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June 29, 2009

MEMORANDUM

TO: Power Committee

FROM: Terry Morlan

SUBJECT: Discussion of Issues Raised for the Power Plan

A number of issues have been raised regarding the Power Plan. Some were raised in Whitefish and others have been raised since. Over the past couple of weeks, staff has been sending short papers or memos to discuss some of these issues.

The issues include:

- Whether the Council's 5-year conservation targets are too high;
- Why the Council's analysis shows a substantial current surplus in the region when utilities need to develop resources;
- How the plan applies to individual utility situations regarding resource needs, conservation potential, and access to markets;
- Whether what we have been calling the "base case" should exclude carbon pricing risk;
- Whether the Council's carbon cost (or price) is too high and might be leading too high conservation targets; and
- Why the plan appears to build surplus resources to sell into the market.

The Power Committee will discuss these issues and how we propose to address them in the draft plan at the June 30 Power Committee web meeting. At the July Power Committee meeting we will update the Committee on any additional analysis and progress in working with utilities and others on these issues.

The papers staff has sent out were attached to your June 30 web conference electronic packet. In addition, a Power Point presentation summarizing the issues and our response is attached.

Attachments

Update on Issues Raised for the Sixth Power Plan

Power Committee Meeting
July 14, 2009
Portland, OR



Conservation Targets: Problem

- Are 5-Year conservation targets too high?
 - Issue for some Public Utilities
- Are targets being driven by too high carbon cost assumptions?
- Why pursue conservation so aggressively to build a surplus?
- What are key uncertainties about achievability?



Conservation Targets: Response

- Work with utilities and BPA to reassess assumptions
 - Three meetings of CRAC to hear utility group assessment of Council assumptions
 - Key issues: uncertainty, role of CFLs, new technologies
- Presentation for Power Committee and Council with proposed solution



Surplus: Problem

- This issue did not arise from the Power Plan, it was from an adequacy assessment presented to the GRAC
- The assessment showed a large regional surplus, but many utilities need resources
- Why build resources and conservation when there is a surplus?



Surplus: Response

- Explain difference between regional adequacy assessment and utility firm resource perspective
- Focus on resource balance from firm resource perspective (Council agenda)
- Illustrate how RPM looks at resources and risks in specific futures (Power Committee and Council)
- Recognize individual utilities face different circumstances
 - Resource need; market access; transmission limitations



Base Case: Problem

- Council requested a scenario be run with only current climate policy; excluding carbon pricing risk
- Some advocate that this should be the base case



Base Case: Response

- Staff ran a “current policy” case
- Renamed the previous “base case” as the “plan case”
- Results were described at a Power Committee web conference meeting (On Council agenda)



Carbon Costs: Problem

- Is the range of carbon cost assumptions too high?
- How should carbon emissions be measured?
- How much of the cost of carbon pricing policies is likely to fall on utilities?



Carbon Costs: Response

- Cost-effective conservation levels only moderately affected by carbon pricing risk
- Compared Council's carbon cost assumptions to utilities and others
- Describe in Chapter 9 two different measures of emissions
- Describe in Chapter 9 two different assumptions about how carbon penalties fall on utilities



Interpreting the Resource Portfolio: Problem

- Some have found the Council's resource portfolio confusing
 - What does the resource portfolio mean for the region, for utilities?
 - How does the Council's resource strategy compare to a traditional firm load resource balance?



Interpreting the Resource Portfolio: Response

- Describe the resource portfolio and how it compares to traditional resource plans
 - Look at some specific futures to help illustrate how options turn into resources depending on future conditions (Power Committee and Council)
- Describe the applicability to utilities
 - Not a schedule of resource development for any one utility
 - A set of resource alternatives and priorities for development
 - Strategy for addressing future risks

