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Montana

Bill Bradbury  
Oregon

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Washington

Phil Rockefeller  
Washington

March 27, 2012

## MEMORANDUM

**TO:** Power Committee

**FROM:** Charlie Grist

**SUBJECT:** Discussion of Scope for Mid-Term Assessment

The upcoming mid-term assessment of the Sixth Power Plan has generated a considerable amount of interest around the region. Terry Morlan and Jim Yost briefed the PNUCC Board on plans for the mid-term assessment at its March meeting. The PNUCC briefing generated some discussion around the impact of current trends such as low gas prices, near-term energy surplus and emerging capacity markets on the Sixth Power Plan action plan. Bonneville and utilities have expressed interest in progress on the Plan's conservation targets. Recent low market prices for electricity and secondary sales have raised questions about pursuing conservation during a power surplus and about conservation cost-effectiveness.

Representatives from PNUCC, the Public Power Council, Bonneville and Northwest Energy Coalition will join the power committee at Skamania to discuss how to scope the mid-term assessment. This is intended to be an informal discussion to help craft the development of the mid-term assessment over the next six months. We will discuss issues of interest and try to identify analysis that might be done as part of the assessment to inform emerging issues, questions and concerns. We may have a similar discussion with additional interested parties at the May meeting.

Attached are two items. First is a letter from PNUCC chair Jack Spear expressing interest in the formative phases of the mid-term assessment and summarizing some of PNUCC's initial goals and issues. I have also attached the draft outline of the mid-term review.

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March 27, 2012

Ms. Joan Dukes, Chair  
Northwest Power and Conservation Council  
851 S.W. Sixth Avenue, Suite 1100  
Portland, Oregon 97204

Dear Chair Dukes,

On behalf of the PNUCC Board of Directors and its members, I would like to express our interest in participating in the Council's upcoming mid-term assessment of the Sixth Power Plan. We had the opportunity to talk about the assessment with Power Committee Chair Jim Yost and members of your staff at our board meeting earlier this month. Those discussions were extremely valuable, and we hope to have additional such meetings in the coming months.

The Council's Power Plan is a vitally important document for the region. Utilities, interest groups, the media, and policymakers all make use of it, as a source of data, a yardstick for accomplishments, and a one-stop composite picture that explains key Northwest energy issues and policies. That's why keeping the information in the plan as accurate as possible is essential, and well worth the time and effort to do it right.

To give you a snapshot of how we view the mid-term assessment, we have attached a summary of PNUCC's goals and interests in several issues at the heart of the power plan. We also see the assessment as a great opportunity to provide the region with an up-to-date document that illuminates current challenges facing the electric power industry in the Northwest.

We would like very much to meet with the Power Committee in the formative phases of the assessment and participate in any committees or advisory groups that you establish. We are willing to roll up our sleeves and delve into the data with you over the next six months to help get this important update done. Please contact me or Dick Adams, PNUCC's Executive Director if you have any questions or would like to set up specific meetings to discuss this further.

Sincerely,

Jack Speer, Chairman  
PNUCC Board of Directors

Attachment

cc: Council Members, Steve Crow, Terry Morlan, Mark Walker  
PNUCC Board of Directors

## **Sixth Power Plan Mid-term Assessment PNUCC Goals and Issues**

### ***GOALS***

While we expect the assessment will not include the same level of intense analysis done for the plan, we would like to see an assessment that:

- Contains accurate, reality-checked information and confirms that the Council and PNUCC members share a common view of the Northwest power system and its present and future challenges.
- Explains clearly any significant changes to the plan's themes or direction.
- Tees up the key issues for the Seventh Power Plan and communicates them in a manner that customers, elected officials, and others can easily understand.

### ***KEY ISSUES***

#### **Conservation**

We'd like to pitch in with the substantial technical work needed to give a clear picture on where we are with conservation acquisition. We suggest convening a group with representatives from private and public utilities and BPA to work with Council staff to:

- Estimate aggregate conservation savings reported by utilities, NW Energy Efficiency Alliance, Energy Trust of Oregon and from efficiency improvements from new codes and standards.
- Update estimates of expected conservation acquisitions in the rest of the action plan period, based on factors like economic activity, load growth, and changes in cost-effectiveness criteria.

#### **Generating Resources**

We think the assessment needs to look closely at whether assumptions in the plan are on track with what's happening now. Specifically, it should examine:

- What utilities are doing with respect to natural gas facilities for electricity generation; for example, the plan doesn't show any plants are anticipated until late in the 20 year planning horizon.
- How utilities are meeting state renewables requirements, including facilities being built and renewable energy credit purchases, and how these activities match up with estimates. Estimates of future renewables development also need updating.

#### **Capacity and Flexibility Planning**

We recommend attending to the issue of flexibility and looking at how we are doing in providing services to support wind generation. The assessment should:

- Review recent actions taken to address growing capacity and flexibility needs.
- Identify additional analytic tools that can help. This will provide a head-start on this important issue for the Seventh Power Plan.

**Forecasts and Assumptions**

We'd like to see the plan's forecasts compared to: actual load growth, wholesale market prices in the past few years, recent natural gas prices, and other economic drivers.

**Energy Policies**

The assessment should verify if assumptions in the plan about federal energy policies, such as a carbon tax, lighting standards, and renewable energy tax credits, are still valid today. It should update discussions of state actions that affect the Northwest energy industry, including California's renewable energy laws and policies.

## **Draft Table of Contents for 6th Plan Mid-term Assessment**

Draft of March 24, 2012

### Introduction

- Major Findings of the Sixth Power Plan
- Summary of Major Developments since Adoption of the Sixth Power Plan
- Purpose of the Biennial Monitoring Report
- Status of Action Plan items
- Setting Foundations for Major Issues in the Seventh Plan

### Assessment of the Sixth Power Plan (Comparison of 2010-2011 to Plan Assumptions)

- Key Assumptions
- Demand Forecast
- Fuel Prices
- Electricity Prices
- Resource Costs (both Generation and Conservation)
- Load - Resource Balance
- Utility IRPs
- Regional Adequacy Standards

### Status of Action Plan Implementation

- Conservation
- Demand Response
- Generating Resources

### Policy Developments

- Direct Use of Natural Gas
- Transmission
- Climate Change
- Renewable Portfolio Standards
- Excess Generation
- Capacity and Flexibility Resources
- Joint Optimization of Electric and Gas Systems
- Bonneville Obligation
- Federal and State Energy Policy Developments

### Implications for Long-Term Plan and Action Plan

- Likely Effects of Major Changes on the Plan
- Issues for the Next Power Plan
- Timing of the Next Power Plan and Interim Conservation Targets for 2015

## Appendices

Action Plan Status

Key Assumptions

Electricity Demand (impact of Federal and State standards)

Fuel Prices

Electric Prices

Resource Portfolio Assumptions (wind)

Other Generating Technologies Assumptions

Energy Efficiency (impact of standards)

Demand Response (Smart Grid)

Utility Integrated Resource Plans

Resource Adequacy Standards

Bonneville Role

Transmission Issues

Environmental issues

Climate Change

Federal and State Energy Policy