PNUCC REPORT Council

Northwest Power and Conservation Council

June 10-11, 2014

In Missoula, the Council heard from a number of Montana co-op reps about the burden that higher rates place on their low-income members. They emphasized that BPA's customers ultimately pay the bill for the Council's fish and wildlife and energy efficiency decisions. BPA reported on the outcome of its energy efficiency review, including one workgroup's unanimous recommendation to expense rather than capitalize conservation. A briefing on the Environmental Protection Agency's proposed rule on existing carbon-emitting power plants raised questions about maintaining a reliable and affordable power system in the Northwest. Next meeting: July 8-9 in Portland.

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The Agenda

Be Mindful of Those Who Write the Checks

Joe Lukas, manager of the Western Montana Electric Generating and Transmission Cooperative, introduced co-op general managers Mark Johnson of Flathead Electric, Ray Ellis of Lincoln Electric, Rollie Miller of Vigilante Electric, and Mark Grotbo of Ravalli Electric, and Dean Peterson, President of the Board of Trustees at Vigilante. They're here to tell you about what's going on at the Montana electric co-ops, Lukas said.

Johnson kicked off the panel, pointing out that Flathead is the second largest electric utility in Montana, second to Northwestern Energy, and serves about 61,744 customers in five

Montana counties. There are a couple of things for us to discuss with you, he said: the Council's fish and wildlife (F&W) program and energy efficiency.

The Council's responsibility is to plan for an adequate, efficient, economic, and reliable power supply, and as you plan, we want you to understand what we are up against as utilities, Johnson told the Council. We have areas in our service territory at Flathead Electric with 20 percent of the population below the poverty line and many residents among the long-term unemployed, he said.

As a utility manager, I get two kinds of calls, Johnson said: questions about the basic charge and high bill complaints. A lot of people have trouble paying their electricity bill, and this is especially evident in a hard winter like we've just had, he said. "Low income doesn't mean low user" when it comes to electricity, Johnson said, adding that Flathead determined its low-income residents use about 300 kilowatt-hours per month above the co-op's average and they pay more than the average consumer.

People I talk to also talk about F&W costs, he continued. About 17 cents of every dollar our customers pay goes to fund F&W, Johnson said. We want you to understand that at the end of the line, we pay those costs, he stated. "You guys are more removed from customers than we are," Johnson said. When you make decisions, they're important in terms of our customers' bills, he said.

The February 26 letter you sent to BPA seeking more energy efficiency spending created quite a stir, and we were disappointed to see it, Johnson continued. BPA proposes to spend billions on capital projects in the next 10 years, and there are increases coming in F&W costs, he said. It's important to see costs controlled, Johnson stated, adding that the dollars co-op customers pay BPA are a result of decisions "by you folks." We want to remind you that "those who pay my salary and your salary" are the ones who are also covering those costs, he pointed out. "At the end of the day, remember who is writing the check," Johnson concluded.

Vigilante Electric serves approximately 9,270 meters in nine Montana counties and covers a large geographic area, with less than two members per mile of power line, Miller said. Many of our accounts are low-usage accounts, and members still struggle to pay their bill even when they use a small amount of power, he reported. Vigilante is a summer-peaking utility with a heavy reliance on irrigation load, Miller continued. And this year, we are way down on the amount of water available for crops in the area, he added.

We would ask the Council to consider those things when making its recommendations, Miller stated. Think about it from our members' perspective and "use common sense" in coming up with your recommendations, he urged. We saw a significant increase in BPA's rates in 2013 and we are facing another increase in 2015, Miller pointed out. Consider these tough economic times when you make recommendations that affect our members money – "it is not unlimited," he stated.

Peterson told the Council he ranches near Wisdom, Montana and raises crops for cattle feed using just flood irrigation. My concerns are with a letter the Council sent to Elliott Mainzer at BPA in February asking for more money to increase conservation spending between the Sixth and Seventh power plans, he said. That's on top of BPA's capital plan that calls for spending $10 billion over 10 years, Peterson indicated. You asked for the money but didn't tell us why or how you would spend it, he added.

All of that cost comes back to us and our ratepayers, who have seen increases in the last two BPA rate periods, Peterson told the Council. That concerns me as a member of the co-op and the board president, he continued. Energy conservation is important and we need to do it, but every kilowatt of electricity I don't sell at the co-op is revenue lost, Peterson explained. We have the same expenses – wires, employees, benefits – to cover, and that revenue loss drives the rates up, he stated.

