



November 19, 2004

Steve Crow
Executive Director
Northwest Power & Conservation Council
851 S.W. Sixth Ave. Suite 1100
Portland, Oregon 97204-1348

Dear Steve:

The PNUCC appreciates the opportunity to comment on the Northwest Power and Conservation Council's Draft Fifth Power Plan. For over two years the PNUCC Board of Directors has been tracking the development of the fifth Power Plan with the purpose of ensuring "the Plan provides relevant and useful information to utilities and customers." The Council members and staff have periodically updated the PNUCC Board on the progress of your plan and in the past four months we have discussed the Plan with Council members and staff. These discussions have helped us appreciate the work that has gone into this draft.

We offer the following general comments, while individual PNUCC members will be providing their own perspectives on the draft.

Emphasize the Policy Issues

The final Power Plan should highlight the policy issues that are embodied in the draft. As the Council was embarking on this plan PNUCC suggested that the majority of the Plan be focused on policy issues that the industry and the region are currently facing. The technical data and analysis should provide a solid foundation, but should be secondary in the Plan's focus. In the draft Plan the massive amounts of data and analysis are overwhelming and they overshadow the Council's perspectives on the significant policy issues in the region. The Council has defined a thoughtful vision for the Northwest Power System on page 1-9. The final Plan should place more emphasis on the regional vision and the role utilities and the Council can play in achieving that vision.

Discuss Industry Restructuring

The final Plan should include a discussion on how the Northwest is doing in achieving the goals of the national restructuring effort. The draft Plan articulates key issues related to operating the transmission system and provides recommendation for defining the future role of BPA. However, the draft Plan does not discuss much about the industry restructuring that is the result of the Energy Policy Act and several FERC Orders. The electric power industry continues to be in the midst of restructuring and the final Power Plan should review and assess the main goals, assumptions and elements that have been fundamental to the national restructuring effort and

provide perspective on how the Northwest is doing to meet those goals. This might include issues such as: Who builds and who pays to maintain an adequate and reliable power system, and how to mesh the competitive and regulated elements of the industry.

Resolve Conflicting Messages

One of the starting premises for the draft Plan is that “the region is surplus.” This statement raises several issues. It leads readers to believe that there is no need to acquire resources at this time. Yet, the draft Plan also presents a recommended resource portfolio and suggests the region immediately increase its efforts to acquire cost-effective conservation. These are conflicting messages. The Council needs to consider the appropriateness of the impression the draft Plan provides.

Explore Resource Adequacy Issue

The draft Plan suggests that there is time to address the adequacy issue because we are currently in a surplus. It further suggests that a resource adequacy standard may not make sense if it cannot be enforced. Although we may have some time, it would be fruitful for the Council to encourage BPA and the utilities to work with the Council to address the resource adequacy issue. The Council should provide a recommendation in the final Plan on how the region could make progress on this topic.

Clarify Surplus Calculation

In Chapter 1, the draft Plan refers to the historic regional load and resource balance found in the PNUCC Northwest Regional Forecast (NRF). The NRF has been one metric of regional surplus/deficit for many years. It provides a very simplistic view of the region’s energy balance – from a planning perspective. This simplistic view reflects many assumptions about supply and demand (e.g. low water supply). In Chapter 2 the draft Plan jumps to a different metric for comparing loads and resources and begins to include power supply owned by independent power producers as a firm resource. This shift in “metrics” confuses the reader’s understanding of the changes in the load/resource balance picture through time. This shift overstates the swing from a deficit system a few years ago to a surplus system now. The final Plan should include the last four years of data in the presentation of NRF information as well as a forecast using the Council’s range of load forecasts and expected additions in conservation and generating resources.

Align Resource Portfolio

The draft Plan’s resource portfolio does not align with utility plans to acquire generation to meet future demand. A recent survey of the utilities’ integrated resource plans shows that the most likely scenario for future supply includes more generating resources than the Council is recommending. (Note – our survey focused on generation not on-going utility conservation efforts.) We believe that this survey captures the bulk of resource development activity planned for regional utilities.

