

W. Bill Booth
Chair
Idaho

James A. Yost
Idaho

Tom Karier
Washington

Dick Wallace
Washington



Bruce A. Measure
Vice-Chair
Montana

Rhonda Whiting
Montana

Melinda S. Eden
Oregon

Joan M. Duker
Oregon

Council Meeting Whitefish, Montana

June 9-11, 2009

Minutes

Reports from Fish and Wildlife, Power and Public Affairs committee chair:

Rhonda Whiting chair, fish and wildlife committee; Melinda Eden, chair, power committee; and Dick Wallace, chair, public affairs committee.

After welcoming the Council to Montana, Rhonda Whiting, Fish and Wildlife Committee chair, reported on the morning's committee meeting. The committee heard a presentation on an independent science review of tagging technologies, which could become a topic for a future science policy review, she said. Staff briefed the committee on high-level indicators, summarizing the suggestions that have come in and recommending a workshop on implementing the indicators, Whiting said. Staff also reported on wildlife crediting and will work with the committee to initiate a wildlife crediting forum, she reported.

The committee had a presentation on integrating fish and wildlife into the Sixth Power Plan, Whiting said, and also had an overview of two Columbia Basin Accord projects, which are up for a funding recommendation. The sponsors have responded to a couple of issues raised in the scientific review, and the committee endorsed funding for the projects, she concluded.

Melinda Eden, chair of the Power Committee, reported on the committee meeting and the time spent discussing the conservation proposal for the Sixth Power Plan. The proposal is for 200 to 270 average megawatts of conservation per year in the five-year Action Plan, she said. Staff presented a comparison of the "least-cost" and "least-risk" plans that resulted from the portfolio model, Eden reported.

Dick Wallace, chair of the Public Affairs Committee, said staff is working on dates for public hearings once the draft power plan is released and is planning details of an August visit by Congressional staff to the Northwest.

1. Council decision on adoption of Fish and Wildlife Program Findings:

John Shurts, general counsel; and Sandra Hirotsu, senior counsel.

Staffer Sandra Hirotsu said the findings on recommendations to the Council's fish and wildlife program amendments are ready for adoption. The Council adopted the bulk of the amendments in February, but the program is not complete without findings to explain the relationships between recommendations and Council decisions, she stated. Members have had the opportunity to review the findings, and other than some minor grammar and punctuation edits, they are complete, Hirotsu said.

Council chair Bill Booth confirmed that Council members have provided input on the findings.

Hirotsu also explained that the Council adopts an analysis of adequacy, efficiency, economy, and reliability of the power system (AEERPS) to accompany the fish and wildlife program. That statement is also ready for adoption, Hirotsu said.

Eden asked if the AEERPS has to be adopted at the same time as the findings. Staffer John Shurts said it did not. Eden said she had questions about the AEERPS paper and would like to see adoption postponed for a month.

Whiting moved that the Council adopt the Findings on Program Amendment Recommendations as part of the 2009 Fish and Wildlife Program, as presented by staff and direct the staff to give appropriate notice of its action. Joan Dukes seconded the motion. The motion passed on a roll call vote, with seven members voting aye. Bruce Measure was absent for the vote.

2. Council decision on fish and wildlife Projects:

Mark Fritsch, manager, project implementation.

Staffer Mark Fritsch outlined two projects related to the Columbia Basin Fish Accords, both of which received a favorable recommendation from the F&W committee.

– Basinwide Supplementation Evaluation – Phase I, Project #2009-009-00

The first project, a basinwide supplementation evaluation, has four specific objectives, including sonar monitoring of escapement in the Klickitat River, he explained. The total amount associated with the project is \$8.1 million, and a project contract for \$644,735 is pending, with a performance period of April 1, 2009 to April 30, 2010.

Staff recommends the sponsor, the Columbia River Inter-Tribal Fish Commission (CRITFC) provide more information on the sonar monitoring and its link to the approved Klickitat River Anadromous Fisheries Master Plan and also respond to the Independent Scientific Review Panel's (ISRP) qualifications with regard to the other three objectives in the project, Fritsch said. Objectives 2-4 relate to population abundance and reproductive success. Wallace pointed out the project would also be included in the categorical review process for F&W projects.

