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January 5, 2010

MEMORANDUM

TO: Council Members

FROM: Terry Morlan

SUBJECT: Revised Resource Strategy - Chapter 10

Chapter 10, formerly Chapter 9 in the draft plan, describes the Council's resource strategy. It is being completely rewritten from the draft plan. The new approach is intended to focus much more clearly on the resource strategy. I have attached the draft of the resource strategy section. It summarizes the 5 elements of the strategy and then discusses each in more depth. Areas that need updating or revision are highlighted in yellow.

The five elements of the resource strategy for the Sixth Power Plan are:

- Improved efficiency
- Meeting renewable portfolio standards
- Natural gas-fired generation
- Building and preserving infrastructure
- Developing new technologies and resource alternatives

Following the description of the resource strategy are two additional sections. These have not been written yet pending completion of other scenarios, but a proposed outline of the contents is included. The first would expand on the value of the strategy in terms of how it reduces cost and risk and how it provides an adequate power system from a planning perspective. The last section would be a comparison of scenarios with graphics and a table similar to the one at the end of Chapter 9 in the draft Plan. These later two sections could turn out somewhat different as they are written.

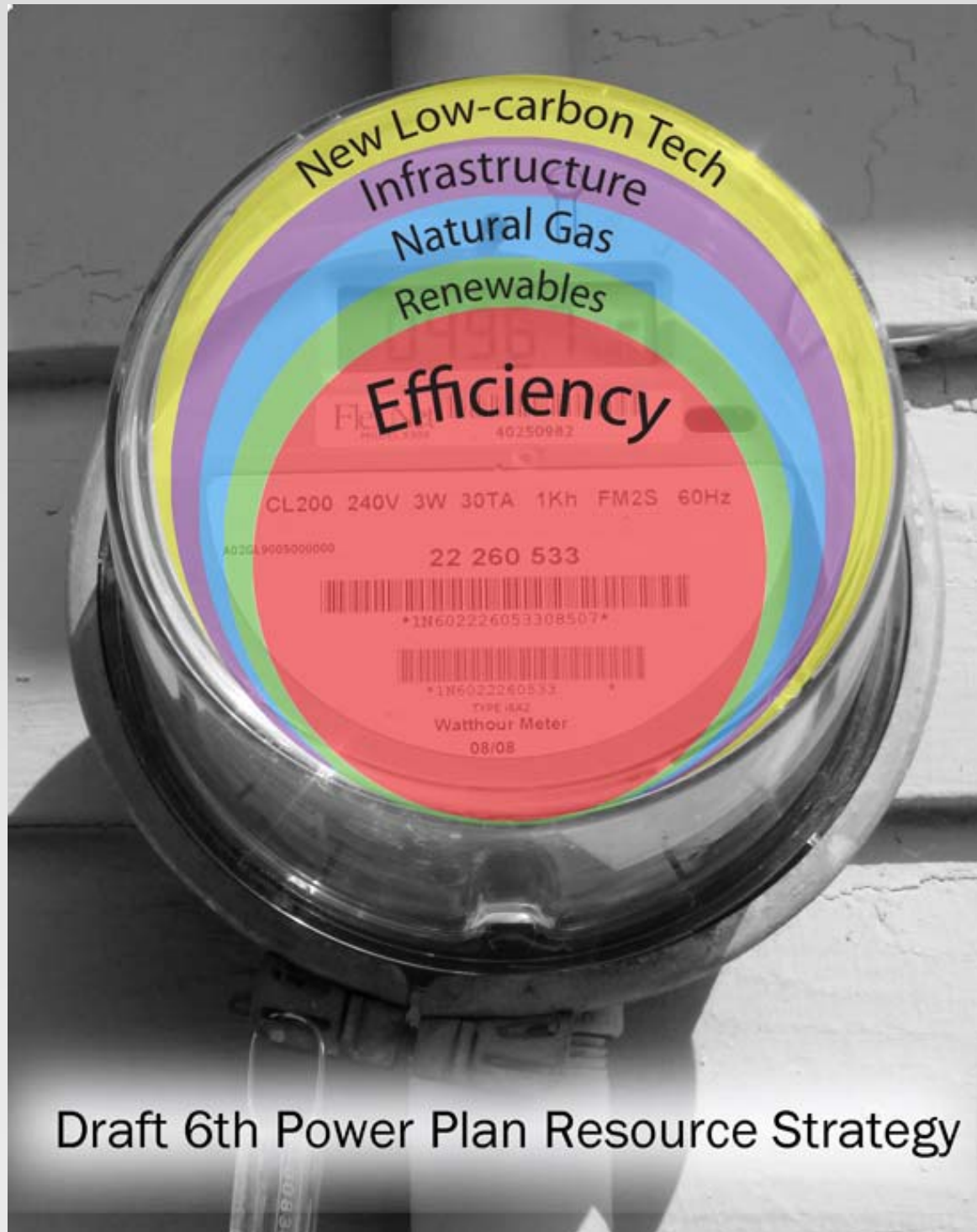
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Sixth Power Plan Resource Strategy Chapter 10

Council Meeting
January 12-13, 2010





Draft 6th Power Plan Resource Strategy

Efficiency

- It costs less than half of generating resources
- It mitigates risks from volatile fuel prices and unknown carbon costs
- A key element in reducing carbon emissions
- 5,900 average megawatts by 2030; 1,200 average megawatts 2010-14



BrainPower

Renewable Standards

- Meeting states' renewable portfolio standards will require an additional 1,450 average megawatts of wind or other renewable electricity generation
- Development of small-scale local renewable generation with flexibility and capacity value is encouraged

Natural Gas

- Natural gas-fired generation is the most cost-effective resource to provide additional energy and capacity after efficiency
- Gas-fired generation may be needed by individual utilities sooner than from a regional perspective
- Flexible, lower carbon emissions than coal, relatively small increments and low capital costs make natural gas attractive
- Displacing coal with natural gas is a key to reduced carbon emissions at least in the near term

Infrastructure

- Improved operation of the existing power system
- Transmission system investments
- Preserving the capability of the hydroelectric system

Developing New Low-Carbon Resource Alternatives

- Tracking and encouraging new technologies for energy, capacity, and flexibility
 - Smart-grid
 - Demand response
 - Renewables
 - Storage
 - Nuclear
 - Carbon sequestration