



## **Northwest Power and Conservation Council**

**Meeting Notes**

**Nov. 17 & 18, and Dec. 15, 2015**

**Portland, Oregon**

Back in the cold, wet embrace of the Rose City, the Northwest Power and Conservation Council’s November meeting featured remarks from Bonneville’s administrator, Elliot Mainzer, who said it’s time for BPA to roll up its sleeves put some muscle into moving difficult issues forward. The issues he referred to included adapting to new market design, fish and wildlife program and energy-efficiency expenditures.

In December, the Council moved closer to concluding public comments on the Seventh Northwest Power Plan and entertained comments from Bob Jenks, executive director of the Citizens Utility Board on the Plan.

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### **The Agenda**

#### **Mainzer charts a new course for BPA competitiveness in the face of new markets**

BPA Administrator Elliot Mainzer began his remarks before the Council with some praise for the Draft Seventh Regional Power Plan. “It’s a forward-looking document that grapples with some difficult issues, some of which are not entirely popular in every quarter,” he said.

Mainzer’s remarks also were forward-looking, discussing Bonneville’s new BPA *Focus 2028* initiative and asserting that he wants to “ring the bell on the importance of market design in the region.”

He said that BPA tried hard to put together a market construct for the Northwest and that it was extraordinarily difficult to find a shared path that could keep all utilities together. “We haven’t given up,” he said. “But with Puget, PacifiCorp, PGE and Idaho Power expressing an interest in greater integration with CAISO and the Western EIM, it raises an important question about how we can preserve and enhance our assets, to stay relevant and to improve our influence in that market’s direction. We have a lot at stake.”

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– ***Elliot Mainzer***

Mainzer noted that the value of hydro needs to be recognized as western markets develop, with transmission fairly priced and transmission lines appropriately allocated. “While the energy market is diminishing, we’re going to have more variable generation in the system,” he said, “that increases demand for system flexibility. That’s a product we want to position ourselves to sell into.”

### **Energy-efficiency cost imbalance**

Mainzer also addressed what many representatives from smaller public utility have stressed in Council meetings — the rate impacts of energy-efficiency programs. “Energy efficiency is an incredibly valuable resource ... we know it and utilities instinctively understand that, but not all utilities are similarly situated with respect to their local economics,” Mainzer said. “We have some rate design distortions that make cost recovery difficult. Even the BPA’s program design could be more agile and flexible to make sure that the costs and benefits are lined up more effectively.”

Through the Focus 2028 process, Mainzer said that there’s a willingness to move forward to look at this issue. “My expectation is we’ll provide a dynamic work team,” he said. “With the involvement of the Council, and utility and advocacy community, we can make a dent in some of these distortions.”

### **Finding fish and wildlife efficiencies**

Mainzer praised the work BPA has done to make the FCRPS more fish friendly, but said there are challenges in where they go from here. “For BPA to meet its multiple, statutory, public-purpose objectives, it has to be a financially strong, cost-competitive organization,” he said. “Without that, we can’t do any of the things that we need to do or that people expect us to do.”

Looking at the fish and wildlife program, Mainzer said BPA needs to get the maximum bang for its buck. There is an opportunity to take a look at budgets to free up capital and capture emerging priorities. He said BPA needs to continue to fund initiatives that provide real impact, and trim tabs on programs where they don’t derive benefit.

“It’s a difficult conversation, but we need to take that on,” he said. “We’re at a position of tremendous strength in making long-term decisions ... if we take steps today and have a sense of what the impacts are, we can position ourselves for long-term sustainability.”

Council Member Jennifer Anders remarked, “I appreciate your words ‘long-term sustainability.’ I’ll hold on to those words as it centralizes for me that there’s a lot of pressure from those who wouldn’t spend any more money on fish and wildlife efforts, and those who would have us invest in mega structures. As partners, we fall somewhere in between.”

Mainzer intends to continue the cooperative relationship with the Council as BPA examines all facets of its infrastructure and programs. “Our capital program is something we need to take a hard look at, and we’re working closely with the Corps of Engineers and Bureau of Reclamation to make sure that we’re investing as efficiently as possible,” he said.

