



## Northwest Power and Conservation Council Meeting Notes January 11, 12 & 13, 2016 Portland, Oregon

**Sprinting to the finish line for a final version of the Seventh Northwest Power Plan**, the Council opened its doors and ears to public comment on its draft Plan. Since the draft Plan’s release in December 2015, Council Members and staff have held eight public meetings throughout the region and have received 470 comments. Over the course of three days in January, the Council discussed much of that input.

The Council also elected a new chair, Henry Lorenzen, an Oregon Council Member. Vice Chair Bill Booth from Idaho was elected to continue serving in his same capacity for the coming year.

The next regular Council Meeting will be in Portland: February 8-10, 2016.

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### The Agenda

#### **Many “thumbs up, but ...” reaction to draft Seventh Plan**

Tom Eckman, staff director of the power division, summarized the public comments on the draft Seventh Regional Power Plan as, “Yes, but ...”

Eckman said that in general, nearly all of the organizations and individuals supported the draft Plan's resource strategy's reliance on cost-effective energy efficiency and demand response to meet most load growth. However, there was less agreement on the roles that natural gas generation and renewable resources should play.

For example, utilities largely endorsed the need for additional gas-fired generation to replace retiring coal plants. In contrast, environmental and renewable energy advocates were concerned about a perceived overreliance on natural gas. And many were not pleased with the Plan's finding that additional renewable resource development is unnecessary except to meet existing state-mandated renewable portfolio standards.

As a follow-up to the comments, the Council considered:

- Whether to adopt a specific number goal or a range for energy efficiency;
- Whether to include a goal for demand response (voluntary reductions in power use during periods of peak demand in summer and winter) of 700–1,100 MWa by 2021;
- Whether to revise assumptions about the future use of new and existing natural gas-fired plants; and
- Whether to review the plan's assumptions on renewable resources that are not yet ready for utility-scale development.

## **Reaching consensus on energy efficiency**

While there was broad support for the reliance on cost-effective energy efficiency to meet load growth, there was some division on what the Plan's goal should be.

BPA, the Public Power Council, PNUCC and utilities called upon the Council to adopt a range of energy efficiency goals with belief that a range will provide for the uncertainty of future load growth, gas and electricity price projections, and other factors that could affect the region's ability to acquire conservation. On the other hand, the Northwest Energy Coalition and a broad range of advocacy organizations called on the Council to adopt mid-point efficiency development using the social cost of carbon scenario as a minimum Plan goal.

The Council Members considered whether to set a fixed number or a range before settling on the fixed number. Eckman pointed out that the region has surpassed energy efficiency goals for the past decade. He noted that "we're talking about 100 MWa over six years, plus or minus" between the fixed number or the proposed range.

## **Deciding on demand response**

While the draft Plan does not specify a numeric goal for acquiring demand response, it says that the region should be ready to develop the resource. With general support for demand

response as a way to meet capacity needs, there are reservations about the region's ability to develop it. Bonneville, PNUCC, Public Power Council, PNGC Power, and many public utilities support retaining the draft Plan's current language. Others, including the Northwest Energy Coalition want a specified goal of between 700 and 1,100 MWa by 2021.

Council Member Jennifer Anders said it's her understanding that BPA has suggested that demand response is not an obligation of theirs under the Power Act. John Shurts, staff general counsel, said "Under the Act, demand response is more of a reserve than a resource. It is a tough question to figure out - what's the reasonable, cost-effective thing to do?"

The key takeaways from staff's analysis on demand response are:

- Development of demand response slightly reduces the need for energy efficiency and may lower the probability of building new natural gas generation;
- Policies aimed to further reduce CO<sub>2</sub> emissions may increase energy efficiency development; and
- The region may not meet adequacy standards and may have difficulty providing reserves for balancing and flexibility without developing resources.

### **Draft Plan may understate natural gas need**

The Council heard differing opinions on the role natural gas should play in meeting energy demand. Eckman said the draft Plan already states that individual conditions may vary and individual utilities may have to build generation. With that, many commenter's raised the issue of emissions from natural gas.

PNUCC and others commented that the draft Plan sets unrealistically low expectations for new, natural gas fired generation and that greater attention should be paid to the fact that some utilities will have to build generation to meet their customers' needs.

### **Regional resource utilization issues are raised**

On the topic of regional resource utilization, BPA said in its comments that its sales to utilities in the region will reflect the preferences provided under the statute. PNUCC agreed, but indicated it is seeing new thermal resource development and dispatch in the future. That's because in practice, investor-owned utilities don't have unmitigated access to the hydro-system and have to compete with other buyers, such as California, for surplus power from the region. The Public Power Council recommended this section be removed from the final Seventh Power Plan because among other things is outside the purview of the Council.

## Renewable resource strategies generate a chorus of concern

Vice Chair Bill Booth questioned addressing the emotional support for renewables in the face of the need for firm resource availability to address capacity. Among the criticisms levied, the interest groups said the draft Plan doesn't recognize the use of renewables as a resource to address capacity; it didn't model scenarios for transmission integration for the resources; and it used costs projections for solar that are too high.

"We are endeavoring to rectify some of the criticisms, and we're trying to configure some portfolios that might be more successful than what we've tested so far — or at least to elucidate what needs to be resolved," Eckman said.

## Council agrees to revise draft Plan's outdated input assumptions

Multiple parties commented that the draft Plan was based on outdated natural gas and electricity market price forecasts. Some parties also commented on what appeared to be differences between the load forecast used for the Regional Resource Adequacy Assessment and the draft Plan.

After consultation with the Natural Gas Advisory Committee, the Council lowered the long-term medium forecast by about \$1 per mmBtu. The wholesale Electricity Market Price forecast was also updated, resulting in a \$3-\$4 per MWh reduction in long-term prices in the medium forecast.

Other changes discussed included input assumptions for:

- Conservation supply curves
- Direct-application renewables
- Demand response supply curve
- Solar PV costs
- Reserves held for balancing and flexibility

The Council will hold webinars to continue the discussion on the final Plan. Public comments can be accessed on the Council's [Seventh Plan website](#).

## Member Henry Lorenzen assumes Council chair

Each January the Council rotates its chair duties, this year electing **Henry Lorenzen**, one of Oregon's Council Members. A third-generation dry land wheat farmer, Lorenzen is an attorney from Pendleton, Oregon, who was appointed to the Council in 2012. He received his BS in electrical engineering from Oregon State University, his MBA from Harvard University, and his law degree from Lewis and Clark Law School. Vice Chair **Bill Booth**, Council Member from Idaho, was elected to continue serving in his same capacity for the coming year. He is entering his fourth, three-year term on the Council.