My point is that we need to spend money wisely and cost effectively, and we urge you to consider that in your future decisions, Peterson said. I appreciate the opportunity to relate this to you one on one, he wrapped up.

<u>Mill Shutdowns Plague Rural Montana</u>

Grotbo said the co-op he manages serves about 10,000 meters. "We're a lot closer to the front line" in terms of what electricity consumers are paying on their bills, he said. Grotbo pointed out the job loss that has occurred in the Bitterroot Valley. This used to be a logging community, but all of the mills in the Ravalli service area are shut down, which has depressed incomes, he said. Even a small increase in electricity rates is hard for our members to pay, Grotbo stated.

There has been no growth in energy sales at the co-op, and without new sales, "costs go up," with conservation spending, he went on. If you are acquiring new resources to meet growth, it makes sense; but to force those costs on people who can't afford it when there is no load growth, "it just is not palatable," Grotbo said. Those with the least ability to pay will see the biggest impacts from your funding decisions, he said.

Ellis said Lincoln Electric is the smallest and youngest utility in western Montana. The entire budget for our utility is less than the budget for the Council, he said. When I saw the Regional Technical Forum (RTF) budget, I noted that it is about the same size as for our entire staff, Ellis told the Council.

Lincoln has about 4,100 members and started serving power in 1951, he said, adding that there are co-op members who remember not having electricity. Our service territory has lost three sawmills, and "they are not just shut down, they are gone," Ellis stated. We have 18 percent unemployment and 30 percent of our members live below the poverty line, he said. "I need to defend their pocket books," Ellis stated.

"BPA doesn't have money, they get it through our members," he continued. You understand that, but when you see groups and organizations that hover around the Council, they look at utilities as "an evil entity," Ellis said. What I can tell you about electric co-ops is, we are our members – we have a close relationship with our members and we hear from them, he stated. I get phone calls and people stop me in town; they're concerned about the cost of power, Ellis stated.

"We institute energy efficiency programs the Council pushes toward us," he said. We believe in energy efficiency, but the load growth here is nonexistent – it's flat, if not declining, and energy efficiency does us harm, Ellis said. We shift money from our poorest members to those who have the money to implement energy efficiency, he pointed out, adding that the poorest can't afford to use out-of-pocket cash for those things. "Sara Patton would say, you need to do more low-income weatherization," Ellis said. But who do you shift those costs to? he asked. We would like to do low-income weatherization; we're interested and would love to do it on an economical basis, Ellis stated.

It would be nice to have a relationship with the Council that is not so adversarial, he commented. But when the costs are increasing on us through our BPA rates, it is adversarial, Ellis stated. Please understand that I have to represent those in my community, and costs are a big deal in their lives, he reiterated.

With regard to fish restoration, make sure the actions in your program have a nexus with the power system, Ellis went on. Today, 50 percent of our F&W costs are peripheral to the power system, and our members don't understand that, he said. The exploding cost of F&W is unexplainable to them, so "be mindful of that," Ellis asked.

A lot of folks think BPA has deep pockets and we can do as much F&W spending as we want, Jim Yost commented. With energy efficiency, some think it is good no matter what it costs, he said. It is eye opening to hear someone say that BPA isn't just "a big pot of money" and that the money is collected from somebody else, Yost added.

When you look at the policies the Council pushes toward us on energy efficiency when we have no load growth, it is difficult, Ellis responded. When we are required to spend money on energy efficiency, we have to raise rates to our customers and we lose sales – it can become "a death spiral," he added. Ellis suggested that decoupling rates from energy efficiency would help, and he asked the Council to help make it known to the public that decoupling is the way we have to go.

Pat Smith thanked the panelists for their articulate presentations. This is a good reminder of how energy efficiency has to work for your members in a time of low load growth, when there are lots of low-income customers, he said. That's an issue we need to address for you in the power plan, Smith stated.

I've also heard from you that dealing with energy efficiency is different out in rural areas, he continued. Hopefully the Seventh Power Plan and the Council can play a role in addressing that, Smith stated. And with the fish program, we need to look at prioritization and the effectiveness of measures to see what's working, he said. "As you've said, we know who's paying the bills," Smith concluded.

