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Marsha H. Smith, Commissioner
Dennis S. Hansen, Commissioner

November 18, 2004

Northwest Power and Conservation Council
Attn: Mark Walker
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RE: Power Council's "Draft" Fifth Northwest Electric Power and Conservation Plan

The Idaho Public Utilities Commission appreciates the opportunity to comment on the Power Council's Draft 5th Power Supply Plan. We recognize that a great deal of effort has gone into the document and support many of the changes that have been made, such as risk analysis and the inclusion of Demand Response Programs as resource alternatives. The comments provided below are intended to be constructive and supportive of the Council's endeavor to effectively model and assess resource needs in the region. Our comments are provided in the context of the questions provided by the council. We appreciate the opportunity to provide you with these comments.

Thank you for your consideration of our comments on the draft plan.

Sincerely,

Paul Kjellander
President

Marsha H. Smith
Commissioner

Dennis S. Hansen
Commissioner

Fifth Power Plan/November 2004/Comments/087

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**Choice of least risk plan?**

The incorporation of risk analysis makes the plan more robust than plans done in the past. However, it remains difficult to assess that this is the least risk plan. First, the plan assumes 3000 MW of surplus in the region. It is assumed that this surplus is available from independent power producers (IPPS) at market prices. The plan notes that much of this surplus is not under any firm contracts. A possible, and perhaps likely, cause for this is that there isn't sufficient firm transmission available, at least not on a contract basis. The physical capacity may be there but it is highly probable that physical constraints exist as well, particularly during hours of peak demand. Because the plan doesn't fully consider the transmission issue in this context, it is difficult to state that the surplus resources will be available. This in turn makes it difficult to assess that the plan minimizes risk. In fact, it may place reliance on surplus resources that either cannot be delivered to load centers (risk of load not served) or will be delivered but at very high market prices (risk of exposure to volatile markets). Consideration of least cost alternatives in the region will likely require a more detailed assessment of the transmission infrastructure and the availability of transmission rights. We would encourage the Council to consider this issue going forward.

Secondly, it cannot be definitively stated that the choice of the slightly higher cost but lower risk plan D over the lower cost but higher risk B is preferable. While Plan D does reduce reliance on the market in the Pacific Northwest region, acceptance of this alternative may overestimate market risk. Full assessment of what market outcomes might look like going forward requires evaluating what resource availability in the Western region is as a whole. Resource positions in the Western region, including transmission availability, may significantly impact market outcomes and resource needs in the Pacific Northwest.

Regarding northwest resource needs, we do appreciate the discussion of resource adequacy in Chapter 8. We would also note that the West-Wide Resource Assessment Team (WRAT) under the Committee for Regional Electric Power Cooperation (CREPC) has done a great deal of work on standardizing West-wide resource assessment. We invite the Council to review this work (available at the Western Interstate Energy Board website, www.westgov.org/wieb). We also support the Council's participation in the ongoing effort to better assess resource adequacy in the Western region as a whole as it will inform the sub-regional Pacific Northwest resource assessment. Going forward resource assessment and adequacy determination will be a key component to understanding the resources required to mitigate the risk that loads will not be served.

**Treatment of uncertainty and risk?**

We believe that the draft plan has addressed a number of key risks and uncertainties in the region, including market and gas price volatility, load variations, hydro conditions, and environmental outcomes to name a few.

**Is the amount of conservation reasonable?**

The plan calls for 700 aMW of new energy efficiency (EE) over the next 5 years. It is estimated that current EE efforts cost around $200 million and the region as a whole will be looking at a move to about $300 million. This on average would be a 1% rate increase for customers in the region. While the rate increase may be reasonable on average, it may not be within specific areas. Idaho customers may be looking at substantially larger rate impacts because less DSM has been done in the past. Careful evaluation of the magnitude of local rate impacts of the Council's recommended conservation levels is needed.

**Is Demand Response an appropriate resource for inclusion in the plan?**

We support inclusion of demand response programs as a resource alternative in the draft plan. Some areas in the northwest region, Idaho for example, are moving from a position of energy-constraint to one of "capacity" constraint. The Plan's assessment of demand response (DR) directly responds to this issue. Employing more DR may allow the region to forego expensive supply side investments in peaking resources and mitigate the risk of exposure to volatile gas prices.

**Are the estimates for wind generation development reasonable?**

In general, we would say "yes." However, we would again note that evaluation of wind resource opportunities highlights the need for regional coordination on transmission issues and resource assessments.

**Has climate change risk been treated appropriately?**

Because the cost of climate change risk is treated probabilistically, the cost of future mitigation policies may be understated in the plan. As Appendix M notes many states have or are developing climate change policies. Such policies will impact power prices in the future. Thus, it would seem that only those scenarios where the price of climate change is assumed to be above zero should be considered in the evaluation of the associated risk.

**Is the treatment of IPP generation appropriate?**

Please see our comments on "The Least Risk Plan."