Whiting made a motion that the Council recommend that the sponsor of Project 2009-009-00, Basinwide Supplementation Evaluation, demonstrate the link between sonar monitoring and the Klickitat River Anadromous Fisheries Master Plan (Project Objective 1), ask the project sponsor

to address the issues raised by the ISRP regarding the suitability of sonar as a monitoring tool, for subsequent ISRP and Council review, and support the implementation of Project Objectives 2, 3, and 4, provided the qualifications identified by the ISRP are addressed in contracting and in future reviews, as presented by staff and recommended by the Fish and Wildlife Committee. Wallace seconded the motion, which passed on a unanimous vote.

– **Sockeye Studies (Studies into factors limiting the abundance of Okanagan and Wenatchee sockeye salmon), Project #2008-503-00**

Fritsch explained a second CRITFC project to explore limiting factors for Okanagan and Wenatchee sockeye salmon stocks. He said the ISRP gave the project a qualified approval. Eden asked if anyone is measuring water quality that affects the stocks, and staffer Tony Grover said the Washington Department of Ecology has clean-up projects going in these areas. The data is there, he said.

Whiting moved that the Council support implementation of Project 2008-503-00, Studies into Factors Limiting the Abundance of Okanagan and Wenatchee Sockeye Salmon, as presented by staff and recommended by the Fish and Wildlife Committee. Eden seconded the motion, which passed on a unanimous vote.

3. Briefing on management implications of ISAB Tagging Report:

Jim Ruff, manager, Mainstem passage and river operations.

Staffer Jim Ruff provided an abbreviated briefing on a joint Independent Scientific Advisory Board (ISAB) and ISRP report on tagging technologies used in the Columbia River Basin. He said the recommendations would be subject to “a mini science policy exchange” between the Fish and Wildlife Committee and the fish and wildlife managers.

Ruff explained that following a recommendation by the ISRP, the Council requested the study in July 2007, providing six questions for guidance.

The ISAB/ISRP report gave recommendations in five areas, Ruff said: coordination, cost-effectiveness, innovative technologies, data gaps, and compatibility of tagging study results. He summarized the recommendations, which address the need to coordinate tagging projects among entities; develop a web-based information network; address the issue of tag recovery and statistical validity; and establish a tagging/marking study committee. He pointed out that there was also a recommendation related to tagging 100 percent of hatchery fish.

Whiting said the committee had discussed how the recommendations might be implemented and would continue to do so. Booth suggested more discussion take place and the ISAB/ISRP recommendations come back to the Council in July.

4. Update on Anadromous Subbasins Monitoring and Evaluation Workshop:

Tony Grover, director, fish and wildlife division; Nancy, Leonard, fish, wildlife and ecosystem monitoring and evaluation manager; and representatives from BPA, CBFWA and NOAA.

Staff gave an update on a series of workshops to address monitoring and evaluation (M&E) in the anadromous subbasins. Grover told the Council staff would have a firm recommendation on the M&E workshops in July.

Greg Delwiche of Boneville said the idea is to have a series of regional workshops to develop a prioritized list of M&E projects to arrive at a list to recommend for funding that have the co-managers support.

Brian Lipscomb of the Columbia Basin Fish & Wildlife Authority reported that his organization is also working on the recommendations and is committed to the principles that have been laid out.

Grover said by September, staff and others would develop a plan that sets the region up to enter the next field season with a list of projects. It sounds like there's progress and the right people are involved, Booth said.

5. Presentation on ISRP's programmatic findings from the Wildlife Category Review:

Linda Hardesty, Eric Loudenslager, and Rich Alldredge, ISRP.

Dr. Linda Hardesty of the ISRP outlined the results of the first categorical fish and wildlife review, which focused on 36 proposals related to wildlife. In the end, 22 proposals met scientific review criteria, 11 met the criteria with qualifications, and two were determined not to meet the review criteria, she reported.

Hardesty explained that the ISRP made site visits, had presentations and discussions to reach consensus, conducted a response loop for sponsors, and concluded with a final recommendation. She listed the benefits of the categorical review and explained the programmatic issues that arose in the process.

She pointed out that reporting M&E results is quite critical, particularly when long-term funding commitments are being made. There has been progress in this area, but some results are still badly needed, Hardesty said. Part of our charge is to run cost-effective programs, Booth pointed out. We run into wildlife projects where it is hard to measure success, he said. Booth noted the tension between measuring success and maintaining cost effectiveness. Should we scale back on M&E? he asked. Some M&E may not be needed, Hardesty acknowledged. But M&E is very project specific, she added.

