



Northwest Power and Conservation Council

Meeting Notes
March 8, & 9, 2016
Portland, Oregon

The Council’s Power Division Director, Tom Eckman, announced he will retire this coming July and we at PNUCC want to express our sincere appreciation and thanks for his years of service. Joining the Council after the adoption of the Regional Power Act, Tom has been a part of the PNUCC family since the Council was formed. From the conversation and formulation to publication, he has had an integral role in the development of seven Power Plans.

With the release of the Seventh Plan last month, the Council’s agenda included an informative and engaging presentation by the Reardan, Washington FFA Agricultural Issues Team. The well-rehearsed, tag-team narrative argued the pros and cons of the reintroduction of salmon above Chief Joseph and Grand Coulee Dams.

Next the Council settled into a more routine collection of issues, including an early look at Bonneville Power Administration’s 2028 initiative, a discussion on BPA’s transmission expansion planning investments and the Columbia River fish run forecast for 2016.

The next regular Council Meeting will be in Missoula: April 12-13, 2016.

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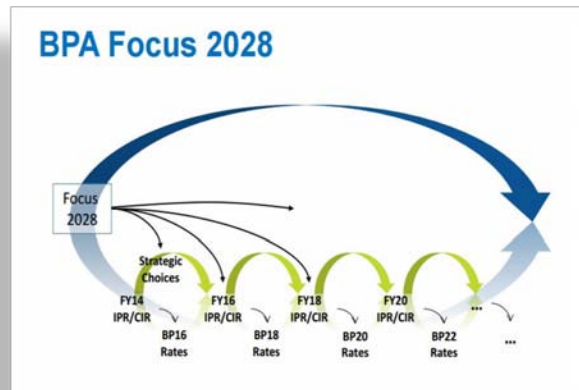
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The Agenda

Competitiveness today blurs 2028 focus

Bonneville recently initiated Focus 2028 to examine and discuss the types of industry changes and strategic choices Bonneville is facing to maintain its financial strength and cost competitiveness.

BPA’s Peter Cogswell, director, intergovernmental affairs; and Kim Thompson, coordinator, Focus 2028, briefed the Council on the issues emerging in its Focus 2028 process.



Cogswell opened by saying there are two different issues at play: BPA’s financial health and its competitiveness going forward. Noting there is a tendency to look at BPA through different lenses and whether it is transmission, energy efficiency, fish and wildlife, or power; he stressed Focus 2028 is an opportunity educate participants on cost drivers collectively while setting the agency up for the long term.

Thompson agreed, saying that her biggest takeaway from recent Focus 2028 forums is that it’s not possible to only have a long-term conversation. “Customers and stakeholders are looking at what we’re doing right now, and measuring us in the short-term,” she said.

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--- Kim Thompson, BPA

She explained that it can be difficult to navigate through the Agency’s short-term cost drivers while setting the agency up to be successful in the long term, particularly in 2028 when the long-term contracts expire.

She added that long-term competitiveness is important, but BPA’s customers are weighing affordability now. Their customers’ ability to plan and run their businesses depends on BPA’s actions now and how affordability is managed from period to period, she said.

Thompson reported that BPA is publishing a reference case: a 15-year projection of rates with sets of assumptions based on spending, market and other conditions. “We’re using this tool as we go through our next round of short-term financial planning; the integrated program and capital investment review in the spring/summer timeframe,” she said.

She said they are working to optimize investments in the hydro system through its asset investment excellence initiative. It means moving from a world where dam operators just say what they need to have fixed, to an asset management-focused world where investments are based on a renewal cycle.

Continuing to seek out efficiencies in fish and wildlife programs and optimizing the delivery of BPA’s energy efficiency programs are also being reviewed. “We rely so heavily on utility customers to implement big swaths of that program,” Thompson explained. “If we have friction in that relationship and protocols, then we have friction in our efficiency delivery.”

Cogswell characterized Focus 2028 as a priority-making process, not a decision-making process. Decisions will be made in the implementation phase and will include engagement, workshops and then policy formation.

Council Member Henry Lorenzen pressed BPA’s representatives on how they determined competitiveness. “The marker ought to be long-term contracts, not the spot market,” he said.

“Defining competitiveness is the core of what we’re grappling with,” Thomson replied. “We agree that Mid-C isn’t a good indicator. It’s not the product we’re selling. We have work ahead to fix a value on all the ancillary services.”

Council Member Karier added that BPA has defined the problem as that electricity prices will be too low in 2028 and BPA’s rates won’t be as low. “The question is more about whether the market for dispatchable, carbon-free power is too low,” he said. “Because that’s what Bonneville mostly sells and there’s not a lot of competition there. Capacity is a highly valued commodity. I’d worry about that as a problem if there’s no price on carbon 12 years from now.”

Council Member Phil Rockefeller raised the dual mandate that BPA operates under, which is to protect and enhance the resources that have been impacted by the hydrosystem, as well as provide a reliable power supply.

“I doubt that you want to abandon that framework of value. As you think about cost and cost management, think about the competitive advantage you have by doing what you do so well.

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The spot market may look threatening. But how many customers could get blocks of long-term power that only you can deliver in this region?”

--- Council Member Phil Rockefeller

“I doubt that you want to abandon that framework of values,” he said. “As you think about cost and cost management, think about the competitive advantage you have by doing what you do so well. Delivering on a dual mandate is not an easy thing to do. But from a long-term perspective, history is on your side. The spot market may look threatening. But how many customers could get blocks of long-term power, that only you can deliver in this region?”