Dollar Impact of EE Recs Yet to Come

Richard Génecé of BPA opened the presentation on BPA's post-2011 energy efficiency review, saying the purpose was to consider and implement program improvements. The need for the review came in 2011 when BPA went to the Tier One Cost Allocator (TOCA) process for divvying up its energy efficiency budget, he said. The TOCA is based on a customer's power purchase from BPA, and at that time, we agreed to an evaluation to determine whether any modifications were needed, Génecé said. The review has been a very public process, he stated, adding that he deemed it successful in terms of openness and engagement in shaping refinements to the program.

The review process was carried out by five workgroups that took on various elements of the BPA energy efficiency program, Génecé explained. The workgroups developed draft recommendations, finalizing them in May, and BPA is vetting the drafts internally, he said. BPA will present its proposal to the region June 20 based on what the workgroups recommended, Génecé said. We will have 30 days of public comment and finalize the program by August in order to go forward with implementation, he indicated. Some elements will be implemented as early as

October 2014; others will have to wait until the next rate period, Génecé said.

Over 150 stakeholders participated in the review process, he added. Everyone I've talked to says it was successful, Génecé wrapped up.

The energy efficiency review has been going on since the beginning of the calendar year, according to Matt Tidwell of BPA. He recounted details of the review process, pointing out that customers came up with 15 issues to address. The most relevant issues for BPA relate to how we finance energy efficiency, Tidwell said, adding that he wanted to focus on three issues: utility self-management of incentives; a large project fund; and inter-rate period budget flexibility.

The first issue speaks to how we dole out incentives, Tidwell went on. Some customers wanted to change how a utility finances energy efficiency incentives at the retail level, he said. The second issue addresses the fact that conservation savings "can be lumpy" and come in waves, Tidwell said. A large project fund is a mechanism for customers to access funding for projects they might not otherwise be able to do because the savings are achieved in waves over a period of time, he explained. Budget flexibility between rate periods allows customers another way to address "the lumpiness" in how conservation savings are achieved; it allows a way for funds to move from one rate period to another, Tidwell said.

With regard to the self-management issue, he explained that some utilities want to expense conservation and they see that BPA's capitalization of conservation spending raises their costs over time. They asked if they could manage the incentives themselves and not incur those capitalization costs, Tidwell stated. There were also issues with the fact that utilities have to invoice BPA to access funds they have paid in for conservation, he said. When a customer sends an invoice, BPA verifies the measure was done and there was concern about that, Tidwell said.

The workgroup's unanimous recommendation was for BPA to move its energy efficiency program back to expense rather than continue to capitalize it, he continued. A conversation about that will continue beyond the post-2011 review and resume elsewhere, according to Tidwell. He noted that the discussion on expensing the program will take on "a big issue" pertaining to the use of billing credits under section 6(h) of the Northwest Power Act.

For utilities that choose to self-manage their own incentive payments, BPA would not borrow money on their behalf and would have a mechanism to assure the utility gets back what it pays in to BPA via the TOCA, Tidwell said. In order to keep the arrangement rate neutral, the agency would in fact borrow less but still set rates as if it were borrowing the total amount for all incentives, he explained.

If a utility signs up to self-manage, does it run its own conservation program? Henry Lorenzen asked. Tidwell said yes. Utilities would still report their savings, and BPA would have the same oversight to assure the conservation is achieved, he added. There would be a contractual mechanism with an energy efficiency target and repercussions if the target isn't met, Tidwell stated. The utility delivers the same savings but there is a different mechanism for financing them, he elaborated.

The Large Project Fund entails payment provisions that would make it easier for utilities to achieve savings from large projects, Tidwell continued. The budget impact isn't clear yet, he indicated, noting that BPA may wait and not bake the impact into rates. The objective is a funding paradigm that captures projects that might not otherwise happen, Tidwell said.

The inter-rate period budget flexibility would give customers an opportunity to roll project funding into the next rate period, he explained. We don't know how that will work at the Integrated Program Review (IPR) level, where program budgets are set, but we are investigating it, Tidwell acknowledged. If a utility has a project that might not be accomplished in a two-year rate period, this would allow access to the unspent money into the next rate period, he said.

<u>A Second IPR May Be Needed</u>

Bill Bradbury asked Tidwell about the possibility of an "IPR2." It's possible BPA would run a short process to talk about any increase in budgets that could occur as a result of this recommendation, Tidwell responded. But basically this doesn't have a big impact on BPA rates, he added.

