

Tom Karier
Chair
Washington

Frank L. Cassidy Jr.
"Larry"
Washington

Jim Kempton
Idaho

Judi Danielson
Idaho



Joan M. Dukes
Vice-Chair
Oregon

Melinda S. Eden
Oregon

Bruce A. Measure
Montana

Rhonda Whiting
Montana

January 4, 2007

DECISION MEMORANDUM

TO: Council Members

FROM: Terry Morlan

SUBJECT: Adoption of the Biennial Monitoring Report

STAFF RECOMMENDATION

Staff recommends that the Council adopt the Biennial Monitoring Report and make it publicly available as the current Council assessment of the status of the Fifth Power Plan. Adoption of the report includes adoption of the recommendations contained in the report. The basic recommendation is that the Plan does not need to be revised, and that it continues to be appropriate guidance for the region's near-term actions.

SIGNIFICANCE

The Biennial Monitoring Report conclusion that the Plan does not need substantive revision will send a signal to the region that the plan continues to be the Council's guidance on energy policy. It also means that the Fish and Wildlife Program does not need to be revised immediately in preparation for a new power plan.

BUDGETARY/ECONOMIC IMPACTS

There are no budgetary impacts from this decision.

BACKGROUND

Action Item MON-7 of the Council's Fifth Power Plan calls for a biennial monitoring report assessing the status of the assumptions used in the Plan and progress toward implementing the Plan. The assessment of the Power Plan status for the Biennial Monitoring Report focuses on both the assumptions and forecast underlying the Plan and the progress in Plan implementation.

Given the regional electric generation surplus identified in the Fifth Power Plan, the near-term implementation actions focused on acquiring conservation, testing the feasibility and cost of integrating large amounts of wind generation into the regional power system, and achieving

some important policy changes. These policy changes included reducing Bonneville's role in meeting growing regional power needs, developing resource adequacy standards for the Northwest, and improving the planning and operation of the regional transmission system.

ANALYSIS

Implementation Progress

The assessment for the Biennial Monitoring Report found that the region is making good progress implementing the actions called for in the Fifth Power Plan. The region's utilities, in total, are close to achieving the conservation targets in the plan. Not all individual utilities are coming close to meeting their share of the regional targets, but staff sees evidence of a growing interest in, and commitment to, energy efficiency. Far more wind than recommended in the plan has been added to the regional generation mix, but it will still support the primary near-term goal of having enough wind to gain experience in integrating intermittent wind generation into the regional electricity grid. The Wind Integration Action Plan is completing the first phase of its work, which will lay out preliminary findings, basic information and recommendations for near-term actions and for further analysis of longer-term wind integration issues.

The Council has adopted resource adequacy standards for the Northwest and an implementation procedure for those standards. The standards will be refined as the region gains experience with the actual practice of applying them, and further analysis is completed. The Regional Dialogue Policy process is nearing completion as Bonneville is expected to release its record of decision this month. Bonneville and its customer utilities are working hard on developing the details of how the policy will be implemented with the goal of signing long-term contracts this fall.

Progress to improve transmission planning and operations has been slower. The Grid West organization failed to get regional agreement on its proposed organizations and scope of activity. However, progress continues in four other forums. Bonneville and six Washington utilities formed ColumbiaGrid to incrementally address transmission issues through contractual agreements among its member utilities, and a group of east-side utilities has recently formed the Northern Tier Transmission Group (NTTG). The Northwest Transmission Assessment Committee (NTAC) continues to work on transmission issues covering the entire region. The fourth important effort to improve transmission planning and reliability is ongoing through several committees of the Western Electricity Coordinating Council (WECC). The WECC effort is west wide and includes coordination with regional activities such as ColumbiaGrid, NTTG, and NTAC. These organizations are making progress, albeit slowly, beyond the creation of new acronyms, in resolving some of the transmission problems identified in the Council's Power Plan.

Assumptions and Forecasts

Assessment of the assumptions and forecasts included in the plan did not identify any changes that would affect the near-term actions recommended in the Power Plan. Electricity demand is slightly below the medium forecast in the plan. Combined with more resource additions, particularly wind generation, this lower demand means that the regional electric surplus has actually grown since the Plan. One of the key findings of the Plan was that sustained investment in efficiency improvements reduced both cost and risk. Therefore the prolonged surplus would

not affect the cost effectiveness of sustained conservation acquisition. The prolonged surplus would affect the schedule for coal and natural gas-fired generating resource additions, delaying needed additions farther into the future.

The assessment identified some possible changes in coal technologies and continued questions about the future prices of natural gas, oil and coal. The evidence on these factors is not conclusive at this point, but, in any case, changes would have little effect on the near-term focus of the Power Plan. We recommend that during the coming year, staff continue to monitor these assumptions and develop analysis to predict the longer-term effects of the trends we observe.

Recommendation

The Council recommends that no changes be made to the Power Plan at this time. The near-term actions remain appropriate and the Council should continue to focus its efforts on implementing them. Staff should continue to monitor the key assumptions and forecasts in the plan, and should test the implications of some possible changes. To this end, staff should develop revised fuel and electricity price forecasts and explore the effects of these, the extended surplus, and changes in coal technology on the longer-term aspects of the Plan.

ALTERNATIVES

The Council could release the draft Biennial Monitoring Report for public comment before adopting it. Staff does not recommend this alternative because the Biennial Monitoring Report is essentially an internal Council evaluation of its Power Plan status. Requesting public comment would require additional Council and regional resources at a time when resources are already stretched thin.

The Council could release the Biennial Monitoring Report as a staff analysis intended to inform the Council and the region about the status of the Power Plan and its implementation. Staff thinks, however, that an affirmation by the Council that the Power Plan remains its official guidance on energy policy would reinforce the region's efforts to achieve the goals of the Plan.

ATTACHMENTS

Draft Biennial Monitoring Report