6. Update on Wildlife Review:

Lynn Palensky, program planning and special projects coordinator.

Staffer Lynn Palensky reported that as staff develops recommendations for project funding, it is addressing a lot of the issues that are bubbling up from the wildlife categorical review. We are seeing ways we can improve our process in how we gather project proposals and what we ask for, she said. Such changes should lead to more efficiency and accountability, Palensky stated.

Staff will present its preliminary project recommendations at a meeting June 18, she said, noting that BPA has provided budget numbers. We hope to make recommendations for five-year funding commitments, Palensky said. Some recommended projects could have qualifiers that ask the sponsors to provide more information, she added.

7. Briefing on public comment on High Level Indicators:

Tom Karier, Washington Council Member; Tony Grover; and Nancy Leonard.

Karier explained that we put out proposed indicators in May and got “an overwhelming response,” Karier said. “The Council should be encouraged – people are very interested in this,” he stated.

Staffer Nancy Leonard said most respondents supported the indicators. Suggestions fell into the following categories, she explained: reorganize and/or add new indicators; include mid-Columbia salmonids; report abundance at the population level; report on spawner, juvenile, and harvest numbers for wild and hatchery fish; provide consistent hatchery reporting; assure harvest data is adequate; and delete the indicator on life-stage survival.

Leonard said there are now two sets of indicators, four biological and six implementation, which will be finalized in a workshop. The goal of the workshop is to refine the list and come up with “ready to go” indicators that can be adopted by the Council in July or August, she said. There are nine remaining indicators that will undergo additional assessment, Leonard stated. The goal is to have these complete by May 2010, she concluded.

8. Council Business:

– Adoption of Council’s annual report to the Northwest governors on fish and wildlife expenditures of the Bonneville Power Administration

Staffer John Harrison highlighted changes that have been incorporated into the eighth annual report to the Northwest governors on fish and wildlife expenditures. He pointed out that there is new language on page 5 pertaining to foregone revenues and power purchases, with a new figure on power expenditures and rates. Harrison said the draft is ready for release for public comment, after which it can be finalized in July.

Measure made a motion that the Council release the Eighth Annual Report to the Northwest Governors on Expenditures of the Bonneville Power Administration to Implement the Fish and Wildlife Program and direct staff to give notice of the opportunity for public comment. Karier seconded the motion, which passed unanimously.

– Adoption of minutes

Whiting made a motion that the Council approve for the signature of the Vice-Chair the minutes of the May Council meeting, held in Walla Walla, Washington. Dukes seconded the motion, which passed unanimously.

– **Public comment Fiscal Year 2011 and revised Fiscal Year 2010 Council budget**

There was no comment on the Council’s budgets.

9. Council work session on development of the Sixth Power Plan

Staffer Terry Morlan teed up a host of issues in the Sixth Power Plan with an overview of the draft that is taking shape. The challenge, he said, is to find a plan for meeting the region’s electricity needs over the next 20 years that is “lowest cost” and factors in future unknowns like fuel supplies and price, economic growth, climate change policies, and the capacity and flexibility needed to integrate wind.

Morlan described the thrust of the draft as supporting aggressive conservation; improving the ability to integrate wind; acquiring cost-effective local small-scale resources; reducing use of existing coal plants; and preparing for the future with support for developing carbon-neutral generation and encouraging efficiency. The plan is being developed against a backdrop of conditions, including slower demand growth, higher fuel prices, risk of significant carbon-control costs, and an increasing share of variable output resources like wind, he said.

Analyses for the plan show significantly increased potential for cost-effective conservation and energy efficiency measures, Morlan continued. Factors contributing to the increase include the availability of new measures and technologies, higher avoided costs, rising cost of new generating resources, and constraints imposed by renewable portfolio standards (RPS), he said.

The aggressive approach to conservation outlined in the draft “has created consternation in the region” among those who will have to meet the target and those who are subject to the requirements of Washington’s RPS, Morlan acknowledged. But conservation is the lowest-cost resource and reduces the risk of higher fuel prices and potential carbon-control costs, he said. “It’s a solid finding,” Morlan added. Conservation has the potential to meet load growth, delay and reduce the need for new generating resources, and lower consumers’ bills by reducing the amount of electricity used, he pointed out.