BPA will host a meeting on June 20 to roll-out its energy efficiency program proposal and would appreciate the Council's participation, Tidwell said, adding that BPA will release the proposal June 18 to give people a chance to review it. We'll explore the proposal issue by issue at the meeting, he said

The energy efficiency program at BPA is a model for the rest of the country, Tom Karier commented. We've seen it evolve and get better over time, he said. There is a lot of effort to make it less centralized, and self-management represents one more step in that direction, Karier indicated. The next step makes it look less like a social program and more like an energy program, he said. If the billing credit idea is done properly, "everyone wins," Karier stated.

I've heard a consistent theme on customer choice and flexibility, Génecé said, and this is a step in that direction. We don't advocate one size fits all and we want customer engagement, he added.

Bill Booth noted that Idaho's small rural utilities have been concerned about the energy efficiency program. Were these utilities involved in your process? he asked. Every workgroup had some level of participation by small rural utilities, Génecé said, adding that a staff person from PNGC Power co-chaired Workgroup 1.

Lorenzen pointed out that BPA has done a nice job of preparing information about how energy efficiency can save money for utilities and their customers. He suggested BPA also do an analysis that shows the savings in wholesale power costs as a result of conservation. You could show substantial savings in the wholesale power bill that could be communicated to utilities, Lorenzen added.

BPA has an analysis that shows how much lower power rates are as a result of conservation, Tidwell said. If it weren't for conservation, other resources would have had to be built, he said.

Will EPA and AEER Collide?

Staffer Charlie Black briefed the Council on the Environmental Protection Agency's (EPA's) proposed rule, released June 2, to reduce carbon dioxide emissions from existing power plants. The rule is a combination of energy, economics, politics and the environment, he said, before launching into the overview.

The EPA's rule is proposed under Section 111(d) of the federal Clean Air Act, and it sets a target of reducing emissions 30 percent below the 2005 level by 2030, Black said. The rule is based on actual emissions in 2012 and applies only to carbon and not to other greenhouse gases, he stated. Compliance would begin in 2020 and targets could be met on an average basis from 2020 to 2030, Black explained.

The proposed rule is "source-based," meaning it applies to any existing carbon-emitting plant within a state regardless of where the power is consumed, he said. That contrasts with rules like California's cap and trade program, which is load-based, meaning it applies to in-state and out-of-state plants that serve load in the state, Black added.

Compliance with the rule would be for statewide plant emissions, not by individual power plants, he continued. An actual reduction in carbon emissions is required and offsets are not allowed as a way to comply, Black said.

As for the schedule, there is a 120-day public comment period, with four public hearings scheduled around the country, he said. A July 29 hearing in Denver would be the closest to the Northwest, Black pointed out. The proposed rule is subject to revision after the comment period, and EPA is scheduled to issue a final rule in June 2015, he said.

Black went on to explain EPA's formula for setting reduction targets, noting the target is not a blanket reduction and varies from state to state. The 2030 target in pounds of carbon per megawatt-hour of generation ranges in the Northwest from a low of 215 pounds for Washington to a high of 1,771 pounds for Montana, according to a Council table. In terms of the percent of reduction required, Washington is the highest at 71.8 percent and Montana is the lowest at 21.1 percent. In fact, Black said, Washington has the highest percentage reduction in the nation.

Bradbury asked how EPA got to the state-by-state reduction targets. Why is there such a big difference? He asked. EPA used a formula based on four building blocks to determine each state's target, Black responded: increase the heat rate efficiency of existing coal-fired power plants by six percent (in other words, improve the fuel use and reduce emissions); shift the dispatch from coal-fired power plants to combined-cycle natural gas-fired power plants; increase the use of renewable generation; and improve energy efficiency by about 1.5 percent per year. The building blocks were applied to the Northwest states to come up with the targets, but not all blocks worked for all states, he explained. For example, there are no coal plants in Idaho so there could be no increase in the heat rate efficiency of such plants.

In order to reach the reduction target, it is up to the states to decide how, Black continued. A state may use the four building blocks but has the flexibility to decide, he added. There are other mechanisms allowed under the proposal, including a carbon tax or cap and trade markets, Black explained. The rule is prescriptive about what to achieve, but not how to achieve it, he said.

Each state with an existing carbon-emitting power plant is required to develop an implementation plan and submit it to EPA by June 2016, Black said. If states choose to work together and develop a joint plan, as allowed under the rule, it must be filed by June 2017. If a state fails to file a plan, EPA will develop its own plan for the state, he added.

