8 were going to have to do something differently. You know,  
9 Commissioner Ness, everybody has been very complimentary.  
10 So I need to throw a dig at the FCC.

11           COMMISSIONER NESS: Now, I feel like I'm back  
12 home.

13           ROBERT LAHMANN: All right, all right, good.  
14 The decision was to auction off some of the frequencies  
15 that had been previously reserved for the federal  
16 government's use, and we ended up with some fairly severe  
17 problems as a result of that, particularly up along the  
18 Canadian border in some of the major metropolitan areas.  
19 The frequencies available to us were becoming fewer and  
20 fewer.

21 Q.       COMMISSIONER NESS: Talk to NTIA about that.

22           ROBERT LAHMANN: Probably the more compelling  
23 reason was that analog microwave was becoming dated  
24 technology and we were finding that the manufacturers of  
25 our equipment really didn't want to manufacture anymore

1 equipment for us. So we were okay and we did limp along  
2 for a while but we needed to change.

3 So we looked at the possibilities, the two  
4 big, of course, were digital microwave and fiber. We  
5 decided to replace the communications system with a fiber  
6 backbone. We are going to use some digital microwave on  
7 radials and where doesn't it make economic sense, but the  
8 fiber provided such tremendous capacity and expansion  
9 opportunities for us and so we started that process.

10 The questions then became, Where do we install  
11 it, when do we install it, and how much do we install, and  
12 as I said before we are not a telecommunications company.  
13 So we viewed our what we install and where we install it  
14 as limited by our operational needs to operate, control  
15 and maintain the power grid.

16 Our operations people would look at the  
17 substations, what degree of control, what degree of  
18 monitoring, the reliability systems that we had, and where  
19 we needed to put it. So it would be a mistake to think  
20 that we were going to install fiber on the entire  
21 Bonneville transmission grid. We are not, only where we  
22 have an operational need.

23 The when, it would be nice if we had unlimited  
24 funds. We don't. If we had unlimited funds we probably  
25 would have it all in by now, but Bonneville does not

1 receive appropriated funds. No tax payer money comes to  
2 Bonneville. We are self-financed and we do have borrowing  
3 authority from the Treasury. Congress exercises oversight  
4 of our budget and they periodically determine how much  
5 borrowing authority we should have. As a result, our  
6 resources, both human and financial, are constrained in  
7 installing fiber.

8                 So the priority that we adopted was where is  
9 our operational need the greatest? Where is the system  
10 the most vulnerable, where is the greatest number of  
11 people going to be out of service if we lose the  
12 transmission service and so forth, and we are building  
13 that as finances and other resources permit.

14                 To date, we have spent a little bit in excess  
15 of 127 million dollars on fiber and the Bonneville system,  
16 and the final question was how much fiber to install. As  
17 we talked to people who had designed and built  
18 communications systems, the common story that we heard  
19 over and over again was by the time we got it designed and  
20 built our needs were greater than we had installed. We  
21 wish we had sized it in a larger capacity.

22                 The useful life of fiber, according to most  
23 people, is between 40 and 50 years. Looking at  
24 Bonneville's needs out 40 and 50 years was a difficult  
25 thing to do. It's tough enough to look out to next week or

1 next month or five years down the line, let alone over  
2 that period of time.

3 As you have heard from several of the other  
4 witnesses today, primarily Steve this morning was talking  
5 about the changes in the electric utility business.  
6 Deregulation, regional transmission organizations,  
7 distributed generation, the energy web, a number of things  
8 going on that will increase the need for electric  
9 utilities to expand the capacity of their communications  
10 system. For Bonneville we have another situation that was  
11 in the newspapers, and I'm sure aware of, and that's the  
12 debate over what to do with the Snake River dams. Our  
13 transmission systems is designed and built and operated  
14 with that generation and that physical location. If those  
15 come out, we have an additional problem. Our system is  
16 going to have to be operated right up within an inch of  
17 its life in order to keep the system stable in the Pacific  
18 Northwest and that requires communications.

