

# PNUCC REPORT Council



## Northwest Power and Conservation Council Meeting Notes – October 13 & 14, 2015 Vancouver, Washington

At the meeting in Vancouver, Washington, the Council voted to release its Draft Seventh Northwest Power Plan for public comment. The meeting concluded with a talk by Greg Delwiche, BPA’s deputy administrator, who outlined the launch of a new program to address BPA’s competitiveness in the decade ahead. He also took the opportunity to bid the Council a fond farewell as he announced his retirement at year’s end. With deep sincerity, the Council members one-by-one acknowledged Greg for his contribution to the power industry and lauded him for his collaborative, productive nature. At PNUCC, we also wish Greg nothing but wonderful days ahead.

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### The Agenda

#### **Draft Seventh Northwest Power Plan on the Street**

Piece by piece, the elements of the *Draft Seventh Northwest Power Plan* have come together as a regular Council meeting agenda item over many months with most of the heavy lifting for developing the Plan performed in the Power Committee meetings. Council poked and prodded, and in short order its members unanimously approved the draft with edits. The draft is now available for comment over the next 60 days. Readers can plunge into the full, spanking-new document [here](#), or they can digest the 16-page [executive summary](#). There will be [eight public hearings](#) in November and December across the four states, and individuals can [make comments](#) on the Draft Plan online.

The primary takeaway of the Council’s Plan is it asserts that by meeting the energy-efficiency goals in the draft plan and developing demand-response resources, there is a low probability that new power plants will be needed for at least the next five years, except possibly in areas where demand for electricity grows rapidly.

The Council will be accepting comments through December 18, 2015.

### **BPA’s Focus 2028 initiative to examine agency cost structure**

Greg Delwiche, BPA’s deputy administrator, met with the Council to outline the agency’s upcoming *BPA Focus 2028* initiative. He also mentioned that he has announced his retirement at year’s end after 33 years with the organization.

Delwiche said that the current sales power contracts that BPA signed with 135 public utilities in the region expire in 2028. “It’s time for a more strategic conversation about the long-term view of our structure and business models, so that when it’s time to sign new contracts, our customers are saying ‘sign me up’ versus running the other way,” he said.

He characterized the utility business as facing unprecedented change. He said that looking forward reminded him of the Yogi Berra quote, “Predictions are hard, especially about the future.”

In the Northwest, federal tax credits and state renewable portfolio legislation has catalyzed the construction of 6,000 MW of renewable energy generation. While coal plants are closing, there’s been an increase in hydraulic fracturing, which has made America the Saudi Arabia of natural gas supplies. It also has created downward pressure on energy markets.

In California, distributed generation from rooftop solar may be the resource choice of the future for large portions of residential load, and it also could happen in the Northwest. The consequence is a glut of energy in the afternoon, he said.

How all this plays out is that it puts pressure on BPA. Some drivers create more challenges to narrow the gap between tier one energy product and other alternatives for utilities. “If rates continue to rise, with falling market prices, there may be more of a crossover, and that’s something we want to avoid,” he said.

***“This isn’t about the raw costs of producing electricity with falling water, it’s all the other things we’ve added on to our rate structure.”***

***– Greg Delwiche***

“This isn’t about the raw costs of producing electricity with falling water, it’s all the other things we’ve added on to our rate structure,” Delwiche explained. He said that BPA has been sufficiently concerned over the past few months and as a result has developed a more robust analytical tool for analyzing where their rates might be headed and to perform “what if” scenarios. He said that unveiling the results of the scenarios this fall is part of BPA’s 2028 effort.

He then discussed BPA’s recent rate hikes. “On the power side, the past three rate cases have

been increases of 8, 9 and 7 percent, for a total of 24 percent over a six-year period.” He next described BPA’s cost structure growth since 2009. “Capital investments are up 3 percent, so those aren’t driving increases. Hydro O&M costs have risen 44 percent, while the consumer price index rose 11 percent,” he said. “Fish and wildlife is up 29 percent, the Columbia Generating Station O&M is up 12 percent, and energy-efficiency spending up 74 percent.”

He said BPA’s challenge is to position the agency to negotiate new power contracts so that customers stay. Delwiche told the Council that everyone loses if people decide to walk. “Snohomish County Public Utility District is our single-largest power customer, purchasing \$300 million of electricity from BPA and purchasing transmission wheeling to get it into their system. If we lose them to a lower-cost alternative, we can’t force someone else to buy that power.” He said BPA would have to embark on a massive, cost-cutting regime to repay Treasury if that happened.

He said that *Focus 2028* is not to make decisions, but to engage the region, look at BPA’s cost structure and evaluate forks in the road. BPA will hold a technical workshop on October 27 for anyone who wishes to attend and on November 4, the agency is holding its *Focus 2028* kickoff meeting at the Sheraton Portland Airport Hotel, where the conversation will be at a higher level. BPA will have an industry panel, made up of public power, IOUs, the Council’s Tom Eckman, a tribal representative and the Northwest Energy Coalition. After a broad discussion, attendees will break into smaller workgroups based on individual areas to decide alternative scenarios to analyze.

