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Information Report on Progress in Developing a Regional Power Plan

City Club of Portland (Portland, Or.)

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Information Report on
PROGRESS IN DEVELOPING A REGIONAL POWER PLAN

BACKGROUND

In December 1980, Congress passed the Pacific Northwest Electric Power Planning and Conservation Act. It established the Northwest Power Planning Council to guide and oversee BPA's expanded responsibilities as the regional financing agent for new resources, including conservation. The Council is a regional body, with two members each from the states of Idaho, Montana, Oregon and Washington. Formed in 1981, the Council established a central office in Portland with over 30 full-time employees, and state offices were formed in the capitol of each Northwest state. The Act requires the Council to prepare a Fish and Wildlife Program for the Columbia River and its tributaries and a 20-year conservation and electric power plan for the region.

FISH AND WILDLIFE PROGRAM

The fish program addresses migratory and resident fish, wildlife, future development of hydro power, and a monitoring and mediation function to be exercised by the Council. Perhaps the most important concept in the Fish Plan is the notion of a water budget, a specific volume of water, to provide sufficient flows to move young fish to the ocean. The Plan also requires the construction of additional by-pass systems, fishways, and other facilities to improve the various fish and wildlife resources. The Fish Plan, adopted in November 1982, will control the future operation of federally-owned hydroelectric projects on the Columbia.

ENERGY PLAN

The major components of the Regional Conservation and Electric Power Plan (Energy Plan) are as follows:

- a) An energy conservation program including model conservation standards. These standards are expected to prescribe, for example, the maximum annual heat loss (on a square footage basis) of a newly constructed home.
- b) A 20-year forecast of electric energy demand.
- c) A 20-year power resources plan, including the portion of demand to be met by conservation, renewable resources (hydro, solar, wind, etc.), high efficiency resources (industrial cogeneration) and thermal resources (coal, nuclear).

PLANNING PHILOSOPHY - "OPTIONS"

Utility planning has historically coped with uncertainty - uncertainty about whether a given generating unit will operate, and uncertainty about precipitation and stream flow conditions in our hydro system. The increased emphasis on conservation introduces additional uncertainty with regard to the rate at which conservation measures will be adopted. Finally, there continues to be great uncertainty about future levels of demand. Current regional forecasts project growth rates ranging from zero to 2.9 percent annually. In the Northwest, a difference in demand growth rates of 0.5 percent annually produces projections that differ by the output of a large thermal plant in just over a decade; it now takes longer than 10 years to build such a plant.

To cope with these uncertainties, the Council developed a planning philosophy which attempts to provide an ability to meet a high load growth while not com-

mitting the region to over-building. Power resources selected by the Council as "options" will receive regional funding during the early phases of their development. In return for this financial assistance, the region will receive the right to exercise that "option" to provide additional energy to meet higher load growth (ie, complete development of that resource) or to hold that option and delay the acquisition of additional energy. Such a flexible power plan is believed to be adaptable to a wide range of possible future loads.

MAJOR ISSUES

In preparation for the Energy Plan, the Council commissioned six studies to develop the necessary information and analytic tools. These studies were completed in mid-1982. Over two dozen specific issue papers were prepared. Three major Issues identified by your Committee on Energy and Environment as key elements of the Energy Plan for Portland citizens are:

- 1) How much should the region pay for conservation during a period of surplus power?
Recent forecasts indicate that a regional power surplus might exist for as much as 10 years. Should the Council direct BPA (through the Plan) to finance conservation programs during the near-term surplus period? How much should BPA pay for these conservation resources? Should BPA pay the ten percent "premium" for conservation (specified in the Act to encourage conservation)?
- 2) Can the region sell this near-term surplus power to California? At what price?
BPA currently markets a significant portion of Northwest surplus power to California on a "non-firm" (or temporary) basis. Federal law requires BPA to include a 60 day call-back provision in contracts for this power. As a result, the price is fairly low compared to "firmer" power based on contracts made for longer periods of time. How can the Northwest obtain a better price from the California utilities? Can we overcome the capacity constraints on the transmission lines south? Can we guarantee the availability of surplus power beyond 60 days?
- 3) What effect will the demise of WPPSS Plants No. 4 and 5 have on Plants 1, 2 and 3?

In 1982, Plants 4 & 5 were terminated and the completion of WPPSS 1 was delayed for five years. Observers close to the Council believe that Plants 1, 2 and 3 will be included in the Energy Plan. However, the inclusion of Plants 4 & 5 appears unlikely. Should plants 4 and 5, which are partially built, be kept alive as an "option" and completed if higher loads materialize?

Severe financial strains have already been imposed on the public utilities sponsoring Plants 4 & 5. One utility recently announced plans to seek bankruptcy protection as a direct result of its WPPS 4 & 5 obligations. Can and should the Council prevent the financial difficulties surrounding WPPSS 4 & 5 from jeopardizing the completion of Plants 1, 2 and 3?

Respectfully submitted,

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Daniel W. Heagerty, Chairman
ENERGY AND ENVIRONMENT STANDING COMMITTEE