Black laid out potential roles for the Council in planning to meet the EPA targets, including the possibility of using the rule as the environmental methodology for the Seventh Power Plan. The Council could also provide analytical support to a multi-state effort, he said.

Jennifer Anders asked about the relationship between the EPA rule and the legal requirement that the Council's power plan provide an adequate, efficient, economical and reliable (AEER) power supply for the region. Black pointed out that the rule could be in place in a year and adequacy would be an issue if coal plants are retired. The region has a resource adequacy standard in place and planning is intended to assure the standard isn't violated, he indicated.

Yost suggested staff monitor developments with the rule and take a look after the comment period closes. I can't see doing anything now since the rule is unlikely to stay as proposed, he said.

Past power plans have included language that they are meant to be consistent with existing rules and laws, Karier said. Since this rule may not be final when we adopt a plan, we may need to anticipate events, he said.

Smith said he agreed with letting "the dust settle" around the proposed rule. Reliability issues have been raised with regard to the rule, and we may need to look at this in another way, he added.

PAC Okay on RTF Budget

The Regional Technical Forum (RTF) is a subscription-based entity with funding coming via 11 utilities plus BPA and the Energy Trust of Oregon, RTF manager Nick O'Neil told the Council. Before the RTF Policy Advisory Committee (PAC) was formed, funding was determined on an annual basis, but in 2012, the PAC agreed to fund the RTF for three years at $1.5 million per year, he said. The funders used the Northwest Energy Efficiency Alliance's (NEEA) allocation model to determine what share each would pay, O'Neil explained.

The RTF's current funding agreement expires at the end of 2014, and there is interest in synching the RTF and NEEA funding cycle, he continued. The RTF PAC has met to discuss funding levels for 2015 to 2019 based on its understanding of the future workload, but there is no decision for the Council to make at this time, O'Neil explained. The Council acts on the RTF budget in November of each year, and the RTF will present its work plan and budget at that time, he added.

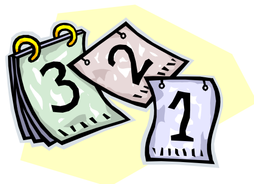
So the folks on the RTF PAC have agreed on the funding level needed? Bradbury asked. Yes, they have agreed to the funding level needed for the work plan, O'Neil responded.

It is up in the air about who is paying what, staffer Charlie Grist elaborated. There are annual contracts between the RTF and the funders because some of them can't commit to a five-year contract, he said. But they have said they will aim to make the budget happen, Grist said.

O'Neil explained the funding projections for 2015 to 2019, pointing out areas in which the costs are increasing. An additional staff person is needed in 2015 to provide market research expertise, he said. And in 2017, there will be new federal standards and the RTF savings numbers will need to be updated, O'Neil said. There are changes from year to year in projected costs, and the budget would go from $1.47 million in 2014 to $1.91 million in 2019, according to a staff table.

PAC co-chair Jim West told the Council the PAC has considered the increases, and with regard to the funding level and the NEEA allocation scheme, there is consensus they make sense.

450 Days to Kerr Transfer, But Who's Counting



Brian Lipscomb, president and CEO of Energy Keepers, Inc., a corporation owned by the Confederated Salish and Kootenai Tribes, welcomed the Council to the tribes' traditional homeland. It is 450 days before the tribe acquires Kerr Dam, he said, explaining that under Section 17 of the Indian Reorganization Act of 1935, Indians are allowed to establish corporations to do business without putting their assets at risk. Energy Keepers, which was started in 2012, has as its sole purpose operating Kerr Dam, Lipscomb stated.

The Salish and Kootenai Tribes is a confederacy of the Bitterroot Salish, the Pend d'Oreille and the Kootenai, he continued. There are 7,800 enrolled members in the tribe, 4,000 of whom live on the 1.3 million acre reservation, Lipscomb said. The Kerr Dam site on the lower Flathead River has cultural, religious and resource significance for the tribes, and before the dam, there were falls on the river that were important to us, he added.

Lipscomb said the Confederated Salish and Kootenai Tribes were the first to organize under the Reorganization Act. The tribes have been aggressive about forming corporations to do various things, he said, adding that the tribes have nine corporations, including the largest gaming corporation in Montana. As part of the reservation development, the tribes had an irrigation project built and a distribution power company owned by the Bureau of Indian Affairs, Lipscomb said. We have operated the power company since 1987, and have been active in the energy business for some time, he said, adding that Mission Valley Power is a member of the Western Montana Electric Generating and Transmission Cooperative.