Cogswell concluded by stating that BPA is sticking to the core values. “Many have different ideas about what BPA should do with all its programs,” he said. “But we’re not talking about a dramatic change from what BPA traditionally has been.”

Aging infrastructure creates mammoth challenge

As BPA’s new vice president of transmission planning and asset management, Jeff Cook faces a mammoth task. He told the Council that addressing BPA’s aging infrastructure is going to be a decade-long challenge in the midst of a changing transmission landscape.

With more than 50 percent of BPA’s transmission facilities being constructed prior to 1962, there is a huge wave of assets that will have to be replaced in the next five-to-ten years. Cook added — this can impact reliability, compliance, safety and other factors.

Asked by Member Karier if BPA will continue to fall behind on replacing its infrastructure, Cook



replied that they don't have capital or resources to do it all at once, but they are gradually increasing spending and keeping up with the backlog.

After five years, the plan is to level that out. “But as you push that capital up you impact rates,” Cook cautioned. “And that doesn’t account for any expansion projects that come along.”

As for the changing transmission landscape, Cook discussed some key challenges, notably the California “duck curve” and its potential impact. With the large amount of solar installations in California, the flows may move from south to north, instead of north to south, he said. BPA is working with CAISO to address congestion management and planning.

Other challenges include the potential of battery storage and the continued growth of energy efficiency, distributed generation, demand response and the potential for new wind.

“Generation is no longer just a power plant,” he said. “It’s going to come from lots of different places and it’s all driving our business. When we build a line now, it’s under different circumstances.”

These forces are changing the calculus that goes into new projects, specifically the 80-mile, I-5 Corridor Reinforcement project just north of Portland.

“After completing the EIS, we are re-examining that project and factoring in what other alternatives might be — including a redispatch from new technology, from storage and from other entities,” he said. “We’re analyzing those key transmission projects to see if there’s a way to solve problems without spending hundreds of millions of million dollars to build that line.”

Cook said he understands there’s a problem in the Portland area under certain conditions, where they exceed operating limits, so it needs to be addressed. But he said they are hoping there’s a portfolio that can help solve that problem without a full build – or at least to defer that build.

“The last thing we want to do is spend that kind of money and have stranded assets,” Cook explained. “How the market changes and where the generation sources come from may shift how the power flows on those lines.”

Asked how the planned retirements of Centralia and Boardman coal plants will enter into planning for system reliability, Cook replied that their closure will have an impact, but it’s less of a capacity issue and more about how that will impact the system when new bottlenecks come up. Those are being modeled.

Taxpayers should fund salmon reintroduction studies

Jim Robbins, a board member of both the Kootenai Electric Cooperative and the Idaho Consumer-Owned Utilities Association (ICUA), told Council members that while he supports the Seventh Northwest Power Plan, he is in strong opposition to spending BPA ratepayer dollars for studies on fish passage over Grand Coulee and Chief Joseph dams.

“We find it plain unjust that a bunch of public utility ratepayers would be saddled with paying for a 75-year-old agreement,” Robbins said. He said that the two countries’ taxpayers should pay for it, and not the ratepayers.

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--- Jeff Cook, BPA

He underscored how BPA's increasing power costs are impacting his ratepayers, noting that BPA Tier-1 power rates are above market. Kootenai Electric Co-op is anticipating their market purchases will be lower than Tier-1 rates for 2016-2019.

"BPA talked this morning about \$567,000 they found in savings," Robbins said. "Nobody suggested that we lower rates. It was all about using the money in other programs."

Some strong fish runs despite poor ocean conditions

The Council members were briefed on the Columbia, Snake, and Willamette Basin adult fish abundance and productivity as well as the 2016 adult returns forecast. Smelt (Eulachon), sturgeon, and lamprey remain in troubling numbers, although since sturgeon fishing has been significantly reduced or halted in the lower Columbia River, overall adult abundance is increasing even while productivity remains stagnant.

The 2016 outlook for Columbia River salmon and steelhead adult returns is still strong; despite the warm ocean, the decreasing availability of food sources, and the increase in inland predation.

The overall salmon and steelhead forecast calls for 2.1 million adults returning to Bonneville, which is still well above the 10 year average. The fall chinook will make up nearly half of those returns, and the Snake River salmon and steelhead returns are expected to meet or exceed the 10 year average.

NOAA Fisheries reported that the warm ocean is having a detrimental effect on ocean-dwelling species, such as whales, sea lions, salmon, and birds. Signs of starvation are evident, and even unusual, in most of the marine mammals, fish, and birds. Ocean survival is cyclical, Bill Tweit, Washington Department of Fish and Wildlife noted, but the decent returns during such poor ocean conditions are a good sign that the improvements being made to habitat and hatchery practices are helping. As a result, this downturn in ocean conditions may not produce the plummeting salmon runs that were observed in the mid-1990s under similar ocean conditions.

Council News

New Council committee chairs and promotions

In Council news, new Council committee chairs were announced. Member Jennifer Anders is the new Fish and Wildlife Committee chair, Member Tom Karier is the new Power Committee chair, and Member Jim Yost is the new Public Affairs Committee chair.

Ben Kujala, system analysis manager, will become the Council's interim power division director.