



November 19, 2004

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

Dear Mr. Walker:

Please find attached a copy of PNGC Power's comments on the Council's Draft Fifth Power Plan.

Sincerely

Eugene Rosolie

## **PNGC Power's Comments on the Northwest Conservation and Power Council Draft Fifth Power Plan**

### **Conservation Resources**

We have reviewed the details of the Draft Power Plan's (Plan) conservation section and overall we think the Council staff has done a good job defining the conservation resource available in the region. However, we believe the Plan does a less than adequate job of translating the available resource into "action plan targets." Our comments focus on these "action plan targets" where the Plan fails to infuse the capture of the conservation resource with practical day to day conservation acquisition activities.

Beginning with the opening to Chapter 3, the Plan makes several statements that are in conflict and as a result confusing. For instance, page 3-1, paragraph three of the Overview states:

The amounts of cost-effective conservation identified in this chapter are not presented as targets, but rather a summary of conservation resource characteristics. How much of this conservation resource to develop, at what pace, and under which development decision criteria is determined in the portfolio analysis... That analysis, presented in Chapter 7, leads to action plan targets for conservation acquisition.

Following this statement the Council's Plan states that for the purpose of analysis in Chapter 3 the assumptions used are intended to be for "illustrating" or for "illustrative purposes." See page 3-2. In spite of these caveats, the fact remains that the conservation amounts in Chapter 3 are the values that are ultimately recommended as "action plan targets." The Overview should be corrected to be clear on this point.

Again in the Overview, Chapter 3, it states:

The amount of conservation available to develop depends on future growth patterns, economic cycles, and (sic) success of conservation programs, timing of codes and standards, power prices(.) and a host of other facts.

We agree completely with this statement, however, it is not clear how all of the factors listed have been taken into account, and to what degree, in developing the recommended "action plan targets." On the surface it appears that staff merely took 85 percent of 4,600 aMW potential conservation then applied the "medium-case forecast of power market prices at the Mid-Columbia trading hub for every hour over the next twenty years" to arrive at the 2,800 aMW of cost effective conservation. Further, the five year conservation target of 700 aMW identified in chapter 7 on page 7-16, appears to be just the 2,800 aMW divided by four. Surely that approach cannot be based on "economic cycles" or "success of conservation programs." Information on the mixed economic situation in the region has been available while the Plan was being developed as have evaluations of conservation programs. While it is true that at various times the region has done an outstanding job pushing the envelope on conservation, one can not

ignore the hard fact that certain conditions play an important role in determining whether conservation programs happen and if they succeed or fail.

Looking at the region's economic conditions, there is a mixed picture that does not currently support aggressive spending by consumers to attempt to capture the "aggressive" conservation recommended by the Council's Draft Plan. Oregon's unemployment continues to be one of the highest rates in the nation, hovering just above 7 percent, with no apparent improvement in sight. Idaho's unemployment rate has seen a steady rise since the beginning of the year and Washington's improvement has stalled. At the same time national statistics show that real average weekly earnings are on the decline, the October 2004 index of earnings is below a year ago.

The Council's recommendations also seem to dismiss the current state of conservation programs. For instance the Council staff has identified approximately 8 aMW from Performance Tested Comfort Systems (PTCS) alone and in combination with other measures. Yet the PTCS program in the region is broken. According to a recent report by the Northwest Energy Efficiency Alliance (Alliance) "A market for PTCS never developed." It has not been difficult to see the reasons given consumer lack of interest, contractor resistance, requirements for third party certification, and the onerous exemptions requirements insisted on by Bonneville Power Administration (BPA). While the PTCS may not be a large piece of the recommended targets other measures are, such as residential lighting.

At the same time the Council staff seems to have impractical expectations in certain areas. For example, Council staff likes to point to the fact that during the energy crisis of 2000 and 2001 the region installed up to nine million compact fluorescent lamps (CFLs). While that volume did a lot to move the lighting market, we are now at only approximately 3.8 million CFLs a year, according to the Alliance. The Alliance has a goal of increasing that amount by approximately one million a year, which is in sharp contrast to the 11 million a year the Council staff has recommended. So not only is the Council staff recommendation out of line with the Alliance, it ignores other realities as well. It will be almost impossible to reach the staff recommendations absent a serious energy crisis and/or improving economic conditions in the region. The final version of the Council's Plan needs to address these issues.

Finally, we would not be so troubled by the Council's planning values and recommendations if they were not being readily accepted by BPA and others as hard targets. As the Council has rightly pointed out, conservation acquisition depends on a number of variables. It would be unfortunate given all those variables, the region missed the targets, and BPA used that as a reason to penalize the region's utilities. That is why we believe the Council either needs to develop more realistic targets or be clear with BPA and others that its **targets are recommendations** and that **utilities should not be penalized** for under achieving when circumstances beyond their control intervene.

## **Power Planning and Fish and Wildlife Program Development**

### **The Regional Forum**

Many of the region's stakeholders are impacted by river operations and in-season management decisions. The majority of these decisions are made or heavily influenced by the Regional Forum process defined in the BiOp. Currently, only state agencies and tribes have a seat at the table with the federal agencies, while those paying for salmon mitigation are not afforded the opportunity for input. The regional forum does not adequately consider the impacts of its decisions to the citizens of the northwest.

Beginning in 2003, the Council has on several occasions made recommendations to reform this forum. PNGC Power agrees that actions identified in the forum to benefit fish and wildlife "should also consider and minimize impacts to the Columbia basin hydropower system if at all possible" (Council draft, page 10-4). The forum should be broadened to allow greater input from power system and economic interests, and the Independent Economic Analysis Board (IEAB) should be given an advisory role.

### **Economic Considerations**

PNGC Power appreciates the recognition that economic factors should be important criteria for making operations and research decisions. As the Council draft notes (page 10-5) "Measures that are most costly and have large uncertainties surrounding their biological benefits would make the best candidates for research money." And, "In cases where two different measures provide the same biological result, it makes sense to implement the least costly operation".

Additionally, recent studies presented to the Council (including the Flow Symposium conducted November 9 and 10) have highlighted the ongoing uncertainty of biological benefit provided by operational constraints imposed on the hydrosystem. Turbine efficiency, flow augmentation and summer spill have all failed to demonstrate a biological benefit commensurate with their large expense to the hydrosystem and the region.

Finally, the Council draft concludes "...that resources should be ample to meet electricity demands and to stabilize the delivery of fish and wildlife operations" (page 10-2). However, there remains uncertainty as to whether the region is indeed in an energy surplus; in any event, this uncertainty magnifies the importance of identifying efficiencies in fish and wildlife mitigation

### **The Biological Opinion**

On page 10-3, the Council's draft Power Plan fails to differentiate between a Biological Opinion (BiOp) and a recovery plan. The Biological Opinion relates to the operation of the Federal Columbia River Power System (FCRPS) and US Bureau of Reclamation projects and their effects on ESA-listed salmon and steelhead only. The BiOp is not a Basin-wide recovery plan. In fact, there is an obligation to create a recovery plan that is separate from the BiOp and that the federal agencies have yet to produce. A lack of clarity between the two processes may induce unnecessary confusion as to the obligations of the hydrosystem. The creation of a Basin-wide recovery plan should be a high priority for the region.