



Citizens' Utility Board of Oregon

610 SW Broadway, Suite 308
Portland, OR 97205
(503) 227-1984 • fax (503) 274-2956 • cub@oregoncub.org • www.oregoncub.org

November 18, 2004

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

Re: Comments on the Draft Fifth Power Plan

Dear Mr. Walker,

We are pleased to provide a few short comments on the Council's Draft Fifth Power Plan. We appreciate the expertise and hard work that goes into making up the Council's power plans. We offer comments along with many other stakeholders in the hope that the document is well-rounded and can be used as a road map for future energy policy and resource investment decisions.

1. Resource Adequacy Standard.

We are pleased to see that the Council agrees that some form of resource adequacy standard for the region is an important policy goal. ES-4 and 8-10. As the plan indicates, a resource adequacy standard is especially important in light of the fact that Bonneville's role in meeting the region's load growth may change.

As the draft plan describes in Section 11, Bonneville may go from a provider of resources for the region to a more passive actor allocating existing resources and making it "clear who will be responsible for meeting load growth and on what terms." 11-3. In our comments to the Council last April on its Recommendations for the Future Role of the Bonneville Power Administration in Power Supply, we said:

Before we make that fundamental change, we ought to explore the implications of that change both for the individual utility and the region as a whole. . . . Now we are considering a shift . . . where not only is there no sharing of regional resource costs, but there may not be any coordination amongst those making investments.

Suddenly 150-some odd utilities, many with little experience developing new resources, will be responsible for making their own resource investment decisions. How will they make those decisions? Will they wait for others to make investments and buy surplus? Will this cause a shift in costs to customers of those utilities that invest and away from those who do not?

We are pleased that the draft plan addresses this important regional issue. The draft does discuss some west-wide regional adequacy forums and the potential that they may result in an enforceable standard. And the draft plan also discusses a regional voluntary effort. We think the draft plan should go further and either tell us we need an enforceable standard or how to tell when a voluntary effort is not working. We would like to see a working regional adequacy standard before Bonneville fundamentally changes its role and the problems begin. The draft plan should more specifically outline the process or the forums that will get the region working on the solution before the problem begins.

2. Climate Change.

Because the climate change is affected by the electricity industry and in turn has the potential to significantly affect the electricity industry, we believe the draft plan must spend more time describing the potential impacts on and from climate change. The plan touches on climate change, but never really explores the issue. 6-6. Climate change has the potential to force fundamental changes to the electric industry and commodity markets. We are fully aware that climate change itself may be too uncertain to model and that regulatory responses to climate change present a “scenario risk” that is difficult to model. Nevertheless, the draft plan is not only a modeling exercise, it is a useful policy document. So the plan should more fully address the science underlying climate change, the range of potential responses (carbon tax, carbon emissions standard, renewable portfolio standard, etc.), and the speed of governmental responses. For example, while the federal government does little or nothing to address climate change, states, including some in the Northwest, are beginning to act. And if the federal government does not respond to the problem in the next four years, the pace of response may be quite swift thereafter in order to catch up to the international response. The draft plan attempts to model some of these points (6-6, 6-7), but does not do a good job of explaining the bases of the inputs. Given some recent climate change assessments, the plan’s carbon tax input (as a surrogate for some form of carbon regulation) may be too low.

As for the draft plan, we note that in the first eight pages of the Executive Summary, there were at least three areas where climate change will be a factor. Climate change will affect hydroelectric generation (ES-5), environmental regulation (ES-7), and will potentially have interesting affects on the electricity market price (ES-7). The draft should address this issue more fully and more directly.

3. Conservation.

We respect and agree with the choice in the draft plan to recommend aggressive and sustained development of conservation as a keystone to the plan. The draft plan calls

for 700 MWa over the next five years. In addition, the plan identifies 2,700 MWa of achievable cost-effective conservation.

