



## Northwest Power and Conservation Council Meeting Notes – June 9 & 10, 2015 Coeur d’Alene, Idaho

Council members and staff met in picturesque Coeur d’Alene, Idaho, to conduct Seventh Northwest Power Plan business and to meet with Idaho electric cooperative leaders. Polite but candid, the Idaho representatives echoed many of the views put forth by Montana public utility leaders in April, with regard to BPA’s conservation expenditures, the impact of rising rates and the need to better manage costs. Next meeting: July 14 and 15 in Spokane, Washington.

### In This Issue

<b>Idaho electrics share frank views .....</b>	<b>1</b>
<b>Demand Response first up to meet winter capacity need.....</b>	<b>3</b>
<b>Dry year strategy in play .....</b>	<b>4</b>
<b><u>Power Committee Briefs</u></b>	
<b>Columbia Generating Station won’t be singled out.....</b>	<b>6</b>
<b>Momentum savings count .....</b>	<b>6</b>
<b>Seventh Power Plan draft coming in September .....</b>	<b>6</b>

### The Agenda

#### Idaho electrics share frank views



Half a dozen representatives of rural Idaho cooperatives met with Council members to share what’s working in their service areas ... and most decidedly, what isn’t.

While lauding the availability and historical affordability of hydroelectric power, utility representatives were united in expressing the fear that Bonneville is pricing itself out of a competitive position.

“In October, we expect our wholesale power costs to increase by 7 percent, which will cost the average member another \$40 per year,” observed Doug Elliott, general manager of Kootenai Electric Cooperative. “This is on top of the \$162 per year our members are expected to pay to fund existing fish and wildlife programs. If BPA’s rates remain uncompetitive, what happens to our regional dialogue contracts when BPA’s

preference customers terminate? Our members will expect us to consider more affordable alternatives. If that happens en masse, what will become of BPA, and who will fund the FCRP projects?

For example, Elliott said that with the availability of natural gas, Kootenai Electric recently secured additional power supplies for the next two years at rates below Bonneville's.

### **Pursuing coconuts**

Annie Terracciano, general manager of Northern Lights, Inc., echoed his concerns. "As a region, we have far exceeded the Sixth Power Plan's conservation goals," she said. "About 6 percent of what we pay in wholesale power costs is what makes those



conservation dollars up. For Northern Lights, that's \$700,000 a year in conservation dollars. Our rebates are only \$300,000 per year, meaning that we pay in twice as much as we're allowed to get back and filter into our communities."

When it comes to implementing programs, Terracciano expressed frustration that effective efforts, such as BPA's duct-sealing initiative, are terminated or reduced just when momentum is achieved in her utility's rural service area. "The low-hanging conservation fruit is gone," she said. "We're now looking for coconuts. One coconut is prepaid metering — it eliminates disconnect costs, late fees, high deposits, and it's a win for everyone. We need our conservation dollars to go to our prepaid metering program."

### **Sharing the burden of salmon restoration**

Cliff Tacke, board director for Idaho County Light and Power, said that his members have some of the highest retail rates in whole Council's area of impact. "We maintain and operate a modern operating system in the face of many daunting obstacles and issues," he said.



Tacke said his members applaud the Council's efforts and accomplishments to reach consensus and implement programs. "Restoring salmon runs to a self-sustaining population is the right and honorable thing to do," he said. "Our concern is that these efforts are being undermined by unilaterally catering to special interest groups with programs that are in conflict with the U.S. Entities regional recommendations for the Columbia River Treaty."

Specifically, he requested that the study and implementation of restoring salmon passage above the Chief Joseph and Grand Coulee dams be subject to Congressional authorization and appropriation, and be conducted in a joint partnership with Canada.

*"It's our hope that the Council can help BPA maintain competitive rates by sticking to its mandate through the NW Policy Act."*

*– Doug Elliott,  
Kootenai Electric*

“The Council’s proposal to fund and conduct these studies not only conflicts with regional recommendation and efforts of the regional BiOp, it puts the burden on ratepayers instead of sharing the costs with Canada and the nation’s taxpayers,” he asserted.

