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August 15, 2006

MEMORANDUM

TO: Power Committee Members

FROM: Wally Gibson, Manager, System Analysis and Generation
John Fazio, Senior System Analyst

SUBJECT: July 24th Heat Wave and Resource Adequacy

On July 24th the entire West Coast experienced unusually high temperatures and several Northwest utilities found themselves in short energy supply. On that day, the Northwest was 2 degrees shy of its highest recorded temperature since 1928 (in other words, it was a rare event). No forced curtailments occurred in the Northwest.

An ad-hoc technical committee (consisting of Council, BPA and Northwest Power Pool staff) has been formed to evaluate the power situation in the Northwest on that day. Preliminary results indicate that the region had ample supplies to meet the record high demands, although some utilities were forced to purchase spot market energy at very high prices (\$400 per megawatt-hour or higher). The Northwest was also sending quite a bit of power south. A good portion of what we include in our calculation of regional surplus, the uncontracted IPP generation, was being sold to California. On the peak demand hour for Monday, the interties were transmitting over 7,000 megawatts of power to California (the combined north-to-south transfer capability is about 7,500 megawatts) However, the region was also importing about 2000 megawatts from British Columbia.

The Resource Adequacy Forum's Technical Subcommittee will use the results of this analysis to "calibrate" its assessment of the region's sustained peaking capacity reserve. Based on "normal" temperature loads and critical hydro conditions, the region's reserve margin for July is estimated to be about 58 percent. The Northwest Power Pool estimates its area's sustained peaking capability at about 71,000 megawatts compared to a "normal" temperature load of about 52,000 megawatts, which yields a reserve margin of 37 percent. (Keep in mind that the Power Pool's area is physically larger than the Northwest region as defined under the Power Act and includes, for example, British Columbia, Alberta, Utah and parts of Wyoming and Nevada).

The Forum's subcommittee will reassess its methodology for computing regional capacity reserves and will also reconsider potential planning targets. A more detailed description of this event and the Forum's conclusions will be presented to the Council at its September meeting.

