



Public Power Council

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January 31, 2013

Mr. Bill Bradbury, Chairman
Northwest Power and Conservation Council
851 S.W. Sixth Avenue, Suite 1100
Portland, OR, 97204

Re: Draft Sixth Power Plan Mid-Term Assessment Report

Dear Bill:

As you know, the Public Power Council actively participated in the Northwest Power and Conservation Council's process in developing the Sixth Power Plan and has taken the same interest and level of participation in the Mid-Term Assessment of the Plan. This interest is in large part due to the NWPCC's development of the regional energy efficiency target and the subsequent impact it has to public power customers of BPA. In addition to this topic, however, PPC has a keen interest in regional power planning and the assumptions that go into the NWPCC's Power Plan development. PPC appreciates the robust check-in the NWPCC has undertaken for the Sixth Power Plan and is hopeful that this will begin a collaborative regional discussion around the Seventh Power Plan, allowing the Seventh to be the most useful power plan the region has seen to date.

The Draft Mid-Term Assessment Report has come a long way in its development from situational scans to the draft Report. PPC offers kudos to NWPCC members and staff for the work in this report. Rather than being a cursory look at the Sixth Plan, we appreciate the detail delved into in the draft Report.

We appreciate the draft Report evaluating the modeling used in development of the Sixth Plan, the impact of assumptions plugged into these models, and showing an ever-increasing understanding that while the NWPCC is creating a regional plan, conditions are variable throughout the region and across a broad scale of utilities. We understand that these elements as well as the effects of low natural gas prices, slower than expected economic recovery, and the lack of carbon tax legislation will be addressed in the Seventh Plan. It is imperative that these elements be accurately addressed in the modeling for the Seventh Plan to provide the region with the most useful Plan possible.

While the draft Report is excellent in both its review of the Sixth Plan and its foreshadowing of potential issues for the Seventh Plan, some questions and concerns remain for PPC and its members.

Modeling Considerations

We understand that the NWPCC has undertaken a lengthy review of its Resource Portfolio Model and has held meetings allowing for explanation of the review's results and an opportunity for stakeholders to ask questions of the expert reviewers. We believe this review has provided a number of positive recommendations including the necessity for the assumptions going into the model to be as trustworthy as possible, and the need for more in the region to understand the model itself. It is our hope and expectation that the NWPCC follow through on these recommendations so that the Seventh Plan can be even more useful to the region than the Sixth.

Energy Efficiency Assumptions

It appears that the region is on track to achieve the targeted range set forth in the Sixth Plan. The draft Report's discussion of the achievements since the adoption of the Sixth Plan and projections for the remaining years of the Plan is robust and useful. Where it has missed the mark, however, is in characterizing Bonneville's capital budget for energy efficiency as having been reduced. This is incorrect. BPA shifted the spending of its budget, having front loaded spending within the five-year period of the Plan. By moving these dollars from the out years, it may appear as though BPA decreased the budget but it is still on target to spend the amount anticipated to achieve the approximately 500 aMW for which it has said it will provide funding.

As the NWPCC prepares for the Seventh Plan, it should conduct a process for a full discussion surrounding the creation of the target range or whatever efficiency goal the Plan puts forth. A greater regional understanding of how that goal is developed and determined would be useful.

Effects of Carbon

The Sixth Plan assumed a carbon tax of \$45 per ton. Nearly halfway through the Plan however, it does not appear that the carbon tax assumption will come to fruition via federal or state legislation. The draft Report acknowledges this reality, but does so offhandedly and without explanation of the effects that this assumption had in the modeling and policy decisions of the Sixth Plan.

In moving ahead we are concerned with similar carbon tax assumptions unless the NWPCC can better explain in the analysis: 1) the real magnitude of a carbon tax on utility power supply decisions and rates, and 2) the effect on other elements of the Plan including the impacts on cost-effectiveness of energy efficiency or other resource decisions.

Load Growth and Economic Recovery

By and large, utilities have not seen the same picture of load growth and economic recovery as is suggested in the draft. Due to this lack of economic recovery, many utilities are experiencing flat loads. This affects their resource decisions differently than the growth the draft discusses would. Additionally, the draft suggests that from 2010-2011, the regional economy grew by 3.3 percent but later notes that in the period from 2007-2011 the regional economy was growing at

only 1.3 percent per year. Consistency in comparing periods would provide a more accurate picture of regional realities.

Discussing growth in the electricity sector is also difficult due to efficiencies that are being gained with new technology. The NWPCC would be well served to have a more robust discussion about its definition of growth in the Seventh Power Plan.

To this point, the discussion of growth is further muddled as it is confusing to calculate net electricity demand by subtracting energy efficiency gains from total regional demand as is done in the draft.

More Stakeholder Participation and Review

While not meriting discussion within the draft Report itself, regional input in the development of the Report has yielded a positive result. This outreach to the region should continue. As Power Plans become more useful to and impactful on the region, the NWPCC needs to maintain this outreach strategy to engage stakeholders and work with them to collectively determine issues of focus and inputs to the Regional Portfolio Model that does much heavy lifting in NWPCC Power Plans. This continued effort of regional engagement will create stronger Power Plans and greater stakeholder buy-in of their principles.

Overall, the draft Mid-Term Assessment Report is well-crafted and provides a useful look at what has taken place in the Northwest since the adoption of the Sixth Plan, reasonable consideration of what will happen for the remainder of the Sixth Plan, and a brief but important discussion of issues that may be raised in the Seventh Power Plan. PPC appreciates the work that has gone into the Report and the regional outreach the NWPCC has done over the course of its development. We are hopeful that this engagement continues so the region can be part of the development of the Seventh Plan instead of mere reviewers.

Thank you for the ability to participate in the development of the Mid-Term Assessment Report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bo Downen', with a long horizontal line extending to the right.

Bo Downen
Analyst, Public Power Council