### **The need for a rate overhaul**

Dave Hagen, general manager of Clearwater Power, said that all utilities have to grapple with their future rate structure. “We’re projecting an 8 percent increase in the wholesale cost of power,” he said. “Couple that with increasing expenses, labor, material, interest — on top of cost of regulatory compliance with cybersecurity compliance — it’s like a death spiral.”



*"We Care"*

Hagen said that in 1996, he undertook diversifying 50 percent away from Bonneville. He explained it was because BPA’s rates were above market at that time. “We weren’t the only ones to do that,” he said. “As utilities look to 2028, we’re looking at different resource mixes.”

Some of the questions Hagen wrestles with going forward include: “What rate structure will be we need at the wholesale and retail levels to send the proper price signal to our customers and guarantee fairness across customer classes? Will utilities be able to collect their fixed cost by increasing their monthly facilities charge? Will residential time of use rates and demand rates need to be implemented?”

And finally, “How will the Council help Northwest utilities address these questions while balancing cost containment and the development of BPA’s value proposition?”

### **Demand Response first up to meet winter capacity need**

With the scheduled retirements of the Boardman and Centralia generating plants in 2020, the Council’s preliminary studies for the 7<sup>th</sup> Power Plan show a need to develop around 1,000 MW of capacity to keep the system going. Currently, its analytics are identifying demand response as the best choice to fill that need.

Staff compared three least cost resource strategies that all followed a somewhat business-as-usual approach. The scenarios differed in regard to the levels of uncertainty, with one scenario incorporating “carbon risk.” They also indicated that these are preliminary results and with further work some of the numbers will change.

The results being compared include the amount of energy efficiency and demand response developed, the probability of developing resources for meeting renewable portfolio standards (RPS) and the probability of building thermal resources. Plus, they looked at the CO<sub>2</sub> emissions produced with each scenario.



In all the scenarios, about 1,000 MWa of energy efficiency is being developed in the first five years resulting in flat to slightly declining future load growth. All scenarios are also showing aggressive development of demand response filling the gap of Boardman and Centralia 1 retiring at the end of 2020. “We’re at deficit capacity, but between energy efficiency and demand response built by 2021 for each scenario, it’s enough to meet the planned retirements,” said Tom Eckman, power division director. Tom noted that they are planning to run a study with no demand response available to learn what would be developed instead.

In 2026, all the scenarios project the need for new thermal resources, even the “carbon risk” case that was set to minimize the addition of thermal generators. Eckman explained that looking at thermal capacity development, we see 700 to 800 MW peak capacity built in 2026, which will carry the region to 2035.

In addition, least cost resource strategies rely on low-cost demand response to maintain adequate capacity margins. Demand response is chosen over thermal additions first because in their analytics, it has a shorter lead-time, it has a smaller incremental resource size, and a lower-cost than generation options.

“We build up demand response and maintain it,” Eckman said.” In all scenarios, we build about 1,000 MW in 2021, and sustain it. “A lot of times you’re deciding whether you’re buying demand response or building a gas plant,” added Ben Kujala, Council staff system analysis manager. “And there are a lot of futures where it’s going to be left unused.”

### Dry year strategy in play

The resiliency of the Federal Columbia River Power System (FCRPS) was the moral of a presentation on dry year operations by Council staff and federal action agencies (BPA, Corps and Reclamation). Dry year operations are implemented when final April through August volume runoff forecast for the Columbia River at The Dalles is less than 72.2 million acre-feet (MAF), which is less than 82 percent of average. This year that forecast was only 62.4 MAF, nearly 10 MAF less than the dry year trigger.

The Council was briefed by a panel led by Jim Ruff, Council staff’s mainstem passage and river operations manager. The federal action agencies have been working to determine the best way to meet the needs of salmon migrating in the Columbia and Snake rivers with a limited amount of water — in addition to managing the system to meet the multiple purposes of the FCRPS through the remainder of the year, including power needs.



When dry year operations are triggered under NOAA's 2014 Supplemental FCRPS Biological Opinion, such as in this year, federal storage reservoirs are drawn down further than normal to provide more water for fish.

Steve Barton, chief of the Columbia Basin Water Management Division from the Corps of Engineers, explained that as of May 4, most U.S. basin snow below 5,000 feet was either already gone, or melting ahead of normal. Only the Upper Columbia Basin snowpack is in decent shape.