Staff found that in the face of future carbon costs, it would be prudent to develop wind and geothermal resources in the region, even if there were no RPS requirement, Morlan reported. Integration of wind will require more reserves for capacity and within-hour balancing, but improved wind forecasting and changes in system operations could mitigate the need, he said.

Natural gas is the best alternative for fossil-fuel generation, and on a regional basis, gas generation doesn’t show up in the analysis for five years, Morlan said. But individual utilities might need to acquire gas resources sooner to meet their load, he added.

Electricity rates are expected to increase about 30 percent over 20 years due to increasing fuel costs, carbon penalties, and more expensive generating resources, Morlan continued. Efficiency acquisitions affect rates, as does generation, but the effects vary, depending on factors like how much of the cost is borne by the utility versus conservation paid for by customers or induced by codes and standards, he explained.

Climate policies are another major focus of the plan, Morlan went on. The proposed resource strategy reduces expected carbon emissions from 57 million tons per year today (MMtpy) to 40 MMtpy by 2030, he said. This is lower than the 1990 level of 44 MMtpy, Morlan pointed out. Emissions vary significantly, however, depending on future conditions, and without retirement of existing coal plants, carbon reduction is not assured, he indicated.

Retiring existing coal plants would reduce carbon emissions to 64 percent below the 1990 level, Morlan said. If there were a \$100 per ton carbon cost, emissions would fall to 35 percent below the 1990 level, he said. Morlan acknowledged the difficulty of analyzing the cost of climate policy because “it is hard to tell where the costs will lie” or where the revenues from a carbon tax would be directed.

The Action Plan calls for accelerating efficiency acquisitions, he stated. It’s the low-cost, low-risk strategy, and we are in a better position than ever to do it – “there’s a lot of activity and momentum,” Morlan said.

Tom Karier said the plan should be clearer about the role of natural gas and the difference between the regional and individual-utility need for resources. Council chair Bill Booth agreed. We’re saying we don’t need new natural gas generation for five years in the region, yet there are specific places that do, he said. Karier also said the plan should be clear about the role of independent power plants (IPPs).

Melinda Eden suggested the role of natural gas be elaborated on in the resource portfolio chapter. We have counted the IPPs as available to the region, “and they are,” she stated. It’s a question of price, Eden said.

Jim Yost said the language in the plan about the regional situation versus the individual utility circumstances must be clear. I’m struggling with how to characterize it, he said. Some utilities don’t need new generation in the short term, but several do, and our plan could “disenfranchise” them, Yost stated. “It’s a major discussion point,” he added.

“I’m willing to say this is a plan for part of the region, but not the rest” or to say some utilities and geographic areas don’t fit within it, Yost went on. Let’s provide exceptions, so we don’t disadvantage anyone, he suggested. We need to assure the plan “isn’t used against utilities” that need something different from what is laid out, Yost said.

We aren’t able to do a plan for every utility, but we can recognize the differences and distinctions, Morlan responded. Our job is to do a regional plan and provide guidance about the lowest-cost resources and their availability, he said. But we do not tell utilities what they need to meet their loads, Morlan said, adding that the plan could include more in the way of an explanation.

Our explanation “is weak now, and it’s important,” Yost said. Our plan needs to accurately reflect what’s going on, and if the language we have now “isn’t clear to utilities, it won’t be clear to the public or to regulators,” he stated.

Yost also said he thought building conservation so there is surplus electricity to sell “is risky.” We’re exposing the region to the risk of a volatile market, and we should be judicious about how much we depend on that, he advised.

The least-risk plan is for aggressive conservation, with options for natural gas, Eden said. Regulators know about the regional power plan and that it does not dictate to utilities, she said. “We don’t tell utilities what to do, and we don’t want to,” Eden stated. We can work to strengthen the language, but we should not change our choices, she said.

Dick Wallace said the message he heard at a PNUCC board meeting is “demand is growing and electricity will cost more.” We should reflect that in the overview and point out that carbon control could add 3 to 20 percent to costs, he said. As we work through the pieces, we should indicate that the growing demand will be costly, Wallace said.

It would be good to be upfront about future costs and bring the discussion down to the consumer level, Booth agreed. I have concern that a 30 percent rate increase over 20 years “sounds low,” he added. But if we meet the conservation targets, it’s doable, Booth said. Did we meet the price forecasts in the Fifth Power Plan? he asked.

