Northwest Power and Conservation Council

November 26, 2007

MEMORANDUM

TO: Council Members

FROM: Terry Morlan

SUBJECT: Presentation by Snohomish County Public Utility District

Snohomish PUD, like many public utilities, is facing a changed future. Under Washington's Initiative 937 qualified public utilities are required to meet a renewable portfolio standard as well as "pursue all available conservation that is cost-effective, reliable and feasible." They must set their conservation targets using a methodology consistent with the methodology the Council used in the Fifth Power Plan. A Utility Resource Planning law, passed in 2006, requires large public utilities to do an integrated resource plan. Further, their generating resource choices are constrained by Senate Bill 6001 (passed in 2007) which contains limitations on carbon dioxide emissions from new power plants. Finally, their relationship to Bonneville Power Administration is changing due to the Regional Dialogue Policy. Additional power supplies purchased from Bonneville that are above Snohomish PUD's high water mark will be priced at the marginal cost of new resources. Snohomish currently purchases about 80% of its power from BPA.

Steve Klein, the General Manager of Snohomish PUD, and Jessica Matlock, Director, Government Relations and Corporate Communications, will talk with the Council about their plans for meeting their customers' future electricity needs. Snohomish PUD's integrated resource plan will help determine those plans. Under the Utility Planning law, the integrated resource plan must be completed by September 2008.

Attached as background is an item from Snohomish PUD's web site regarding their integrated resource planning.

851 S.W. Sixth Avenue, Suite 1100
Portland, Oregon 97204-1348
www.nwcouncil.org

Steve Crow
Executive Director

503-222-5161
800-452-5161
Fax: 503-820-2370

SNOHOMISH PUD
Integrated Resource Plan (IRP)

The purpose of an Integrated Resource Plan (IRP) is to establish an investment plan that ensures enough resources are available, at reasonable cost, to meet future customer needs. Achieving this objective requires consideration of all possible options and a plan that is adaptable to changing circumstances. Energy-efficiency, demand response programs, distributed generation, renewable power supplies, and purchased power contracts are all among the potential alternatives for Snohomish County PUD.

While the specifics of the final 2008 IRP are still under development, enough is known at this time to provide a preliminary picture of the PUD's anticipated plan. It is clear that conservation and renewable energy resources will play a pivotal role in the new plan. Analyses of conservation and power supply options will be complete by late fall so that a power portfolio can be selected.

The PUD intends to pursue a mix of technologies and power resources to meet both its customers' needs and the new state renewable portfolio standards (RPS), which become active January 1, 2012. The two-fold RPS calls for all qualifying utilities in Washington state to:

- Pursue all available conservation that is cost-effective, reliable, and feasible.
- Provide at least 3% eligible renewable energy by 2012, 9% by 2016 and 15% by 2020.

The PUD will seek eligible renewables consisting largely of wind; however, solar, tidal, biomass, geothermal and other environmentally friendly energy resources will be investigated as well. In July 2007, the PUD issued a Request for Proposals from renewable resource developers. Responses that appear attractive from a cost and technical perspective will be included in the final IRP.

I. Strategy & Guidelines

The 2008 Interim IRP is shaped by three Commission policy guidelines:

- Work regionally and nationally to protect the PUD's existing resources and ensure access to new resource opportunities.
- Pursue all cost-effective energy conservation programs and look for ways to accelerate acquisition where possible and economical.
- To meet future loads not served by conservation, pursue a power supply portfolio composed of purchased power contracts, generating assets the PUD owns and, if attractive, BPA Tier 2 options. To the extent possible, this portfolio should be composed of resources that are in the PUD's service area and that are renewable or environmentally benign.

II. Action Plan

To support the Commission policy guidelines, PUD staff has developed the following eight-point action plan to be accomplished over the next five years.

1. Identify and implement all cost-effective energy-efficiency and demand-side management programs.
2. Investigate new demand-side management opportunities and methods for accelerating acquisition of savings.
3. Actively pursue contracts for and/or ownership of new renewable resources to meet load growth.
4. Investigate tidal, geothermal, and pumped storage options and chart plans for moving forward with the development of promising projects. Monitor other emerging technologies for economic potential and PUD application.
5. Evaluate the potential for distributed generation resources -- both customer-owned and PUD-owned -- within the PUD's service territory. Establish programs that encourage the development of those options that are achievable and economic.
6. Work with BPA to establish a 2011-2028 power supply contract that maximizes the benefits of the federal power system to the PUD.
7. Participate in regional transmission forums to ensure adequate transmission capacity is available to deliver BPA and other generating resources to PUD loads.
8. Continue the ongoing development of staff knowledge, tools, analysis frameworks, and databases used to evaluate both supply and demand-side resource options.