19 Additionally, something that is different when  
20 you're talking about an electric utility with a  
21 communication system is we do not intend to optimize the  
22 communication system. Our purpose in having fiber and  
23 communications is to optimize the power system, and we  
24 know that in order to do that we will not operate the  
25 communications system as efficiently as you might have

1 with telecommunications system.

2 An example of this is we have a computer  
3 system called a remedial action scheme that basically says  
4 if this happens to the system, drop that load or drop that  
5 generation to keep the system from cascading or breaking  
6 up in the Pacific Northwest.

7 With the remedial action scheme in place, we  
8 have the capability of transmitting 7900 megawatts over  
9 California AC and California-Oregon AC air time.

10 Without the remedial action scheme in place  
11 the reliability criterion says we can only transmit 500  
12 megawatts. For the power system that is a huge difference  
13 in capability, in reliability and the money that is  
14 involved. So we will dedicate fibers to the remedial  
15 action scheme because it is so critical to our  
16 transmission operation that we won't put anything else on  
17 that fiber.

18 So we have size, cables, we have installed 36  
19 fiber cables, 72 fiber cables and one round of 144 fiber  
20 cable, and we have temporary excess capacity. We have  
21 more than Bonneville needs today on that. The first thing  
22 that occurred to us is, you know, it would be really nice  
23 if someone other than the Pacific Northwest rate payers  
24 and your homes and businesses and your electric rates  
25 could assist in paying for that, and maybe we could lease

1 out temporarily some of the temporary excess capacity. So  
2 we did.

3 We went to some of the long-haul carriers and  
4 they expressed interest and leased for varying terms fiber  
5 on Bonneville's system. It's dark fiber. It's not lit.  
6 Bonneville only lights our own operational need fiber.  
7 About that the articles starting coming out about the  
8 digital divide, the haves and the have nots, the ruralsa  
9 nd the urbans, and drawing the parallels to the railroads  
10 and the highways what who happen to the rural parts of  
11 the world, and the light bulb went on for Bonneville and  
12 they said, if you go back to 1937, this is exactly a  
13 parallel. One of the reasons we were created is for rural  
14 electrification.

15 We looked at opportunities and thought, you  
16 know, a lot of lattice steel towers, whatever you think of  
17 them, whether they're beautiful or not, go out across some  
18 pretty sparsely populated areas. As John was talking  
19 about some of the areas that our transmission lines go  
20 through you have to count the jack rabbits and the  
21 sagebrush to get to double digits on density per square  
22 mile. Those are the exact area that were getting hit the  
23 hardest.

24 Bonneville decided we would guarantee that a  
25 minimum of four fibers would be available for public

1 benefit purposes anyplace that we install fiber.  
2 Additionally, we looked at what should be the  
3 requirements. There are both requirements and restrictions  
4 on the use of this for public benefit purposes. We define  
5 public benefits as having two prongs. The first one is  
6 what we normally think of the schools, the hospitals, the  
7 state, local, federal, tribal governments, the libraries  
8 museums, those kinds of things. The public benefit fiber  
9 may be used for those purposes no what matter where the  
10 use originates or terminates. A hospital in in Seattle  
11 can communicate with a hospital in Puerto Vallarta.

12 The second prong is that Bonneville's public  
13 benefit fiber may be used for economic development in the  
14 rural areas. We define rural areas the same way that the  
15 State of Washington has that David talked to you about  
16 before; counties with population densities less than 100  
17 persons per square mile. We do not define economic  
18 development. We leave that to the local area to determine  
19 what they want in the way of economic development, and if  
20 the fiber is used for economic development purposes in a  
21 rural area, the communication must either originate or  
22 terminate in a rural area. It's easiest to think of we are  
23 trying to prevent. We don't want the public benefit fiber  
24 to be used for long haul purposes. We insist on the  
25 on-ramps and off-ramps being there and being made