Prices have been significantly higher than we forecast, mainly due to higher gas prices, Morlan responded. It has become more costly to develop new sources of natural gas, and gas costs directly affect electricity price, he said.

Staff provided an in-depth briefing on the analytical pieces that are shaping the Sixth Power Plan. Staffer Michael Schilmoeller outlined key assumptions in the resource portfolio model, explaining that the base case assumes the following: utilities meet the requirements of the RPS in acquiring resources; carbon costs range from \$0 to \$100 per ton, averaging \$50 by 2030; uncertainty exists for economic variables like the cost of materials and fuel and production tax credits; and hydro generation and forced plant outages occur according to historical patterns.

As it cranked through 750 future cases, the model could select from available resources up to set maximums in set timeframes, he said, including the following: conservation; single and combined-cycle combustion turbines (SCCT and CCCT); wind generation; geothermal; woody biomass; advanced nuclear; supercritical pulverized coal; integrated gasification combined cycle; Montana wind imports; and demand response.

The model produced least-cost and least-risk plans, Schilmoeller explained. The least-cost plan is basically conservation, 5,500 MWa, and the least-risk plan is an even greater amount of conservation, 5,800 MWa, with 830 MW of CCCT, 170 MW of SCCT, 104 MW of geothermal, and 3,000 MW of wind by 2019.

Schilmoeller reported that the plans are so similar in most years that the likelihood of significant cost and rate variations between the two is small. The least-risk plan is likely to have higher fixed costs due to siting, licensing, and resource construction costs, but would provide some advantages with imports and exports of power, he explained.

There is very little difference between the least-cost and least-risk plans in the five-year Action Plan, Schilmoeller stated. A plan with more resources (least-risk plan) reduces dependence on the market and increases price and rate stability, he said. It also provides more guidance to the region about resources that promote an efficient and reliable system, Schilmoeller concluded.

Morlan ran through the alternative scenarios analyzed, including low and high conservation and several carbon policy cases. Analyses of a plug-in electric hybrid vehicles scenario and possible climate change policies are yet to be run, he reported.

Morlan explained the purpose behind each of the scenarios and the outcome of the analysis. Among the highlights of the analysis:

- A lower conservation acquisition rate would increase costs and carbon emissions, and a higher rate would have relatively little effect on total conservation, since there is a limit to what's available.
- The no-carbon-policy case resulted in reducing the cost of the power system by almost half (47 percent), increasing carbon emissions by 14 percent above the 2005 level, and increasing development of natural gas generation. The case reduced conservation by 7 percent, showing conservation to be cost-effective even in the no-carbon case.
- A carbon cost of \$100 per ton increases the cost of the power system by 36 percent; carbon emissions go down 29 percent from the base case, significantly more CCCTs and SCCTs are optioned, and base-load coal is displaced.
- The no-RPS case produces no big changes. It reduces power system costs slightly; increases carbon emissions slightly; increases conservation slightly; doesn't affect wind development; and causes natural gas resources to be optioned slightly earlier.
- Results are difficult to gauge in the case to retire coal plants early, but in general, it increases system costs; reduces carbon significantly; increases conservation; maintains wind generation at RPS levels; and significantly increases CCCTs to replace lost generation.
- The dam removal case increases system costs 7 percent; increases CCCT options three-fold; and increases carbon emissions by a small amount. It has little effect on conservation or renewable generation.

Bruce Measure asked why the no-carbon analysis did not include the existing RPS, "which are a reality." Why not start with what's happening today? he asked.

In sensitivities conducted on various carbon costs, Morlan said the base case reduces carbon emissions below 1990 levels by 2030. Without a carbon policy, emissions would continue to grow, but more slowly due to conservation and renewable development, he said. The RPS is consistent with the least-risk plan in the face of carbon-cost uncertainty, Morlan reported.

Measure said he wanted to see model results that incorporate carbon capture and sequestration for existing coal plants. "It may be a remote possibility, but it's no more remote than dam removal," he stated.

Staffer Tom Eckman rolled out conservation targets in the plan, pointing out that "near-term conservation targets determine the medium-term action plan on other generating resources." Conservation dictates what happens with the rest of the portfolio, he said.

The proposed overall target of 1,200 MWa over five years includes both "lost-opportunity" and "discretionary" measures, Eckman explained. Discretionary conservation is in the model at a steady 160 MWa per year, and lost-opportunity is added at various levels, producing a total target between 200 and 270 MWa per year over five years, he said.