Mainzer’s full comments can be found at <https://www.nwcouncil.org/news/blog/elliott-mainzer-at-the-november-2015-council-meeting>.

## **Regional Conservation Survey results show five-year targets exceeded**

The Regional Technical Forum (RTF) released its regional conservation survey results before the Council. Jennifer Light, RTF chair, stated that utility-funded 2014 accomplishments were 262 MWa, just shy of the Sixth Power Plan target of 282 MWa in savings. Cumulatively, the savings surpassed the five-year goal of 1200 MWa with a total savings of 1,309 MWa. Additional savings from codes and standard and other market measures resulted in a five-year savings of more than 1,500 MWa.

Light commented that this year’s data collection was more comprehensive and included end use data to measure conservation, capacity savings, and expenditures on a granular level. RTF will continue to analyze the data from utilities, the Northwest Energy Efficiency Alliance and BPA to expand their reports.

Charlie Grist, staff’s manager of conservation resources, said that one of the huge values in the Seventh Plan is conservation’s ability to help meet capacity needs. Grist said that savings between 2010 through 2014 were relatively flat — about 250 MWa per year while spending was about \$350 million. He pointed out that despite relative flatness, there’s a correlation between spending and achievements.

Light went on to say that since 1980, energy efficiency has met 57 percent of the Pacific Northwest’s load growth. “The persistence of these savings is key” she said, “when you buy it in the first year, it will last going forward. Some things, such as behavior, may not last.”

Recognizing the cumulative savings from 1978 through 2014 from utility and NEEA conservation programs, state codes and federal standards now total 5,772 average megawatts, Light said the value of 5,800 MWa is enough to save consumers \$3.7 billion in 2014 and lower carbon emissions by 22.2 million metric ton equivalent.

Council Member Tom Karier praised the five-year results as a huge accomplishment. “As an economist, I’m not supposed to believe in a free lunch, but this comes pretty close,” he said. “The result is lower prices, lower emissions, and lower peak generation, which helps us have a more adequate system.”

### **Seventh Northwest Power Plan public comments rolling in**

Sandra Hirotsu, staff senior counsel, briefed Council members at both the November and December meetings on the public comments to date on the Seventh Power Plan. She said that both policy and technical issues have been raised. The public comments can be accessed on the Council’s [Seventh Plan website](#).

Overall, the comments have been favorable in terms of the direction of the Plan, Hirotsu said, such as the Plan’s emphasis on energy efficiency and demand response, plus the move toward a more carbon-free system. She also noted that a lot of comments state that the Plan should be bolder in renewable development, and there was a call for a 100-percent renewable target by 2035.

She said that they received calls for a range instead of a fixed number with regard to the energy-efficiency target of 1,400 MWa as there are concerns that some will see it as a floor instead of a ceiling. There was support for the energy-efficiency programs that target hard-to-reach and low-income populations. There were comments on ways to structure the energy-efficiency financing, such as incentives beforehand rather than rebates.

There has been support for demand response and a call for targets in the Plan. Others favor taking a cautionary approach, but not having it replace on-demand electricity. There were requests to have capacity targets in the Plan. There also were comments that the Plan shouldn’t use meeting winter peak as a rationale for building more power plants.

A lot of clean power proponents are thinking wind and solar, but some are calling for small, modular nuclear reactors to serve as a hedge against higher energy prices.

The natural gas forecast received a lot of attention. Since staff drafted the Plan, prices have moved lower. Given the volatility in natural gas, the range the Council looked at is too narrow and the range should be broader at both ends. In general, the move to natural gas has been accepted and supported. Clean energy proponents, however, have called for a carbon-free future. There was a request to look at carbon sequestration more thoroughly. There also were requests

for an analysis of the removal of Snake River Dams, but the Council staff recommends against it. The Power Committee elected to look at it after the Seventh Power Plan is completed.