The plan identifies the two main reasons why the conservation potential has increased from the Fourth Power Plan: improved technology leading to new measures and declining costs, and higher avoided costs due to increases in natural gas forecasts. ES-2-11. There are additional policy reasons to search out and achieve the maximum amount of cost-effective conservation. Obviously, there is the mandate in the Northwest Power Act that identifies conservation as the region's highest priority resource. In addition, the larger risks of climate change, natural gas availability, and international political dynamics all support maximum implementation of available conservation resources. See, benefits of conservation, AP-1. These risks are imperfectly reflected in a number of the underlying model inputs, including market prices, but these risks in particular should be called out in a policy discussion. Conservation can not only be a less expensive resource than most, it can be the basis for a more secure, more self-sufficient and more sustainable long-term energy policy, at least regionally.

For Oregon's two major IOUs, we believe that we have created a delivery tool that can find and achieve the highest degree of cost-effective conservation -- the Energy Trust. At this point, we believe that the Energy Trust will deliver on achieving its share of conservation per the draft plan. We hope all utility commissions, utility boards and regional agencies will recognize the value of conservation and make special efforts to maximize achievement of this resource. Actions CNSV 1-14.

The draft plan does not clearly identify specifics regarding low-income weatherization. Low-income weatherization is a special need and has always been appreciated as special tool at the state level, because it addresses a number of societal harms. The special energy issues of low-income citizens in the Northwest are issues for this draft plan and should be addressed.

4. Renewable Energy.

The draft plan calls for the "measured development of commercial scale wind projects". ES-19. However, we felt the Executive Summary was not as clear as it could be as to the timing and amount of wind recommended in the plan. The plan lists a number of reasons why wind development is an increasingly valued resource, including as a hedge against higher fossil-fuel prices and carbon emission costs. ES-19. However, it was not clear to us why commercial scale wind resources were to be acquired in a "measured" manner while the plan simply "assumes" a new coal plant. Wind is seen as a risk hedge against the very emissions that coal plants produce in abundance. Somehow the model produced a backward result.

There are a number of issues that make wind a challenge currently, including transmission and siting issue. Nevertheless, the market, the utilities and the various state commissions seem to be moving toward wind resources both more quickly and at a greater scale than proposed by the draft plan. A number of regional utilities currently have RFP's for significant amounts of wind resource and state utility commissions are pressing utilities to carefully examine acquisition of renewable energy as part of the utility's resource portfolio. Maybe the market and public policy have a better grasp of

wind as a risk hedge than the draft plan's model. We would like to see the draft plan catch up with reality.

5. The Coal Resource.

And speaking of reality, we admit some surprise in discovering the recommendation of a new coal resource in the Northwest by the end of the decade. We are not sure if this is a politically convenient finding rather than a least-cost finding. Given that carbon and carbon-related policies contribute to some of the larger risks underlying the plan, like how the hydro system operates, future regulatory costs and future market prices, it is unclear why we as a region would want to contribute further to that uncertainty. Certainly, the Northwest cannot cure the world of the climate change problem, but do we have to contribute to that problem? With our collective imagination and wisdom, the Northwest ought to be able to find a replace for that energy need that does not produce quite so much carbon.

A coal plant is not just an economic and environmental risk, it is a 40-year economic and environmental risk. The 20-year horizon in this draft plan may not be sufficient to determine if a 40-year coal plant, with its long-term risk, is the right investment. Certainly there are economic benefits to a coal plant; there is the economic development in some states where coal is abundant and a utility that rate bases a coal plant with an assurance of recovery from customers goes home happy. But that is not the basis for inclusion in the draft plan.

Frankly, we have not deconstructed the draft plan's model to determine if the coal plant really belongs in the action plan. Nevertheless, we surprised and somewhat dismayed to find the inclusion of a coal plant in our near future. Please see what you can do to remove it.

Respectfully submitted,

A handwritten signature in black ink that reads "Jason Eisdorfer". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Jason Eisdorfer #92292
Attorney for Citizens' Utility Board of Oregon