Staff received comments from the Conservation Resources Advisory Committee (CRAC) in support of lowering and raising the conservation target, according to Eckman. Staff analyzed conservation acquisition rates that were 20 percent slower and 20 percent faster than the proposal, he said.

Eckman defended the proposed 1,200 MWa target, saying it is the fastest “realistically achievable” acquisition schedule. All of the portfolio’s sensitivity analyses support the proposed targets or higher, and they are in line with historic achievements, he said. The “ramp rate” reflected in the proposal is based on a “ground-up, measure-by-measure estimate” of achievable savings, Eckman stated, and “most importantly,” the region is in a better position today than it has ever been to achieve conservation.

The staff’s “armadillo graph” depicts a declining amount of discretionary conservation and a significant increase in lost-opportunity savings over time, he continued. If the region does not in the early years meet the ramp rate needed to achieve the target, “we will have a steeper hill to climb,” Eckman acknowledged.

He reiterated that recent history in the region indicates the proposed target is “doable,” pointing out the following:

- Changes in state codes and federal standards will boost conservation savings.
- Activities outside utility programs, such as the push in the private sector to be “green,” will aid achievement.
- The region faced a 700 MWa goal in the Fifth Power Plan and is likely to get to 1,000 MWa in actual achievement.
- In 2007, the region captured 200 MWa, and preliminary results suggest the figure could be over 230 MWa for 2008.

CFLs play a large role in the conservation achievement, accounting for 160 MWa in 2008, Eckman said. Karier urged the Council to reconcile whether the targets can be achieved without the CFL contribution, which is declining. BPA reported that 40 of the 71 MWa it achieved in 2008 was a result of CFLs, and it would have a large gap to fill without them, he commented.

With regard to cost-effectiveness, lost-opportunity measures are considered cost-effective up to an avoided cost of \$120 per megawatt-hour (MWh) and discretionary measures up to \$70 per MWh, Eckman said. The \$70 figure includes “a lot of \$10 and \$20 measures,” he added.

Staff estimated the impact on utility revenue requirements, assuming 2008 regional electricity sales revenue of \$11.4 billion, Eckman went on. Of that, 2.6 percent (\$300 million) went toward conservation, he said. With the proposed target, the investment could go up to just over 4 percent of revenues, Eckman said, adding the estimate “is probably on the high side.”

In summing up, he said:

- The region has acquired 3,600 MWa of conservation savings through 2007.
- Another 1,200 MWa by 2014 could meet 50 percent of the region’s load growth.
- A total of 5,800 MWa by 2029 could meet 85 percent of the load growth and keep most publics out of BPA’s Tier 2 resources for the next 20 years.

“You might be optimistic in view of the economy,” Yost commented. There’s a risk the recession will continue or get worse, and utilities may not make the investment, he said.

We have a check-in point in two years, and we can evaluate the progress, Eckman replied. Staffer Charlie Grist pointed out that utility expenditures on conservation are going up significantly, even with the recession. “No one is going down,” he stated.

Morlan asked for “a read” on where Council members stand on the targets. Eden said she is comfortable with the proposal, stating that staff “has been conservative every step of the way.” We’ve met 1,000 MWa in the last five years, and the stretch to 1,200 MWa “isn’t a huge one,” she stated. “I hope the other members can accept this,” Eden added.

Measure said he is optimistic about the targets, but it would be preliminary to adopt them without hearing from utilities that “actually implement” them. Karier said he is anxious to release a draft plan and get broader distribution of the proposals. We’ve got a good starting point to go with, he added.

I have two or three concerns, Yost commented. “Long term, we don’t have a problem, but short term, we might,” he said. We need a plan that provides a transition from the high achievement of the CFLs and through a recession period, Yost said.

In addition to utilities, the public needs to respond to the targets, Wallace said. It is incumbent on us to go out and explain this to the public, he said. It’s “a powerful message” for these times, Wallace stated, adding that it’s an opportune time, with interest high in green energy, to take the proposal and explain it in ways people can understand.

Dukes said she favors aiming high. “We can’t afford to do less than this,” she said, adding “the alternative to conservation is another power plant.” I am impressed with what the public is doing toward conservation, Dukes continued. As we worry about what the utilities are doing, we can see that a lot is coming from the public itself, she said.