The construction of Kerr Dam was started in the 1920s, and the original 50-year Federal Energy Regulatory Commission (FERC) license was granted to the Rocky Mountain Power Company and later transferred to Montana Power Company, according to Lipscomb. The tribes filed a competing application for the license in 1976, and in 1985, the tribes negotiated with Montana Power to be co-licensees and entered an agreement to purchase the dam in 2015, he explained. We took a lesser land rental fee to cover the cost of the dam, Lipscomb added. The tribes created an energy department and hired Lipscomb in 2010 to run it.

Kerr Dam is a unique structure that is part concrete and part earth-fill, with 14 spillway gates and a powerhouse beneath the dam, he told the Council. The reservoir is the top 10 feet of Flathead Lake with approximately 1.2 million acre feet of storage, Lipscomb said. The dam has a generating capacity of 194 megawatts and operations are coordinated through the Pacific Northwest Coordination Agreement, he added. The power facilities are interconnected with Northwestern Energy and with BPA, Lipscomb said.

The estimated conveyance price for the dam is $18.3 million; there could be some adjustments to the capital cost before the tribes take over in two years, he continued. We've given notice that we intend to acquire the dam September 5, 2015, and we will assume the license without any further action by FERC, Lipscomb said. The Confederate Salish and Kootenai Tribes will be sole owner and will receive the revenue from the dam, Lipscomb stated. Energy Keepers will assume possession and operation of Kerr and will sell the electrical output as a wholesale power generator to provide a long-term stream of income to the tribes, he said.

Energy Keepers has 18 employees and 12 are tribal members, Lipscomb said. The tribal operator trainees have been on board from the beginning of the agreement with Montana Power, and they will finish their training as hydro operators, he explained.

Smith asked about the transfer of the FERC license. According to Joe Hovenkotter, an attorney for the Salish and Kootenai Tribes, Kerr is one of 12 dams included in a purchase agreement between Montana Power and PPL Montana. The tribes have gotten involved in a FERC proceeding because of concerns about the sovereign status of the tribes in the transfer of the Kerr license, he said. Issues have been raised in the proceeding, but in our view, "we made a deal in 1985 and they are 29 years too late to comment," Hovenkotter said.

Does a Mathematical Exercise Deliver Jobs?

Kyla Maki of the Montana Environmental Information Center (MEIC), and Tyler Comings of Synapse Energy Inc. reported on a clean energy jobs report for Montana. MEIC and the Sierra Club commissioned the study, Maki said, noting that in its Sixth plan, the Council looked at jobs associated with energy efficiency.

In our study, we looked at the number of jobs associated with producing an average megawatt of energy and applied those to realistic development numbers for wind, solar and energy efficiency, she explained. According to a summary of the study, more than 3,000 jobs are associated with wind, 600 with solar, and 264 with energy. The numbers are conservative, Maki said. For energy efficiency, for example, we used EPA's carbon pollution guidelines because they were more conservative, she said.

"It is a good news story," Maki said of the jobs report. The resources included in the study would serve in-state and out-of-state needs, she added, with some of the energy going to Washington and Oregon.

There is tremendous potential for wind in Montana, the costs of solar photovoltaic have come down and we think the energy efficiency potential in the state, which is very cost-effective, is untapped, Comings said. "The basic story" is there is tremendous potential for energy efficiency and renewables, which will lead to more jobs, he stated.

What impact would this job potential have at Lincoln Electric Cooperative, where there is 18 percent unemployment and no load growth? Yost said. The jobs potential is across the state, Maki replied. One of the benefits of the renewables and energy efficiency jobs is that they can happen across the state and are not limited to urban areas, she said. Renewable energy can help fill the employment needs, Maki said.

The report doesn't lay out a specific energy portfolio, Comings said. It is meant to be flexible, he added.

What suggestions might you have where there are significant numbers of residents with limited income and limited ability to participate in bringing energy efficiency benefits to their homes? Phil Rockefeller asked. What about those who can't effectively participate in the opportunities that you indicate can exist? Have you thought about how to assist in those parts of that state that don't have income potential? Rockefeller asked.

Energy efficiency savings are not just savings to the participants; they are avoided costs as a whole to the system, Comings responded.

There remains an issue of costs, Rockefeller said. Advocates for energy efficiency need to take into consideration where energy efficiency would drive costs up – sensitivity to that effect is important, he stated.