“Our ultimate objective is to practice good risk management,” Delwiche said. “We want our customers to stick with us.”

### **Council to issue RFP to assess fish habitat in blocked areas**

While the Council unanimously supported its staff’s recommendation to study salmon survival potential above Grand Coulee Dam, it was far from united in what next steps — if any — should be undertaken.

In Vancouver, the Council voted to approve an RFP to “investigate the availability, suitability and salmon survival potential in habitats above Grand Coulee Dam.” The study would include any tributaries in this area that have the potential to support anadromous fish. BPA expressed its support of habitat study.

Council Member Bill Booth said that while he supported the motion, he didn’t believe that reintroduction via upriver and downriver passage above Grand Coulee is economically feasible. He also expressed skepticism that it could be done while maintaining the hydroelectric integrity of Grand Coulee operations, stating that the dam is at the heart of the region’s hydroelectric system. “However, we saw a presentation by the Sho-Pai Tribe last month showing that a put and take fishery can be implemented,” he said. “I’m hopeful that this habitat study will be focused in that arena.”

According to Tony Grover, Fish and Wildlife Division director, the cost of the assessment will be \$200,000 with BPA making a significant contribution (a number that has yet to be specified). He also indicated there is interest from third parties who want to bring resources to this effort.

As for who will bid on the RFP, Grover said that anyone could bid on it, and he is aware of a coalition of groups coming together that potentially includes the Spokane, Coeur d'Alene, Colville, members of UCUT, Washington Department of Fish and Wildlife, and the Upper River Salmon Recovery Board. The RFP also will be sent to any other parties who express interest, but they won't necessarily go with the lowest-cost bid. "They also will need to have access to the data and the area," Grover explained.

Council Member Tom Karier also expressed his support for the study. "We've been talking about this issue for a long time, and everyone has an opinion about whether the fish can survive above Grand Coulee Dam and if they can be moved successfully," he said. "So rather than continuing to just debate with opinions, this will allow us to have a more informed discussion."



**Regional  
Technical  
Forum**

### **RTF gains budget and work plan approval**

Regional Technical Forum Manager Jennifer Anziano Light briefed the Council on upcoming plans and budget for 2016 for the group's efforts. In its fifth year, the RTF's mandate is to:

1. Develop and maintain standardized protocols for verification and evaluation of energy savings;
2. Conduct periodic reviews of the region's progress toward meeting its conservation resource goals, acknowledging changes in the market for energy services, and the potential availability of cost-effective conservation opportunities; and
3. Provide feedback and suggestions for improving the effectiveness of the conservation resource development programs and activities in the region.

The RTF will continue to provide recommendations to BPA, the region's utilities, and system benefit charge administrators to support conservation resource acquisition programs. Its approved budget for 2016 is \$1.696 million, a slight uptick from \$1.67 million in 2015.

The RTF is funded by contributions from BPA and the region's utilities, in-kind Council staff time, and donated time from many organizations through committee work.

## **IEAB proposes steps for evaluating Fish & Wildlife costs and activities**

Terry Morlan, chair of the Independent Economic Analysis Board (IEAB), met with the Council about long-term cost planning for the Fish and Wildlife Program. He is spearheading an effort to look at Fish and Wildlife Program costs, including the vast number of fish screens that are involved in the Lower Columbia Basin.

“We looked at the program as a long-term mitigation investment,” Morlan said. “As such, the program has matured for the last 35 years to the point where it’s more of an operations and maintenance program that is geared to protect its program investments. We’re now at a point where funding and organizing these growing O&M costs is a problem.”

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Morlan noted that the when fish and wildlife projects are approved, there’s not a lot of thought given to how long they will be needed. It’s more on the basis of biological benefits and not a lot of thought is given to long term need or budgetary impacts. Finally, BPA is the manager of the costs and budget of the program and is more focused on short-term costs, integrated program review, and rate-setting cycles.

Morlan proposed five recommendations designed to improve the long-term cost planning for fish and wildlife program-funded projects:

1. Implement an asset management process for the major physical assets of the Fish and Wildlife Program.
2. Develop an information system to encompass the life-cycle activities, costs, and benefits of all Fish and Wildlife Program projects. The 2014 Fish and Wildlife Program recommended that the federal action agencies provide 20-year cost estimates to the Council annually.
3. Use the life-cycle project information to improve the management of the long-term costs of the Fish and Wildlife Program, to improve the cost effectiveness of the program, and to supplement the information available for project reviews.
4. Consider establishing a dedicated endowment fund for unanticipated program costs, including but not limited to natural disaster costs.
5. Create one or more staff positions at Bonneville with responsibilities in fixed asset accounting, operations and maintenance monitoring and budgeting, and endowment fund management for the Fish and Wildlife Program.

Tony Grover remarked that a hatchery assessment approved last month cost about \$250,000 to look at a \$100 million investment. The Council’s Fish and Wildlife Committee will explore these recommendations in greater detail.