Barton explained that under BiOp year operations, Libby and Hungry Horse will be allowed an extra 10 feet of draft by September. Another resource, new to the BiOp, is a Non Treaty Storage (NTS) agreement, where 0.5 MAF draft of dry-year storage is held.

"It's proportional draft," Barton said. "When Treaty storage regulation stream flow doesn't meet the load, it proportionally drafts the reservoirs to meet that load. The water comes out when there are low-stream flow periods. It's there to meet power need, which coincidentally meets fish needs too."

*"Dry years happen. It's not the worst we've seen, but it's in that group."*

*– Steve Barton  
Corps of Engineers*

Lower Snake and Lower Columbia river flows are benefitting from upstream flow augmentation operations. With the flows at current levels, it's still going to be dry, but it's not unprecedented. They are operating consistently with the BiOp to make sure they're releasing water to benefit the salmon and provide ancillary benefits to the river.

Council Chair Phil Rockefeller praised the panel on their ability to integrate all the different systems for power and fish. He asked if they were to project the conditions we're experiencing this year, going to the next year, if it becomes a pattern or a chronic condition, do they have the confidence that they can maintain the operations we're seeing this year? Or are they drawing upon reserves that may not be available in a second or third year?

"Dry years happen," Barton said. "It's not the worst we've seen, but it's in that group. The Columbia Basin is storage shy. We have much more runoff than available storage. If we have subsequent dry year, all the same provisions apply, absent the firm release right on the Non Treaty Storage. In a second dry year, in terms of the strategy and objectives, those would remain the same. I'm confident that by employing these same strategies, we'd have a good prognosis."

## **Power Committee Briefs**

### **Columbia Generating Station won't be singled out**

The Council's power committee declined to create a scenario for the Seventh Northwest Power Plan that would evaluate the impact of a planned retirement of the Columbia Generating Station nuclear facility. The Council will still study how the Northwest handles an unexpected loss of a major resource like the Columbia Generating Station.

The Oregon Physicians for Social Responsibility asked the Council to amend scenario 4a, which currently evaluates the unanticipated loss of major resources. They requested an additional scenario anticipating a planned loss of Columbia Generating Station. "The Council generally does not conduct an economic analysis about the viability of existing resources," said Council Member Pat Smith, chair of the power committee. The Northwest Power Act puts a focus on new resources to meet future growth and staff recommended that the Council not review the economic viability of the Columbia Generating Station as part of the 7<sup>th</sup> Power Plan. The Power Committee agreed that it wasn't feasible to get into at the current time, but it didn't rule out revisiting the issue after the Seventh Plan is produced.

### **Momentum savings count**

Carrie Cobb, BPA's market research lead, briefed the power committee on energy efficiency momentum savings, which are efficiencies occurring outside of direct utility program incentives. An example of momentum savings is the foothold achieved in the market by more-efficient light bulbs. Utility programs promoted high-performance 32-watt fluorescent lamps in the 1990s to replace common, 40-watt lamps. By 2010, 32-watt lamps had almost completely taken over sales for the four-foot fluorescent lamp market. In 2012 and 2014 these more-efficient lamps became minimum federal standards.

Momentum savings count toward Council's conservation targets. Bonneville Power estimates that momentum savings will comprise 30 to 50 percent of total Sixth Plan savings accomplishments, reaching 100-200 MWa per year by 2015. However, when a new power plan is adopted, annual momentum savings are reset to zero. A new set of baselines is established that incorporates all known codes, standards and market conditions. The estimates are reviewed by BPA, utilities, Energy Trust of Oregon, the Northwest Energy Efficiency Alliance and the Council staff.

### **Seventh Power Plan draft coming in September**

Council staff is in the process of getting out drafts of the Seventh Power Plan to the power committee and then to the full Council. The goal is to deliver a draft of the full Plan in September. The game plan is to distribute each chapter to the power committee as they are finished. After editing and input, they will go to the Council. Smith forecasts that a lot of charts and figures will come at Council members in July, with the real meat of the plan to come in mid-August. The Council may have to schedule some additional full meetings to review them.