



## **Northwest Power and Conservation Council** Meeting Notes – August 11 & 12, 2015 Missoula, Montana

**Council members, staff and meeting attendees weathered a black and wickedly windy night** in Missoula, Montana, last August 10, as powerful wind gusts resulted in a power outage to 18,000 customers. Thanks to the deft and determined work of NorthWestern Energy crews, power was restored to the Doubletree Hotel early the next morning, allowing the Council to conduct its business.

Much of the meeting’s dialogue surrounded the Resource Portfolio Model results, which is informing the Council’s strategic direction in the Seventh Northwest Power Plan (Seventh Plan). Attendees were able to get a better sense of the areas being emphasized and deemphasized compared to the Sixth Plan, and Council staff outlined its next steps for framing an action plan to implement the Seventh Plan. The Seventh Plan is due to be released in draft form for public comment in late October.

The meeting wrapped up with a presentation by a panel of Montana co-op managers, who briefed Council members on the impact of Bonneville’s demand costs and mandated energy efficiency programs.

Next Council meeting: September 15 & 16 in Boise.

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## The Agenda

### **Final Clean Power Plan extends deadlines and toughens Montana standards**

Council Member Pat Smith, Power Committee Chair, reported on the impact of the EPA's final rule of the Clean Power Plan under section 111d of the Clean Air Act. This establishes different target emission rates for each state due to regional variations in generation mix and electricity consumption. While the draft rule proposed a 30 percent cut in power sector emissions by 2030 from 2005 levels, the new benchmark is 32 percent. The date to begin phasing in pollution cuts has been extended from 2020 to 2022.

According to Smith, the final rule added uniform emissions performance rates for coal and natural gas, and it added a CO<sub>2</sub> mass-based state goal in addition to an emission-rate state goal. This makes it easier for states to adopt mass-base standards. It eliminated energy efficiency as a building block in terms of setting the standards, and changed emission rates for the states.

Three states ([Idaho](#), [Oregon](#) and [Washington](#)) have less-stringent standards, and [Montana's](#) is a more stringent standard. Overall, the regional mass carbon standards are a little higher in the final rule, compared to the draft rule.

The plans for compliance are due in 2016, with potential for extensions to 2018.

### **Council staff completes scenario studies and announces key findings.**

Tom Eckman, Council staff power division director, reported that the proposed scenario analysis and sensitivity studies have been completed. Using the results from its Resource Portfolio Model, the Council staff is immersed in drafting its resource strategy recommendations.

#### **Staff's key findings from the Resource Portfolio Model analysis are:**

- Least cost resource strategies consistently rely on conservation and demand response to meet future energy and capacity needs.
- Demand response or an increased reliance on external markets may be competitive options for providing winter capacity to meet regional resource adequacy requirements.
- The replacement of announced coal plant retirements generally can be achieved with no new natural gas generation in most scenarios.
- Northwest exports play a significant role in regional resource development.
- Compliance with EPA's CO<sub>2</sub> emission limits at the regional level is attainable through resource strategies that do not depart significantly from those that are not constrained by those regulations.

## **Council staff's proposed principle elements of the Seventh Power Plan are to:**

1. Develop conservation:
  - a. 1400 MWa by 2021
  - b. 3100 MWa by 2026
  - c. 4500 MWa by 2035
2. Expand the use of demand response.
  - a. Prepare to develop 700 MW by 2021.
  - b. Review resource adequacy assessment assumptions.
3. Satisfy existing Renewable Portfolio Standards.
4. Option gas-fired generation for capacity and other ancillary services, as dictated by local utility circumstances.
5. Reduce regional exports in order to serve in-region energy and capacity demand. This can result in lower total net present value system cost, and reduce the need for new resource development.
6. Expand resource alternatives (energy efficiency & non-greenhouse gas emitting).
7. Monitor and be prepared to adapt to changing conditions.

## **Seventh Plan implementation strategies introduced**

Eckman next proposed the elements of a Seventh Plan implementation strategy. "It's the core of what the Council views as the actions that need to be taken to implement the Plan," he said.

Staff's proposed actions are:

1. **Secure Thermal Generation Options:** Staff proposes asking the region's utilities and regulators to look at their IRPs to provide some options. "It's not one size fits all," Eckman said. "There are some cases where generation might be needed ahead of the Seventh Plan, and that needs to be recognized."
2. **Develop Demand Response Infrastructure:** There is a need to expand the regional demand response infrastructure. "We need to figure out how to make it work, and monitor utilities' IRPs to see if they're looking at it, relying on it, testing it and measuring it," he said.
3. **Develop Cost-Effective Conservation:** There are regional targets for energy efficiency based on cost effectiveness and RPM findings, which are to design programs that have a reasonable assurance of achieving 1,400 MWa by 2021; 3,100 MWa by 2026; and 4,500 MWa cumulative by 2035. Eckman foresees questions about the pace and the transition from the Sixth to the Seventh Plans.
4. **Meet Existing Renewable Portfolio Standards:** The model calls for meeting existing RPS, not expanding them.

