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January 7, 2009

MEMORANDUM

TO: Council Members

FROM: Terry Morlan

SUBJECT: Discussion of Introductory Chapters of Sixth Power Plan

Chair Booth has requested that the full Council be kept informed of progress on the Sixth Power Plan. In this meeting, the Council will see the draft forecasts of demand, a summary of generating resources and efficiency analysis to date, and a short briefing on the contents of two introductory chapters for the Sixth Plan. These chapters are preliminary, but I wanted to get Council member's views early in the process. Some of the graphics and data will be revised and refined as we develop more information. Nevertheless, the general approach will be illustrated by the drafts. The draft chapters attached.

In the current outline of the plan, chapter 1 is an executive summary, and chapter 2 is the action plan. The draft chapters we will discuss at this meeting are currently labeled chapters 3 and 4. Chapter 3 is an introduction to the Plan. It discusses the purpose of the power plan and the major issues it will address. Under each issue, several questions that should be addressed in the plan are listed.

Chapter 4 is titled "Background". It provides the context for the power plan. It describes historical trends and changes in the demand for electricity, sources of supply (including conservation), energy and electricity prices, and changing policies over the past 20 to 25 years. Finally, the changing focus of the Council's past power plans is discussed briefly. A general theme or focus of the Sixth Power Plan is proposed. A text box describes the context and focus of each of the Council's previous five plans.

Again, the purpose of these drafts is to give the Council members a chance to offer their ideas and suggestions early in the process. It is also a way to make some progress on the writing and review of the plan so that it won't be all left to April and May. We do not intend to post these drafts on the Council's web site. They are for preliminary internal discussion.

Introductory Chapters to Sixth Power Plan

Council Meeting
January 13-15, 2009
Missoula, MT



Proposed Outline of Plan

- Executive Summary
- Implementation Plan
- **Introduction**
- **Background**
- Assumptions and Forecasts
- Long-term Resource Strategy
- Climate Change Issues
- Other Chapters of Specific Topics



Chapter 3 - Introduction

- Purpose of the Power Plan
- Major Issues
 - Climate change
 - Providing capacity and ancillary services
 - Bonneville's role
 - Changing technology
 - Growing cost of energy
- (Poses questions to be addressed for each issue.)



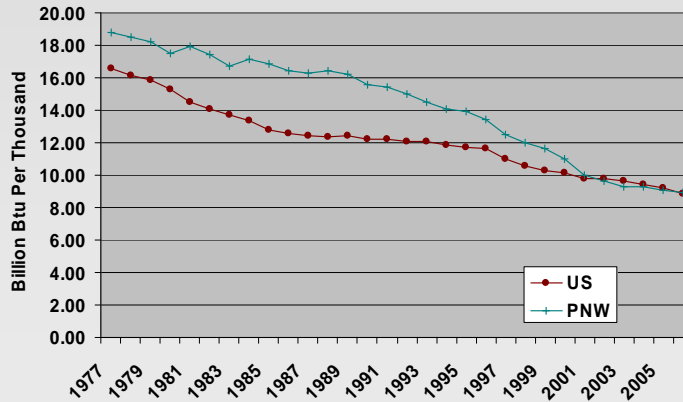
Chapter 4 - Background

- Trends in demand
 - Effects of conservation
- Resource development history
- Electricity prices
- Evolving energy policies
- Focus of past Plans and Sixth Plan



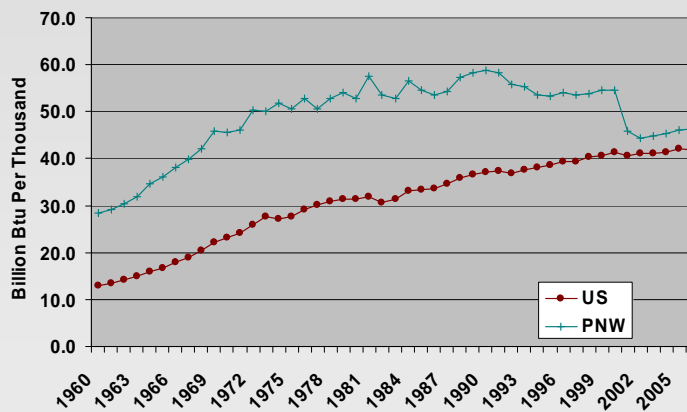
The Pacific Northwest is No Longer More Energy Intensive than the U.S.

Total Energy Use Per GDP



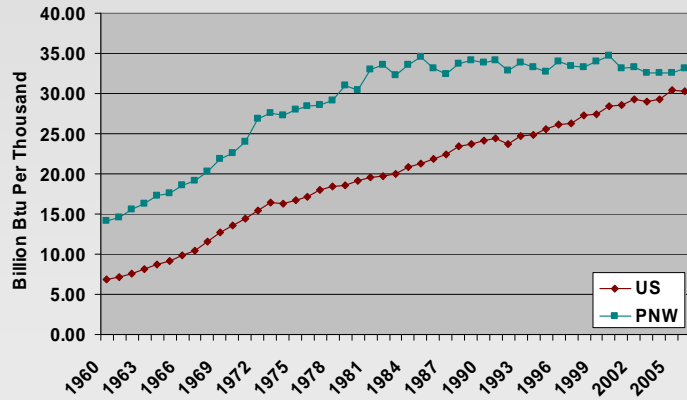
Even Per Capita Electricity Use is Approaching U.S. Levels

