

The



# Central Lincoln People's Utility District

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October 28, 2004

CNCL	MBRS
LB	DW
JB	SC
HS	MW
SL	JH
KP	CW
BH	JS

Mr. Mark Walker  
 Director of Public Affairs  
 Northwest Power & Conservation Council  
 851 SW 6<sup>th</sup> Avenue, Suite 1100  
 Portland, Oregon 97204-1348

Dear Mark:

RE: Comments to the draft Fifth Power Plan

Central Lincoln People's Utility District appreciates the opportunity to participate in the formation of this regional policy and planning proposal.

An overall comment is that we find the drafted document to be of a realistic nature in its recognition and attention to the many uncertainties in regional power supply. These are uncertainties to which we must all be attentive since some of them involve a great deal of volatility, more so than a decade ago.

In your stated First Priority (conservation resources) the District supports a regional conservation effort that is locally based and which emphasizes gaining the most from conservation investment by concentrating on new construction (thereby absorbing lost opportunities). Retrofit efforts have gone on for more than twenty years, well past the time that those efforts could be cost efficient. Bonneville's agency conservation involvement should be at the level of i) regional marketing and ii) market transformation. Along with that it is extremely important that each state in the region have an adequate energy code; without that conservation investment is easily wasted. BPA should probably participate in assisting states with their efforts to create or upgrade standards and codes.

The Second Priority (renewable resources) will be locally decision-driven as well. Local utility incentives to participate in development of a newer type of renewable resource or to build a renewable where the technology is already established will be determined by location-based variables and also by the utility's immediacy of need for incremental power supply resulting from load growth expectations.

Fifth Power Plan/November 2004/Comments/040

Central Lincoln supports an allocation of the Federal Base System through an agreement with Bonneville based on net requirements as defined in the Regional Power Act. Beyond such an allocation of resource and cost, other or incremental power would be sold by Bonneville only on a bilateral basis and cost of any such increment would also be bilateral.

In the power crisis of 2001 or thereabouts part of the uncertainty and volatility in Bonneville's power portfolio was caused by some of the agency's large customers playing a game of 'maybe I'll buy and maybe I won't'. Long term, "for sure" contracts have to be established. Net requirements have to be agreed upon first. The volatility witnessed during that time is one very good reason to have long term contracts of resource share, for resident utilities with native load, that cannot be resold by the buyer.

The Council's recognition of the existing generating surplus in the region and the configuration of that surplus (much of it furnished by IPPs without long term contracts to sell their power) is quite clear. We believe that if we could get to an allocation of the federal resource and its costs (thereby acquiring a stable and more certain base among the preference utilities) we could then move on to stabilizing the incremental, peaking and load growth needs in the region and have a more stable market for those uses. We would like to think that would be of some benefit to the IPPs as well. None of that is simple and should not be considered in a simplistic fashion but we should not be deterred because of that.

Your Third and Fourth Priorities of recovering waste heat resources and "all other resources", respectively, fall into place in a logical fashion. Again, we appreciate the recognition of market price risk in the draft document. There is no virtue in market risk. Less than a decade ago many industry participants were claiming that "the market" would provide lower prices than were experienced in a regulated and controlled environment. There of course never was any reason that that argument should have been true. What we have now is more risk and higher prices generally ---- in spite of the temporary generating surplus.

In the electric industry one of the most important items is reserves. We hope that the Pacific Northwest, with our weather-dependent hydro system, will not let ourselves be talked into the policy for no-reserves that California had during the late 1990s. The availability of a formal Demand Response program is fine and needs to be worked out, but that should not be counted on for any and all reserve crises because that is just asking to be gamed. We recognize that transmission reliability and relationship to grids in the western interconnection are major contributors to maintaining an adequate reserve products situation. In the draft there are more questions than answers as to how much out-of-region

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generating capacity should be available to the Northwest, and it is a question that can't be answered to satisfy every utility all of the time. Reserve risk policy probably deserves more "up front" emphasis because it is where much of our marginal pricing is going to be found.

Thanks again for the chance to comment into the planning document.

Sincerely,

A handwritten signature in cursive script, reading "Tom Tymchuk".

Tom Tymchuk, President  
Board of Directors