



January 25, 2008

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Re: *Issues for the Sixth Pacific Northwest Power and Conservation Plan, Council Doc. 2007-22*

The Public Power Council (PPC) appreciates the opportunity to comment on the Council's issue paper for the upcoming Sixth Power Plan. The paper nicely lays out many of the issues facing the region in the near future as utilities plan for expected load growth, compliance with state Renewable Portfolio Standards, reliability requirements and load-service obligations.

We applaud the Council's decision to tackle the problem of capacity forecasting and the need to avoid capacity deficits. Meeting load includes meeting peak load, and this is a matter that is of utmost importance to PPC's members and to the region. PPC also appreciates the work the Council has done on its CO₂ study which notes the difficulties the region will have maintaining or reducing its carbon output as it meets load growth. Ongoing studies like this which identify the specific trade-offs and economic impacts of choices facing the region may be very helpful tools in future resource planning.

In reviewing the topics that will be addressed in the Sixth Power Plan, PPC suggests a few additions to the Council's focus but is encouraged that the Sixth Power Plan could become a document that will provide needed assistance to regional utilities as they make their resource decisions.

Theme of the Plan and Overall Approach

The Council suggests that a major theme for the Sixth Power Plan should be "cost-effective reduction of the carbon dioxide footprint of the Northwest power system." With new requirements on utilities' supply portfolios and on generation, reducing carbon emissions is an important issue facing the region at this time. However, the Council should not lose sight of the many other issues that must be addressed in its plan and should be accounted for in its overall approach. These include, for example, an expected

sharp rise in non-federal resource development by customers of BPA in order to meet their load growth. As such, PPC suggests that the Council rephrase the theme as follows: "...meeting Northwest loads while cost-effectively reducing the carbon dioxide footprint of the Northwest power system."

In terms of the Council's approach, BPA's preference customers would benefit from a power plan that offers a thorough analysis of the various pros and cons of existing generation options. At this time when BPA customers are planning resource development, a thorough examination of various resource options could help ensure that the Northwest Power Act goal of "facilitating the orderly planning of the region's power system"¹ is accomplished.

In general, the Council's issue list appears to cover many of the important issues that should be considered in the Sixth Power Plan. Given the diminishing capacity in the hydrosystem, and the new demands for capacity that the region is facing, we believe the Council's identification of "meeting loads on an annual, daily, hourly and intra-hourly basis" as an issue is especially appropriate. This may necessitate a thorough analysis of the types of capacity resources that are available within the region, and what economic options exist for future development of such resources.

Role of States' Climate Change Policies in the Plan

In regard to new resources, the Council's draft paper states that climate change policies that have been put in place in the region "will limit the resource choices that can be considered in the power plan." As a regional entity, we hope that this does not signal the Council's intent to limit its overall analysis of resource options based on certain states' Renewable Portfolio Standards or the Council's estimate of what types of future regulation may come into play in the region. The status of federal proposals is similarly murky. Rather, instead of responding to specific actions, we believe the Council is in a unique position to take a broader view by creating a document that looks ahead to inform such decisions in the region and provides a basis for creating sound policies. The plan should be an objective evaluation of all reasonable options for future resource development (including both capacity and energy resources) so that regional stakeholders and regulators can make informed decisions about future policies, regulations, and development options. Additionally, given that the Northwest region is comprised of multiple states with different regulations and policies, the Council's plan should not assume that one state's restrictions will apply to the whole region, or that certain states will necessarily follow other states' policies.

Determination of Cost-Effectiveness

PPC is pleased that the Council recognizes that there are significant issues with a continued use of Mid-C prices to determine cost-effectiveness for conservation, especially in light of the modeling anomalies the Council has identified. PPC supports more effort to determine whether cost-effectiveness for purposes of conservation is more

¹ Northwest Power Act, § 2(3)(B).

appropriately determined at a local level, given the various conservation opportunities available within differing service territories, the increased incentives consumer-owned utilities will have to achieve conservation under tiered rates, and recent state regulations requiring greater conservation achievements by individual utilities.

Transmission Expansion

PPC believes that the role the Council adopted with respect to transmission expansion issues pursuant to the Fifth Power Plan continues to be the appropriate role under the Sixth Power Plan. FERC policy will drive increasing involvement by utilities in regional planning groups, such as ColumbiaGrid, that are well equipped to produce studies and coordinate expansion plans. PPC encourages the Council to continue to rely on utilities and these regional planning groups and remain involved in them. The Plan itself should not attempt to guide transmission investment. Transmission investment will continue to be determined by resource choices made by load-serving utilities.

Interaction with Fish and Wildlife Program

The Council's proposed review of Power Plan interactions with the fish and wildlife program is appropriate and necessary. PPC especially supports the Council's proposed inquiry into: (1) the quantitative relationship between changes in hydrosystem operations to benefit fish and wildlife and the availability of operational flexibility from the hydro system; (2) how hydrosystem operations could be affected by increased desire to shape intermittent wind generation; and, (3) the potential effects on fish operations from those other increased demands on the system. In addition to those relationships, PPC encourages the Council to inquire further into the quantitative relationship between reduced hydrosystem flexibility and resulting carbon emissions as the region's power system replaces that lost flexibility.

In light of the fact that the Council is currently amending its fish and wildlife program, the Council's Power Plan analyses on these topics could be particularly helpful in ensuring that the fish and wildlife program is consistent with the hydrosystem operating as an "adequate, efficient, economical, and reliable power supply" as the law demands.²

Overall, PPC is encouraged by much of the Council's issues list and looks forward to working with Council staff over the coming months. Thank you for this opportunity to comment.

Sincerely,

/s/ Scott Corwin
Executive Director
Public Power Council

² Northwest Power Act, § 2(2).