Booth said he wanted to hear more about the analysis. The conservation goal is “the bedrock” of the plan, and it drives everything else, he pointed out. We need goals that stretch our efforts, but we have to be realistic, Booth said, adding that he wanted to hear from the utilities.

Staffer Wally Gibson described the chapter in the plan that deals with BPA. The Council’s plan has an impact on BPA in the area of resource acquisitions, which BPA may need to make to supplement its Tier 1 load, provide service to the direct service industries, meet Tier 2 load obligations, and provide flexibility for wind integration, he explained. The power plan identifies principles and recommendations to guide BPA’s acquisitions, Gibson said.

He cited several factors that affect BPA’s resource acquisition plans, including uncertainty about what will be needed and the availability of solutions to BPA’s balancing authority needs, and the interactions among energy, capacity, and flexibility attributes of particular resources.

These considerations led us to the following principles for BPA acquisitions, Gibson said:

- aggressively pursue Sixth Power Plan conservation goals

- aggressively pursue use of existing system resources and institutional solutions for wind integration
- look broadly at cost-effectiveness and reliability of new capacity and flexibility sources, if they are needed.

Staffer Bill Hannaford pointed out that the policy and contractual decisions BPA has reached about its 20-year contracts and tiered rates are subject to legal challenge. If these decisions are overturned, BPA should pursue these objectives in a different form, he said.

Staff explained various items in the action plan for the Sixth Power Plan. The following are some highlights:

- Conservation: near-term savings target of 1,200 MWa; market transformation; building codes; federal standards; other enhancements; mechanisms to identify high-priority actions; Regional Technical Forum; research and development; market and technical research; and regulatory changes.
- Generating resources: acquire cost-effective resources when needed; ensure adequate system flexibility; expand menu of low-carbon resources; and provide support for planning and decision making.
- Transmission: participate in Western Electricity Coordinating Council activities and assessments; track transmission expansion proposals; and assess transmission needs for wind development.

Wallace suggested the Council’s draft plan should hit a mark between “a fait accompli” and a premature document that “takes us down unintended paths.” He said the Council needs to conduct “meaningful outreach” on the draft.

Booth concluded that conservation, carbon policy, and surplus and capacity are the topics that still need more work. It would be nice to meet our July schedule for releasing a draft, but if we can’t, we can’t, he said. The July meeting will again be dedicated to power, and we’ll delay F&W issues where possible, Booth wrapped up.

10. Council work session on development of the Sixth Power Plan

– Representatives from PPC and PNUCC

A panel that included Dick Adams of PNUCC, Scott Corwin of the Public Power Council, Bill Gaines of Tacoma Power, and Craig Smith of Snohomish PUD offered a utility perspective on the Sixth Power Plan. Corwin kicked off the panel saying utilities view the Sixth Power Plan as more important than ever before.

The plan guides some BPA actions with regard to resources for its customers, and for investor-owned utilities, the plan is used in regulatory venues, Corwin said. The tie between the plan and Washington’s I-937 is also important for utilities, he added. Corwin urged the Council to devote time to more discussions before it puts a draft out on the street.

Utilities are concerned about how carbon is treated in the plan, Corwin continued, as well as about conservation, the role of capacity, and a strategy that leads to a planned surplus, he said. Corwin urged the Council to take care in how it displays both the emissions and cost results of its

dam removal scenario. For example, a four-million ton increase in emissions may not look that big, “but it is,” he stated. And the issue looks different regionally than it does for BPA customers – losing 3,000 MW of system capacity is big, Corwin added.

Have you not had the opportunity to engage with our staff on these issues? Joan Dukes asked. I thought utilities had interacted with us, she said.

Both Corwin and Smith said that utility staff has had the opportunity to engage, but not enough time has been spent to resolve the differences between “our views of the world.” The plan needs to reflect a consensus between “the planners and the implementers,” he stated.

Adams explained how utilities plan their loads and resources, offering a presentation titled “Plan Today, Power Tomorrow.” Utilities put together integrated resource plans (IRPs) that have a lot of the same elements as your plan, he said: a load forecast, resource options, needs assessment, and scenario analysis. The IRPs “show a lot of the same rigor” the Council puts into its plan, Adams added.

Adams said utilities are also working to articulate a vision statement that captures where they are going. He said utility IRPs create an opportunity for comparisons between the Council’s plan and what utilities are planning to do. If it’s a different picture, we need to see what the differences are and what they mean, Adams stated.

