



January 25, 2008

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

Dear Mark:

PNGC Power is pleased to send you these comments on the issues you plan to address in the Council's Sixth Power and Conservation Plan. PNGC Power's fifteen member-owners are rural electric co-operatives serving retail power consumers in seven states. PNGC Power and its members have an important stake in all of the power-related issues discussed in your recent paper on which you have requested input from interested parties.

Climate Change Issues

It is important to examine the likely impacts on power use and supply of greenhouse gas standards or targets that have been adopted and to test a plausible range of existing and new policy directives at the state, regional (i.e. Western Policy Initiative), and federal levels. These could be helpful to utilities as they develop their own resource evaluations and contingency plans. The Council's analysis of the Northwest's "carbon dioxide footprint" released in November 2007 provided a useful first assessment of CO₂ sources and policy impacts in the Northwest. This kind of work should be updated periodically.

At the same time, we urge the Council not go too far afield in attempting to assess climate change-related issues. For example, on page one of the Issues document, it is proposed that "...cost-effective reduction of the carbon dioxide footprint of the Northwest power system should be a major theme of the Sixth Power Plan." As noted above, it is appropriate for the Council to assess the impact of specific measures or the least cost approaches to meeting a standard. However, assessing the cost-effectiveness of climate change measures themselves would not be useful for the Council to attempt due to the number of assumptions required concerning the value of taking (or not taking) certain actions and the equitable distribution of inter-generational costs and benefits.

At the same time, given the large uncertainties surrounding this whole topic, and in order to prepare the region for a full range of outcomes, the Council's Plan should also consider the circumstance where future assessments of climate change risk might conclude that the expected impacts are benign or cannot be materially or predictably altered by public policy measures. In

this context, the Council should identify (but not recommend) for policy-makers (and the public) what actions would constitute a prudent “no regrets” strategy for the region to consider as an alternative to more prescriptive policy measures.

Maintaining an Adequate and Reliable Power Supply

The central concern of the Council’s power plans should be determining how best to maintain an adequate and reliable power supply for the region. Of key importance is preserving and enhancing the value of the federal power system for current and future Northwest consumers. The Sixth Plan should identify and evaluate the trade-offs posed by the competing uses of the Columbia River’s flexibility. The Council’s Issue Paper identifies the need to secure additional “flexibility resources” to replace or supplement the capabilities of the Federal system. While load management measures may help to mitigate lost hydro capacity, the Plan should explain that replacing or providing more flexibility in the foreseeable future means building more fossil fuel power plants, the only power supply sources currently able to provide additional flexibility. A range of costs and environmental impacts of these resources should be estimated under various scenarios of load growth, renewable resource development and reduced hydro capability.

A related problem facing Northwest power planners is the persisting lack of a uniform regional capacity standard for hydro, our greatest resource. As a result, it is virtually impossible to send a clear signal as to when or how much the region will be capacity surplus or deficit. The Council and BPA should coordinate development of a uniform hydro capacity standard that is sufficiently detailed that utilities can determine need.

Resource Choices and Cost-Effectiveness

The Council’s paper proposes to evaluate resource options in the context of a CO₂- constrained policy environment. We agree with the list of resource alternatives that you propose to evaluate (p. 6). The Council’s evaluation should address the continued importance of maintaining a diverse resource portfolio in order to help manage risk and price volatility. All fuel types should play a role and be retained as alternatives for contributing to the Northwest’s future resource mix. This is particularly appropriate given the great uncertainty that will persist for many years regarding the availability and cost of various resources.

The Council should thoroughly explore various alternatives for increasing energy efficiency **throughout the region**. As part of that evaluation, the Council needs to examine its own policies that may be impeding the wider implementation of energy efficiency measures. PNGC Power and its members continue to be concerned over the rigid definition of “cost-effectiveness” used by the Council and BPA when evaluating potential conservation measures and utility programs. The current convention limits the ability of many cooperatives to pursue energy savings that are available in their service territories. We suggest that the cost-effectiveness standard the Council applies be updated and made more flexible in order to capture long-term opportunities that will otherwise be lost to the region.

Transmission Concerns

The Council has rightly identified the availability of adequate transmission capacity as essential to a reliable power system. The Council may not have the capability to do its own detailed studies of regional transmission needs. However, it should assess progress that has been made since the last plan and identify the key barriers that currently inhibit the development and integration of resource projects in various locations. Bringing these issues to the attention of decision-makers and the public in general would give valuable support to the timely completion of needed additions to the regional grid.

I hope these comments are helpful as you refine the scope the next Power and Conservation Plan. Please call if you have any questions regarding the points raised in this letter.

Sincerely,

A handwritten signature in cursive script that reads "Joe Nadal". The signature is written in dark ink and is positioned above the typed name and title.

Joe Nadal
Sr. VP and COO