That's a good point, Maki said. When you lay out a number, there are realities behind the potential and clearly there are a lot of factors to take into account, she said.

Booth asked about the methodology of multiplying jobs by megawatts. You indicate a big increase in megawatts, but did you look at the projections for growth? he asked. Growth forecasts are flat, Booth pointed out.

The study assumes a 1 percent growth rate across the state, with a 2,000 average megawatt increase by 2030, Maki said. There are assumptions, like the cost of rooftop solar, but our numbers show an increase in solar given that costs are coming down, she said. For the utility-scale solar PV, our projection is ambitious, she acknowledged. Most of the jobs are coming with wind and the projection is based on the Department of Energy's assumption that Montana could develop 2,100 aMW, Maki said. And that is assuming the transmission issues are resolved, she added. This was "a mathematical exercise" to estimate the potential, Maki said.

With stagnant load growth, Montana is exporting resources, Comings said. Part of the story is that "Montana could stay in the export game" by fulfilling energy needs in the West, he wrapped up.

Customers Speak on F&W Program

The Council held a public hearing on its draft F&W program in Missoula on June 10. Here are excerpts from the comments.

Ken Dizes, manager of the Salmon River Electric Co-op, told the Council that customers in his small Idaho community, where ranching and mining are key to the economy, support a rational science-based effort for F&W that is balanced with costs. He urged the Council to include only measures in its program with a connection to mitigating for the federal hydro system.

The Columbia Basin Fish Accords added billions of dollars to BPA's F&W spending, which already represents 20 percent of the co-op's power cost, Dizes said. "That is a lot, but especially for people who are just getting by," he said. Low-cost, reliable power is instrumental to retaining the rural culture in our area, and escalating F&W costs are having an impact, Dizes stated. The BPA Administrator has said the agency will need $10 billion over the next 10 years to keep the power system in good shape, he said. I want to underscore the importance for the Council to keep the $265 million per year F&W costs contained, Dizes said, adding "there isn't infinite money."

I am glad you rejected the proposed 10-year spill test, he continued. The Biological Opinion passage targets at the dams are being met and increased spill would have been counterproductive, Dizes stated. And I appreciate your recognition of the effect of bird predation on the salmon; more can and should be done on that, he added.

In general, the Council has struck a balance with the draft F&W program, but we question the studies of reintroducing salmon above Grand Coulee and Chief Joseph dams, Dizes said. That goes beyond BPA's responsibility under the Northwest Power Act and it goes beyond the scope of the Council, he concluded.

"I'm not here to criticize or debate the science," **Joe Lukas, manager of the Western Montana Electric G&T**, told the Council, but I have concerns about the Council including in its program the reintroduction of salmon above Grand Coulee and Chief Joseph dams. He pointed out that the region came up with a strong consensus recommendation on the Columbia River Treaty and the stage of the treaty process makes it particularly inopportune for the Council to raise the issue of reintroduction, which involves Canada.

The language in your draft F&W program goes way beyond the region's treaty recommendation, Lukas said. We fear dividing the region on the issue, and the State Department could take that division as a reason to do nothing on the treaty, he explained. I urge you to revise that section of the draft to be consistent with the treaty recommendation so we can get a renegotiation going, Lukas stated.

What language in the draft are you referring to? Bradbury asked. Lukas said he would be happy to outline the specifics. The regional recommendation on the treaty was vague on the question of reintroduction, but the Council's draft F&W program talks about details of a study and a process for the consideration, he said. The draft reads like it will be a domestic consideration, and it is the breadth and width of the language that is a problem, Lukas said. It doesn't reflect the diversity that went into the regional recommendation on the treaty, he concluded.

End Notes

F&W Hearings Net Comments. Council staff reported that 42 people have testified at the four public hearings held so far on the draft F&W program and a handful of written comments have been submitted. The bulk of the comments address the F&W program costs, hatcheries and protected areas. There are 10 hearings in total, with the last one wrapping up July 8. Written comments are due by July 9.

Council Scraps Language from Sixth Plan. On the recommendation of its legal counsel, the Council voted in favor of chopping from the Sixth Power Plan information on how BPA reports the costs of implementing its F&W program. Staffer John Shurts told the Council the information isn't a substantive part of the plan and deleting it would in part address issues in the Ninth Circuit's limited remand of the Sixth Power Plan.

Budget Released. The Council released its draft fiscal year 2016 and revised 2015 budget for public comment. Written comment on the budget closes June 27.

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