Electricity End Use Per Capita

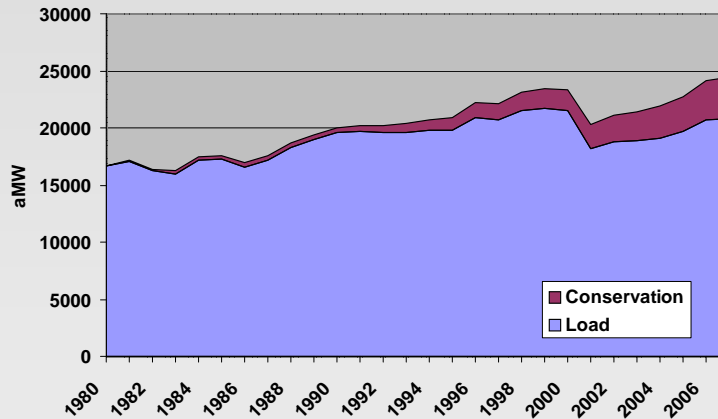


Electricity Use Per Capita Remains Higher than U.S., But Less So

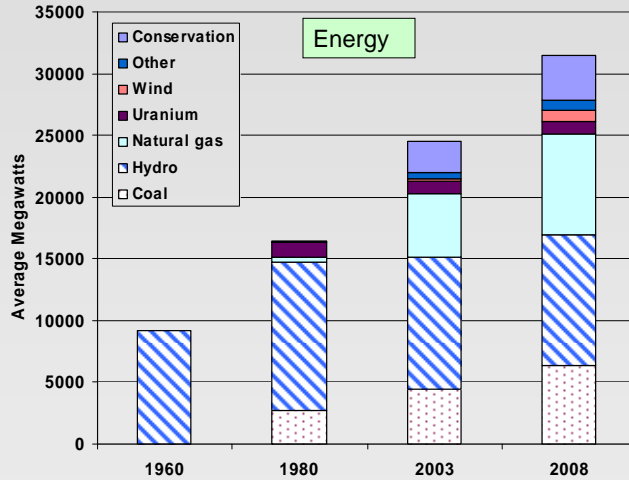
Residential and Commercial Electricity Use Per Capita



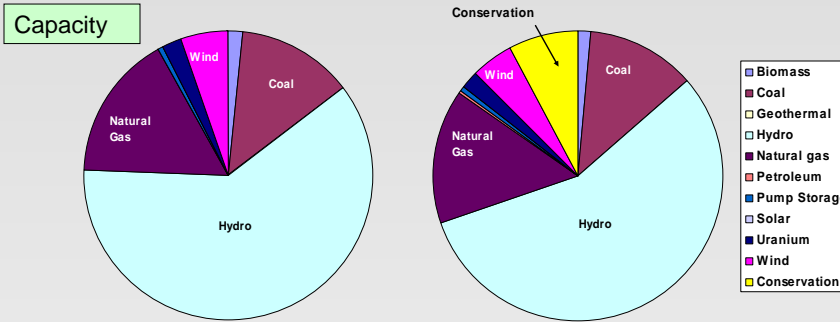
Conservation Has Helped Reduce the Growth in Electricity Demand



The Northwest Sources of Electricity are Becoming More Diverse

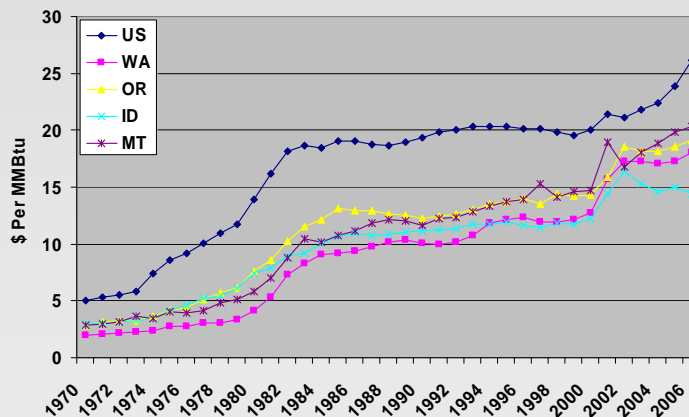


Current Resource Mix: With and Without Conservation

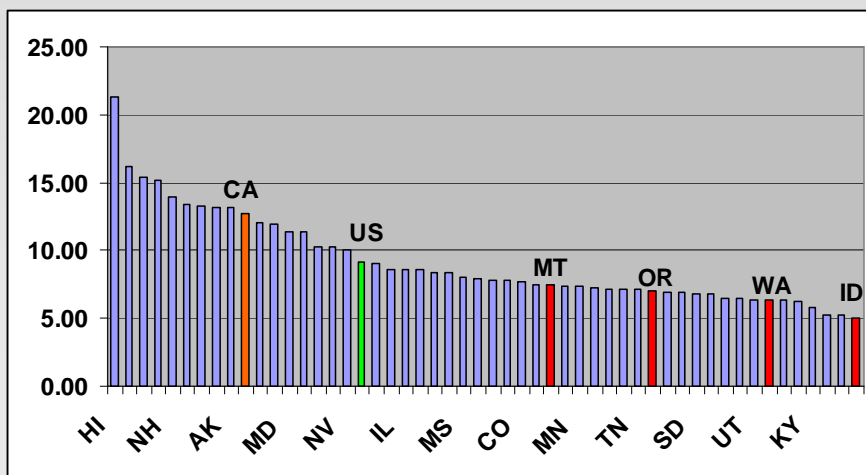


Northwest Electricity Prices Still Low Compared to U.S.

Total Electricity Price



State Electricity Prices, 2007



Policy and Regulatory Changes

- Fish and wildlife programs development
- Restructured electricity markets
- Changing Bonneville role
- Climate change policies
- Others?



Focus of Sixth Power Plan

- Likely to revolve around policies being enacted to address climate change
 - New resource selection criteria
 - Wind integration and diversity
- A second focus may be capacity, flexibility, and ancillary services
 - Resources may be needed in plan to provide these services, in addition to meeting energy demand