Booth asked why there is such a difference between the Council and the utilities’ assessment of surplus. Most of the difference is related to the way we treat IPP resources – only those that are contractually committed to Northwest load are counted in our forecast, Adams responded. We do not include those located in the region but contractually committed to California, he added.

Your numbers view the market as a risk, and utilities would rather build more resources than count on the market, Wallace commented. He noted the risk in slowing down conservation achievement to build resources and the difference in “risk assessment” on a local versus a regional scale.

Gaines said that from a utility planning point of view, “I can only count resources I can depend on.” If I have no ability to access a resource, it’s not part of my plan, he clarified. At a minimum, “we ought to put together a crosswalk that goes between the two views” – the individual utility and the regional, Gaines added.

He went on to explain the utilities’ view of the Council’s conservation target. “There’s scuttlebutt in the region that utilities are trying to dodge their responsibility and are not on board with conservation,” he said. In my 30 years in this business, “there has been a transformation” in thinking, and you would have a hard time finding a manager within a utility that does not fully embrace conservation, Gaines stated. We are on board, but we want the Council to set a target that is achievable, he said.

Smith said Snohomish has set aggressive targets and doubled its conservation staff. All of public power has stepped up on conservation and is “poised and ready” to meet the challenge, he said. We support the Act and our mandate to meet the conservation targets – we want to be sure they are achievable, Smith reiterated.

Gaines presented results of a utility staff analysis of measures the Council considers available to meet conservation targets. In terms of “measure readiness,” we found 60 percent of the measures are ready, some are partially ready, and others “are out there a ways,” he said. This is important for how fast we can ramp up for implementation, Gaines explained. It’s an area we need to spend more time on, he advised.

Karier said the Council has been going through the details of its staff’s conservation assessment, including issues surrounding compact florescent light bulbs (CFLs) and their role in conservation savings. Minus CFLs, the region is saving about 160 MWa annually, and if we went with the utilities’ assessment of available measures, we’d drop the target below 100 MWa, he commented.

Our staff would not agree that 160 MWa of the savings is exclusive of CFLs, Smith responded. We think their contribution is much larger, he added.

Smith raised the issue of targets based on emerging technologies that are outside of utilities’ control and savings that come from codes and standards set by others. He suggested that while emerging technologies should be part of the Council’s plan, they should not be part of the conservation targets.

There are a range of possible scenarios with carbon, Gaines continued. The Environmental Protection Agency’s assessment of costs in various legislative proposals is quite different from what’s included in your proposal, he said. We don’t know what carbon regulation and pricing will be like, and studying various scenarios is important, Gaines said.

We don’t agree with resource modeling that embeds a \$50 per ton cost for carbon, he stated. That assumption affects other things in the plan, Gaines added. Why not take out the carbon and run the possibilities as a sensitivity analysis, he suggested.

“We’re not here to bash the plan,” Gaines summed up. We want to collaborate with you to come up with a plan we can all support and implement, he stated.

Part of this process is gathering information, Booth told the panel. There are three areas we need to clarify, he said: surplus, conservation, and carbon.

Paul Norman of Bonneville joined the discussion with praise for “the high-quality technical work” that has been done for the Sixth Power Plan. “First and foremost,” Norman said he is concerned about the idea of “surplus” in the plan. We have to get this part right and reflect our need to acquire resources, he stated.

Norman advised the Council to explain the gap between the results of its portfolio model and the utilities’ forecast.

I understand the impulse to get the draft plan out, he continued. Bonneville has faced the same dilemma in various processes, but holding things up “paid dividends,” Norman said. There is the risk of polarization if you rush something out, he said. “It’s a tough call,” but allowing the time for collaboration is important, Norman said. We need to build consensus between the planners and implementers on conservation, he stated.

Morlan asked how delaying the Council's plan would affect BPA's resource program. It is a problem, Norman acknowledged, but on balance, it's outweighed by the need to keep the discussion from getting polarized. "I would err on the side of a collaborative plan," he said. Spend a little more time, but not a lot, Norman added.

It is important to have aggressive conservation targets, according to Mike Weedall of BPA. But it's also important to have targets that are achievable, he said. I look forward to continuing to work to settle on a target that is "a good stretch for the region," but that doesn't "set us up for failure," Weedall added. We need to reach an agreement on the target and an implementation strategy, he concluded.

Approved July _____, 2009

Vice-Chair

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