The attached table indicates that in the next 5 years utilities expect to acquire 2,500 MW of capacity – 1,000 MW of combined cycle combustion turbines (some are likely purchases from IPPs), almost 900 MW of wind, a small amount of coal fired generation and 500 MW of other generating resources.

The Council should review the draft resource portfolio in the context of the actions that are currently being taken by Northwest utilities. It is imperative that the final Plan includes a chapter that explains the distinctions between a “regional” view and “individual utility” actions.

Assess Wind Uncertainties

We agree with the draft Plan’s recommendation that wind power has potential in this region and that several uncertainties need to be resolved. The future potential of wind generation is worth serious consideration. Utilities have and are developing wind projects as you can see from the Sum of Integrated Resource Plan information. However, before significantly more wind resources can successfully be developed, the cost of the resource will need to be reduced (especially if the current tax credits for wind expire) and the major transmission and system integration issues must be resolved. Unfortunately, the flexibility of the hydropower generation in the Northwest is limited by the required operations for salmon. This reduces the system’s ability to adjust to the shape of wind generation. The Council should assess the impact of integrating large-scale wind power on river operation for salmon.

Questions about Conservation

The draft Plan provides considerable detail on significant amounts of conservation, much of which is “cutting edge.” This is valuable information for utilities to consider. Many utilities are actively involved in acquiring savings either through their own programs or funding through agencies such as the Oregon Energy Trust. Our initial reaction to the draft Plan’s estimate of savings is that the quantity may not be achievable in the timeframe suggested.

Balance Power Planning and Fish & Wildlife Program Development

There is a significant relationship between power planning and fish & wildlife program development. We are pleased to see that the Council addresses the interrelationship between the Power Plan and the Fish and Wildlife Program. There are key actions in the fish and wildlife program that impact the ability to generate electricity in the hydropower system. We encourage the Council to ensure that only the most cost-effective operations for fish are implemented, and to seek out and advocate for more biologically effective actions that reduce the pressure on the power system.

As you seek to find the most effective actions for salmon, keep in mind that using a probabilistic metric based on river operations (i.e. flow and spill) fails to measure the real goal of salmon survival and recovery. You note in the draft Plan that there is huge uncertainty in the relationship between river operations and salmon survival and therefore a metric based on meeting target flows is not a good indicator of salmon recovery.

Again, thank you for the opportunity to comment.

Sincerely,



Dick Adams
Executive Director

cc: PNUCC Board of Directors

Attachment

Sum of Utility Integrated Resource Plans 1/ Generating Resource Acquisition Schedule - Likely Scenario

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Generating Resources (MW)										
Wind	47	247	474	592	654	869	931	931	978	978
Combined Cycle CT	465	490	843	872	941	967	1,126	1,369	2,019	2,039
Coal	18	18	103	103	103	142	705	1,026	1,139	1,206
Other										
Simple Cycle CT	-	-	-	-	42	42	42	42	42	42
Intercooled Aero SCCT	-	-	-	-	-	-	-	-	194	194
Gas Peaker	162	162	250	250	250	312	312	312	312	312
Geothermal	-	-	-	100	100	100	100	100	100	100
Combined Heat & Power	-	-	12	12	12	48	48	48	48	48
Shoshone Falls Upgrade	-	-	-	64	64	64	64	64	64	64
Short-term acquisitions	<u>146</u>	<u>146</u>	<u>146</u>	<u>146</u>	<u>146</u>	<u>146</u>	<u>146</u>	<u>146</u>	<u>146</u>	<u>146</u>
Total Generating Resources	691	916	1,682	1,993	2,166	2,544	3,328	3,893	4,895	4,983

1/ Includes information from Avista, Idaho Power, PacifiCorp, Portland General Electric, Puget Sound Energy Chelan PUD, NorthWestern, Snohomish PUD, Tacoma Power also responded. Specific data is not available.