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November 19, 2004

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MEIC would like to take this opportunity to comment on the Northwest Power and Conservation Council's "Draft Fifth Northwest Electric Power and Conservation Plan." These written comments are meant to accompany MEIC's oral testimony delivered September 22nd in Missoula.

Energy Efficiency

MEIC is very encouraged by the Council's strong support for conservation and demand response, as the cheapest and cleanest resources available. The Council's analysis has shown that an "aggressive and sustained" acquisition of conservation will save the region literally billions of dollars, while at the same reducing the risk of volatile and skyrocketing power costs and improving reliability. MEIC fully supports this approach, as an alternative to the "stop and go" investment strategy that has too often characterized our past.

In 1996, the Montana Power Co. slashed its conservation budget by 70%, dismantling an infrastructure that has yet to fully recover. Numerous other utilities took a similar path in the lead-up to electric deregulation. We've also seen utilities jump on the conservation bandwagon during crisis periods (such as 2000-2001), only to let these programs languish when the market stabilizes.

Fortunately, it appears that a regional consensus has now emerged to replace this "conservation roller coaster" with solid and sustained demand-side management programs. The wisdom of this approach is borne out in the "default supply plan" developed by NorthWestern Energy (NWE) last January. NWE (the new owner of the old Montana Power Co. system) proposes building a 100 aMW "conservation power plant" over the next 20 years. The average cost of this resource would be just 1.8 cents per kWh, which is half the cost of the rest of the portfolio.

Renewable Energy

MEIC is also supportive of the Council's long-term goals for wind development, but would suggest that the Council's short-term recommendations are overly conservative. Wind technology

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is already proven, and will only become more attractive with time.

MEIC suggests the Council carefully consider how to best implement its goals. A footnote on page ES-1 suggests that the system benefits programs in Oregon and Montana could help fulfill the short-term goal. It should be noted, however, that Montana's universal system benefits (USB) program can NOT be counted on to deliver significant renewable energy capacity. The Energy & Telecommunications Interim Committee has made a recommendation to the 2005 legislature that the USB program no longer fund grid-tied renewable energy projects. A rough figure for the current renewables spending in Montana is a little over \$1 million per year. So even if the program is preserved, it's contributions will be modest.

Fossil Fuels

Unfortunately, MEIC cannot be as supportive about the Council's inclusion of 400 MW of new coal-fired generation capacity. 24 years ago, Congress rightly identified fossil fuel resources as the LAST priority to be acquired in the region. Since that time, the case against coal has only grown stronger. Coal-fired power plants pose grave threats to the quality of our natural environment, as the primary culprit behind atmospheric greenhouse gas and mercury emissions. They consume prodigious quantities of water in the arid West. They contribute to acid precipitation, photochemical smog, impaired visibility, and a host of adverse health impacts.

The Council has done a good job in explicitly recognizing the risk of future regulation of carbon dioxide. But the Council should be wary of coal for more than just the price risk posed by potential regulation. Rather, the Council should take independent leadership in recognizing the serious nature of the global warming problem, and move on its own accord to chart a sustainable energy future for the Northwest.

Other Issues

MEIC is disappointed by the Council's treatment of low-income weatherization. A narrow cost-effectiveness test that ignores the health, safety, and other societal benefits of low-income weatherization is clearly inappropriate. MEIC supports the comments of HRDC District XI.

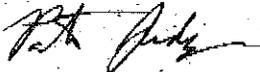
The Council's plan is also unacceptably silent on fish and wildlife -- issues which simply cannot be ignored in any serious discussion of the Pacific Northwest power system. The Council's obligation to fish and wildlife is both legal and moral. These considerations must be given explicit

treatment in the Council's modeling to assure adequate protection of the resource.

As a final note, MEIC requests that the Council include mandatory adequacy standards to coordinate resource development in the region. The worst outcome would be another "boom and bust" cycle of overbuilding that produces another WPPSS situation.

In conclusion, MEIC would urge the Council to "stay the course" with respect to efficiency and renewables, but to drop coal from the mix. We can and must do better for our low-income citizens, and also for fish and wildlife. Thank you for this opportunity to comment.

Sincerely,



Patrick Judge
Energy Program Director