PNGC Power
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November 6, 2009

Mark Walker
Director of Public Affairs
Northwest Power and Conservation Council
851 SW Sixth Ave., Suite 1100
Portland, OR 97204

Dear Mr. Walker:

Thank you for providing PNGC Power with the opportunity to comment on the Northwest Power and Conservation Council's draft Sixth Power Plan.

As you know, PNGC Power is a cooperative utility owned by its 16 member utilities. We are responsible for procuring and scheduling power and transmission on both a preschedule and a real-time basis to our various member loads. Our members are located largely in rural communities throughout Oregon, Idaho, Washington, and Montana. We serve customers in seven western states.

PNGC Power and its members commend and congratulate the Council for its excellent work on the draft Plan. In addition, we truly appreciate the Council's open and accessible drafting process. The Council has been receptive to our informal input, allowed us to provide comments at public forums, and Council members have met with us in consultation to listen to our support of and to hear our concerns about the draft Plan. In these forums, PNGC Power has commented on energy efficiency, conservation targets, fish and wildlife cost accounting, and other issues.

As a supplement to this previous involvement in the drafting process, we now offer these more detailed written comments on specific aspects of the draft Plan. Here we offer comments on the Plan's treatment of drivers of electricity demand, reliability and adequacy, conservation, demand response programs, transmission, climate change, and Bonneville Power Administration (BPA) obligations.

Drivers of Electricity Demand

PNGC Power has concerns about the Council's assumptions in the draft Plan about service to the Direct Service Industries (DSIs) and about renewable resource development.

DSIs: PNGC Power questions the Council's assumption that demand will stay constant or increase at the region's few remaining DSIs. To the contrary, DSIs are closing, reducing production, or are near closing. Overall, DSIs seem to be decreasing, not increasing, demand.

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Renewable Resource Development: Although PNGC Power supports the appropriate development of renewable resources, the Council could be overestimating the amount of solar development that the region will see over the next several years. The Plan asserts 4,000 MW from concentrating solar plants and 3,000 MW from solar photovoltaic plants. 7,000 MW nameplate of solar might be too much for the cloudy Pacific Northwest, and it might be inaccurate to assume that solar is the least cost renewable resource behind wind energy. In addition, it is not clear that regional utilities have included this much solar development in their individual integrated resource plans.

Reliability and Adequacy

PNGC Power has concerns about the level of certainty that the draft Plan assumes about reliability and adequacy. There are many references to integration of variable generation resources, mainly wind, driven by the current debate on climate change. While this must be considered as part of the planning process, the focus on integration seems to have pushed reliability and adequacy considerations to a lesser level of importance.

PNGC Power is very concerned about the ability of the region to respond to its commitment of reserves (spinning, non-spinning, regulation, and forced outage). Many studies indicate that the system is adequate to handle the expected demand on reserve energy. However, these models do not study the system in the time increments necessary to produce defendable answers. We are not aware of studies that address ramping capabilities, transmission congestion, or updated remedial action schemes that could play significant roles in the instantaneous second-to-second management of the system in a reliable or non-reliable fashion. We encourage the Council to increase its knowledge of intra-hour operations and skill through interaction with system operators and analyses of past system aberrations.

The system is asked to respond to demands not ever considered in original planning. We encourage the Council to give due consideration to intra-hour, real-time consequences of its recommendations regarding integration of variable generation resources.

Demand Response Programs

The draft plan notes the need for pilot programs to assess the potential of demand response programs to reduce peak demand for electricity in the Pacific Northwest. PNGC Power supports such pilot programs and commends the Council for calling for them in the draft Plan.

PNGC Power participated in the Council's and Northwest states' Pacific Northwest Demand Response Program. The work of that group contributed to the demand response section of the draft Plan. We find the discussion of the status of demand response in the draft plan to be reasonable and that the items in the action plan chart a course toward determining the proper use of and the best approach to demand response programs for the region.

Conservation

PNGC Power generally supports the Council's Five Year Action Plan for Conservation. However, we have concerns about conservation targets, forecasts, treatment of new measures,

the conservation target review process, and the general approach to conservation in Power Plans.

Conservation Targets: There has been considerable discussion and debate over the appropriate size and range of conservation targets. Although the Council addresses this discussion and uncertainty in its opening statement on the Conservation Action Plan, this uncertainty should be discussed in greater detail.

