

Tom Karier
Chair
Washington

Frank L. Cassidy Jr.
"Larry"
Washington

Jim Kempton
Idaho

W. Bill Booth
Idaho



Joan M. Dukes
Vice-Chair
Oregon

Melinda S. Eden
Oregon

Bruce A. Measure
Montana

Rhonda Whiting
Montana

October 2, 2007

MEMORANDUM

TO: Power Committee

FROM: Terry Morlan

SUBJECT: Status of the Power Division Work Plan

The Power Committee will review the current status of the Power Division work plan at its meeting on October 16. This review has been carried over from the August and September meetings. There are four attachments to this memorandum that provide increasing amounts of detail on the work plan. The first is a three page summary of the status and it will provide a good overview.

The second is a more detailed review that focuses first on major issues that we are working on, and then on the other items that are included in the Division's work plan. When we last presented the work plan status, Chair Kempton asked for some way to identify work items that need to be completed before the next power plan. I have identified such items with a different bullet as noted at the top of the attachment. The numbers shown correspond to work plan item numbers. The relationship between these work plan numbers and actions from the power plan are shown in attachment 3.

The final attachment shows the work plan in detail. Updated milestones, status, or comments are highlighted. Although this provides more discussion of each work plan item, the second attachment actually shows a more detailed breakdown of the specific tasks under each work plan item.

As always, we are interested in Power Committee feedback on the form and content of the work plan. For internal management, I find the second attachment to be the most useful for tracking progress and scheduling agenda items for the Power Committee and Council. The comments and status reports in the fourth attachment are also useful, but are primarily intended to inform Council members of our progress.

I want to call your attention to one recommendation relating to Plan action item CNSV-13, which is included in work plan item 4. Staff recommends that this action not be pursued at this time. Action item CNSV-13, calls for consideration of System Benefit Charge (SBC)

alternatives to utility-run conservation programs if utility disincentives seriously impede utility investment in conservation. It says the Council will review the performance of SBC in the region and in other areas of the country. However, utility disincentives are not seriously impeding utility investment at this time. In fact, utility conservation activity is on the rise for a variety of reasons. In addition, a review of the Oregon SBC system was recently completed by an independent firm. And there are reviews of SBC programs in other states around the country that have been prepared by others. A Council paper reviewing the success of SBC programs would be of little value relative to the purpose envisioned in the power plan.

Washington State adopted legislation which requires both public and private utilities to assess and develop all cost-effective conservation. In Oregon, new legislation was passed to allow investor-owned utility funding of conservation beyond levels set in 1999 for Oregon's system benefit charge which is managed by the Energy Trust of Oregon. The Idaho Public Utility Commission recently adopted a pilot program to test revenue decoupling as a means to encourage additional conservation at Idaho Power. Furthermore, across the region, utilities are faced with increasingly high costs for new thermal and renewable power generation and power purchases. This is encouraging many utility power managers to call for increased energy efficiency acquisitions.

Attachments

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Summary of Work Plan Status - October 2007

Fifth Power plan implementation

We are continuing to make good progress on implementation of the Council's Fifth Power Plan.

The Wind Integration Action Plan (WIAP) is complete and we have formed the Northwest Wind Integration Forum to implement the work plan. The Council hosts the Wind Integration Forum in a manner analogous to the RTF. Funding is contributed from Bonneville and the region's utilities. Implementation of the actions called for in the WIAP will lead to the accomplishment of Action GEN-8 over the next two years.

In June, the Council performed the first adequacy assessment under the standards developed by the Northwest Resource Adequacy Forum and adopted by the Council. The forum is now working on several fronts; validation and enhancement of the assessment model, developing an economic standard, assessing the energy and capacity contribution of wind resources, and creating guidelines for utilities to assess their own loads and resources relative to the regional standards. Later this year the forum will calibrate and refine the capacity standard. Wally Gibson is working with WECC on its adequacy assessments, and currently chairs the WECC Loads and Resources Subcommittee.