5. **Acquire Conservation for Resource Adequacy:** The region needs to make sure it's watching adequacy needs. Conservation should be one of the resources considered. Utilities need to look at the capacity contribution of energy efficiency, not just energy.
6. **Quantify Value of Conservation:** Council staff recommends asking Bonneville to quantify conservation's value to the region.
7. **Form a Demand Response Advisory Committee:** This step will help focus the region's need for developing demand response. It has been a major recommendation of the System Analysis Advisory Committee, and it was done for wind integration and resource adequacy.
8. **Support Regional Market Transformation for Demand Response:** Ben Kujala, Council staff system analysis manager, said that NEEA has expressed reluctance to assist in this effort. Council Member Tom Karier is a NEEA board member and said that unless there's a consensus among its vendors, it didn't want to do it.
9. **Resolve Contract Barriers for Demand Response – BPA:** Staff is asking BPA to create standard contracts that enable BPA customers to supply demand response.
10. **Establish Demand Response Resource Acquisition Rules – BPA:** Establish a method for purchasing additional demand response at prices and levels consistent with high load and critical-to-low water conditions.
11. **Review the Regional Resource Adequacy Standard:** This will help ensure that the Resource Adequacy Advisory Committee is examining the right threshold.
12. **Establish Regional Reserve Requirements:** Eckman said that between Power Plans, there's a lot of work to do on the issue of flexibility and operating reserves.

## **Balancing and flexibility reserves to be deemphasized in Seventh Plan**

The need to look at balancing and flexibility reserves, which are the reserves needed to integrate variable resources (wind and solar), has been an important part of resource planning in the region. However, the region's resource portfolio isn't expanding renewables as fast as previously thought, and it won't be a key component in the Seventh Plan. But it likely will be important further down the road, according to Ben Kujala.

According to Kujala, they don't see the need for additional balancing and flexibility in the next 10 years. In the next six years, most of the banking and existing renewables seem to meet most of the existing RPS requirements. "With the system being operated well and having sufficient resources, there's plenty out there to meet the current need, and we don't see anything driving an incremental need," he said.

Tom Eckman said that they know what the net availability is after reserves for balancing and flexibility for BPA, but there are other Balancing Authorities in the Northwest and Council staff

eventually would like to know what the availability is for the entire system. “It’s a big inventory,” he said.

## Seventh Plan looks to utility programs to enhance MCS

Model Conservation Standards (MCS) are a requirement of every NWPCC Power Plan. For the Seventh Power Plan, staff recommended focusing on utility programs and is not proposing changes to building codes. “The states have developed an incredible machine for adopting building codes,” remarked Charlie Grist, manager, conservation resources.

Staff proposed the following next steps:

1. **Better reach to underserved or hard-to-reach markets.** Grist said we can’t acquire all cost effective conservation if we don’t hit all markets. Staff is calling for a study of those markets and what would jeopardize reaching them.
2. **Ensure that utilities will adopt voltage optimization measures on their distribution systems.** It is a measure that has been in every plan, and it has had a hard time getting traction, so staff is specifying action. “It’s a very utility-specific thing,” Grist said. “Each feeder needing an upgrade is different.” Staff is calling for BPA in particular to assess and assist in this measure.
3. **Continued work enhancing codes and standards.** “We’ve achieved a huge amount of savings from federal standards over the past 10 years and from state building codes,” Grist said. It doesn’t come without program help from the utilities and Bonneville.”

The Council agreed that it’s a move in the right direction.

## Montana co-ops stress the need for regional approaches in planning

A panel of western Montana co-ops briefed the Council on the value shortfall they perceive in Bonneville’s demand charges and energy-efficiency mandates.

Matt Grotbo, general manager of Ravalli Electric Cooperative, said his service area experiences no growth, so any conservation is a net loss in revenue. “We don’t need conservation mandates, yet we’re paying them to BPA to export to a different region,” he said. Another issue he struggles with is the fact that the energy-efficiency programs are slow to reach his service area, and once they do, they are reduced or eliminated. He cited the ground source heat pump and single-paned window replacement programs as examples.

With regard to the Council’s interest in increasing demand response in its Seventh Power Plan, Ravalli Electric’s challenge is with its current rate methodology. “We’re in favor of demand response, but 90 percent of the demand is rolled into the composite charge, so it doesn’t vary by reduction in demand,” Grotbo said.

Jean Matt, general manager of Mission Valley Power, said that his federally operated utility offers tribal and nontribal customers some of the lowest rates in the Pacific Northwest. Still, he remains concerned with BPA's spending. "We are very sensitive to rate pressures, Matt said. "In 2014, we paid additional \$1.2 million in demand charges. We also are supportive of demand response, but it is difficult to implement, especially in economically struggling areas."

With regard to energy-efficiency programs, he said a lot of the low-hanging fruit has been picked. "Look at what you can do before asking us what we can do," he concluded.

Matt Hudson, general manager of Glacier Electric Cooperative, serves the Blackfeet Reservation, and said that his customers are ill equipped to handle Bonneville's rate hikes every two years. "Unemployment is over 35 percent and, of those working, 30 percent are below the poverty line," he said. "It's one of the poorest counties in Montana and the U.S., with little to no load growth — and western Montana just had a 7.1 percent power increase and a 4.4 percent average transmission rate increase."

He said that Glacier Electric has been meeting its energy-efficiency goals, only to find that it is unable to spend money on projects to return their money back to its customers. "It's hard to convince small business owners to use more of their money to pay more for conservation when they're barely paying their bills," Hudson said.

"With some of the toughest weather conditions in the country, high unemployment rates and poverty-stricken communities, with BPA's rate hikes, it is a recipe for disaster for us," Hudson said. "We urge the Council to look at Montana different than the I-5 corridor, and it deserves to be treated differently."