Forecasts: At the time of the development of the Plan's conservation target, it was evident that the Council's "forecasts of underlying load and economic conditions" were out of line with conditions on the ground. For example, the Council's forecast housing starts numbers differed significantly from the official State forecasts of Idaho, Oregon, and Washington. Examples of this type of discrepancies exist in other sectors, and the Council should correct them.

New Measures: The Council needs to recognize the uncertainty inherent in including new measures in the achievable savings identified in the Five Year Action plan. All parties agree that it will take time to get these measures into utility conservation programs. Members of the Conservation Resource Advisory Committee presented detail analysis on the impacts of the uncertainty of these measures have on the proposed target. The Council must recognize this uncertainty that is clearly present by the inclusion of these new measures.

Conservation Target Review Process: PNGC Power believes that the Council's conservation goals are stretch goals. In that vein, the Council may want to consider a review of the conservation goals sooner than two years.

General Approach to Conservation in Power Plans: PNGC supports the Council's direction in the draft Action Plan that seeks to improve infrastructure, data gathering, implementation of codes, and reporting. We think it follows from this activity as well as current activity such as Washington's I937 that the Council specifically include in the current Action Plan a goal that the development of conservation in the Seventh Power Plan be based on a bottom-up assessment rather than the usual top-down assessment.

Transmission

PNGC Power supports the conclusion in Chapter 6a of the draft Plan that the Council "supports and encourages regional transmission planning efforts, recognizing that new transmission investment can be key both to maintaining reliable load service and to bringing new renewable resources in to meet regional loads." It is important that the Council continue to press for the need for new transmission development in the region, instead of relying on conservation measures such as demand side management to address our serious regional transmission constraints.

Climate Change

The draft Plan discussions of climate change do an overall good job of entering climate change considerations into the power planning process for the Pacific Northwest. The draft recognizes the uncertainty of future climate change policy, begins an important discussion about the

physical effects of climate change, and puts in context our region's emissions from the electricity sector and value of our hydro system in our low emissions profile. In the final plan, the Council should update its discussion of Oregon and Washington's greenhouse gas emission reductions goals.

Uncertainty: PNGC Power commends the Council for recognizing the uncertainty of the future of climate change policy. On the one hand, policymakers could create programs to reduce greenhouse gas emissions, and the Environmental Protection Agency may use existing law to do the same. On the other hand, there is much uncertainty as to the price such programs may place on those emissions. Therefore, it is appropriate, even though it cannot lead to accurate predications of future costs, that the Council assumes the price of emissions to be anywhere between zero and $100 per ton.

Physical Effects: The Council is on the right track in examining the physical effects of climate change on the region's hydro system. Hydro systems are unique among electricity resources in that they are impacted by global climate conditions. Appendix L of the draft Plan is a good start to this work.

Low Emissions and our Hydro System: The Council appropriately points out how our region's carbon dioxide emissions from electricity production are significantly lower than the nation's as a whole and that our hydro system is the reason for such low emissions. This one of many reasons why removing the Lower Snake River Dams is misguided public policy and directly contradicts efforts to reduce greenhouse gas emissions.

State Emissions Reduction Goals: The Council should clarify its characterization of Oregon and Washington's greenhouse gas emission reduction goals. It is true that both states have adopted goals for emissions reductions. However, the 2009 legislative sessions in Oregon and Washington are over and neither legislature approved mechanisms to achieve the goals. Therefore, in both Oregon and Washington the goals remain purely aspirational.

Bonneville Power Administration Obligations

Chapter 12 of the draft Plan is a good summary explanation of BPA obligations stemming from the Regional Act and the relationship to the Council's regional planning effort, particularly the Sixth Power Plan. The draft Plan recognizes the change in service paradigm that BPA will undertake in the Regional Dialogue Contracts beginning in October 2011.

Since the Council released the draft plan, though, several events have transpired that require the Council to update the document. For example, BPA has released its draft resource program for review and that program seems to align well with the Council's plan well. That alignment should be recognized. Also, the initial notice requirements for BPA first purchase period have been met by utilities. Operating Year (OY) 2012 and OY 2013 Tier 1 and Above High Water Mark requirements, including BPA's Tier 2 responsibility, have been established and are now known as a BPA need. While there are BPA needs that remain unclear, the Council's plan should recognize that BPA's approach under its draft Resource Plan meets the first principle of this chapter and well along in meeting principles two and three.

PNGC Power appreciates the opportunity to provide these written comments on the draft Sixth Power Plan. We look forward to continuing to work with the Council as it finalizes the Plan.

Sincerely,

Dan James
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