The Pacific Northwest Demand Response Project (PNDRP) is underway with funding from the Department of Energy and staffing from The Regulatory Assistance Project. The work of PNDRP is focused in three areas with a workgroup for each area: (1) pricing structures, (2) cost-effectiveness, and (3) transmission and distribution system integration. There is very good participation from utilities and others in the region, but the progress is slow.

The staff is working with WECC, NTAC, Columbia Grid, and NTTG to develop transmission solutions for improved planning and operation of the transmission system. These organizations are where several actions in the Power Plan related to transmission, wind integration, and resource adequacy are most likely to be implemented.

Conservation implementation is ongoing. Staff has completed the reconstitution of the RTF members and secured funding commitments for most of its budget. Staff also is involved directly in utility conservation planning for their IRPs, state and federal efficiency initiatives, building code revisions, and formulation of Washington's I-937 implementation rules.

Staff is actively participating in all current IRP processes for electric utilities, and for some natural gas utilities as well. A key accomplishment related to conservation assessment has been the enhancement and revision of the ProCost model.

Staff is beginning to prepare for the 6th Power Plan. We will have some planning meetings over the next couple of months to lay out schedules and begin the coordination of activities necessary to put together a power plan. This includes identification of key issues, getting public input on key issues of importance to the region, and developing analytical approaches to assess those issues. Much of the technical work for a power plan is collecting basic information on fuel costs, generation technologies, efficiency technologies and costs, and then forecasting fuel prices, electricity prices and demand.

Monitoring and Analysis

Based on recommendations in the Biennial Monitoring Report, staff has developed revised fuel price forecasts. A reassessment of coal technologies and petroleum coke was also recommended in the Biennial Monitoring Report, but that has been delayed by other demands on Jeff King's time, including the analysis of CO₂ emissions from the Northwest power system and management of the Wind Integration Forum. We would now recommend a brief update in the fall related to these fuels, and a detailed assessment as part of the 6th Power Plan process early next year.

The Council has responded to numerous requests for data. We have also provided analysis of the effect of the President's budget proposal, forecasts of expected wind development for WIAP, analysis of the risk mitigation value of conservation, and input on the evaluation and implementation of Washington I-937. We have also done many presentations on our activities and planning methods.

Our intensive monitoring of progress toward the record of decision (ROD) on the Regional Dialogue has finally paid off. Bonneville issued its Long-Term Regional Dialogue Final Policy and ROD on July 19. The residential exchange and service to DSIs issues are unresolved in the policy, and many implementation details remain to be worked out. Bonneville plans to be able to offer new 20-year contracts to its customer utilities by August 2008 and have signed contracts by December 2008. Bonneville, its customer utilities, and other interested parties are currently involved in an intensive process, meeting three to four days a week, to hammer out the details of implementing the Regional Dialogue Policy. Council central staff and state power staff are attending these meeting and providing summary reports to Council members and other staff.

Planning Tools and Data

Data collection and analysis are ongoing activities in the Power Planning Division. Our data on regional loads, energy prices, conservation achievements, and generating resources form the basis for monitoring progress on plan implementation and identifying departures from our key planning assumptions. Accurate data are also required for modeling and analysis.

We are on schedule for developing a new demand forecasting system. A short term forecasting model has been completed, and we are in the process of refining and testing a new long-term forecasting approach.

Staff used an updated version of the Aurora Energy Market ModelTM for analysis of CO₂ emissions. We are making enhancements to the Genesys Model to improve our simulation of the hourly patterns of generation. This will help with capacity adequacy assessment. We have also completed the revision of ProCost, the conservation planning tool, to better incorporate fuel savings, CO₂ effects and to enhance outputs.

Refinement of the Olivia Model is continuing after some significant delays due to problems in some of the vendor software that the model uses. Some of these problems are still unresolved and may require fallback solutions, which are available. Meanwhile development of user interfaces continues.