Tom Eckman, staff director of the power division, said that the natural gas forecast price range used in most scenarios has been a focus of many technical comments. There was praise for number of scenarios staff managed to get through. To date, they have a pretty short list on technical matters.

In their December meeting, the Council agreed that the deadline for formal comment is January 8, 2016 when they will “go dark” and no longer accept comments.

### **CUB's Bob Jenks shares an optimistic and cautionary energy forecast**

Citizens' Utility Board's Executive Director Bob Jenks appeared before the Council in December to discuss aspects of the region's energy policy, notably the Seventh Northwest Power Plan. Jenks said that the two things that keep him up at night are: accelerating climate change and the divergence of consumer-owned utility (COU) and investor-owned utility (IOU) rates.

“PGE and PacifiCorp are the two that have to reduce their carbon footprint,” he said. “The others don't have to reduce it, and it's notable that the COU rates are almost half of the IOUs'.” Jenks went on to say that “The regional instability that can be caused by divergent rates is something that people don't talk about, but it will become an issue as climate change is addressed.”

He remarked on the significant penetration of energy efficiency in the Northwest. Loads have come down.

Jenks commented that “The region has focused on energy efficiency before the rest of the country noticed the need. That's why we're doing well with the Clean Power Plan. We have a history of collaboration in the Northwest whereas the rest of the country has a history of litigation.”

***“The region has focused on energy efficiency before the rest of the country noticed.”***

***– Bob Jenks***

On the Council's Seventh Power Plan, Jenks said that he thinks that the Plan's orientation is correct: that there's a large energy-efficiency resource and demand response to meet capacity is an area we lag in compared to the rest of the country. He also observed that there is little need for additional renewables other than the renewable portfolio standards (RPS) at hand and noted there are initiatives to phase out coal in Oregon and increase the RPS to 50 percent (compared to no new renewables in the Seventh Power Plan).

Jenks discussed what IOUs would have to do to replace coal generation, noting the need for demand response with utilities looking at gas or other options. He emphasized the discussion is no longer about meeting load growth or what resources are in the Seventh Plan or an IRP, it's about how Oregon can phase out coal without replacing it with gas.

Jenks commented that the Seventh Plan looks at the issue from a regional perspective. Will utilities rely on power that also can be sold out of region? Will utilities bet their reliability on demand response that isn't yet available? If prices go up, that makes surplus power more valuable. Deficit utilities that have to buy power may have to pay more. The least cost to the region is different than least cost for utilities. For IOU utilities, it's a utility-by-utility least cost, not a regional least cost.

Jenks said that the Seventh Plan doesn't say build a baseload gas plant. But all things being equal, that's what's likely to happen, especially with current gas prices. So, the current IRP process isn't going to get to the Seventh Plan, and the environmentalists aren't getting to the Seventh Plan.

Council Member Henry Lorenzen commented, "So we probably hit it right."

## **Council briefs**

**Alcoa** announced that it plans to idle two plants in Washington, which will be a significant change in direct service industry load — a reduction of 700 MW. The Columbia Falls aluminum plant closed in Montana and it is unknown if they will reopen if conditions change. Counter-balancing that loss is the announcement of three potential, new methanol plants phased in in 2021-22. It would be a possible addition of 800 MW of load. The impact on the Seventh Plan is that staff will review some assessments that it had been using.

The Council voted to defund the **Habitat Evaluation Procedures** (or HEP) Process. HEP was adopted by the Council in the Northwest Power Planning Council's 2000 Fish and Wildlife Program. It helped establish mitigation credits against the initial baseline losses indexed by habitat units derived from HEP. The program has matured and the region has shifted to agreements to address wildlife mitigation efforts. The budgetary savings is estimated to be \$90,500.

**New coal-less scenarios:** At the December meeting, the Power Committee went along with the Council staff's recommendation to run three new scenario options:

1. Coal plant retirement without inefficient gas plant retirements.
2. Coal plant retirement without inefficient natural gas plant retirements AND without new natural gas plant development.
3. Coal plant retirements with a carbon cost rather than natural gas.