

Renewable Northwest Project

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Comments of the Renewable Northwest Project On BPA's Long-Term Regional Dialogue October 31, 2006 Rachel Shimshak, Director

The Renewable Northwest Project (RNP) appreciates the opportunity to comment on the Bonneville Power Administration's Long-Term Regional Dialogue proposal. RNP is a regional, non-profit organization that promotes solar, wind and geothermal resources in the four states of the Northwest. Our members include consumer and environmental organizations as well as energy companies involved in the development of renewable resources.

In these comments, we focus on the critical commitments BPA must make on both power and transmission issues before fundamentally changing its historic role on energy in the region. BPA must prioritize actions on conservation and renewables that will meet its goals, dedicate the necessary staff to the task, provide certainty for the financial resources to achieve the goals, have the flexibility to react to the changing circumstances in the market, and get busy right now on the acquisition of new renewables. We believe that our recommendations meet the "List of Interests" agreed upon by the Principals Group.

RNP has participated in the ongoing conversation concerning BPA's appropriate responsibilities for the past decade. I was a member of the Steering Committee of the Comprehensive Review of the Northwest Energy System in 1996 where securing BPA's customers and securing conservation and renewable energy funding were agreed upon in the context of industry restructuring. RNP has continuously worked to implement those proposals. In 2002, the joint public interest parties submitted a proposal to BPA calling on the agency to establish targets for renewable energy and energy efficiency as well as strategies to implement them. Between September 2004 and today, we have submitted many sets of comments, and appeared at each public meeting to support BPA ideas for moving forward on clean energy activities. Most recently, I participated on both the Principals' Group, and the Technical Group for the Long-Term Regional Dialogue. We continue to support all of the recommendations made previously in our comments.

BPA can be proud of the many policies and programs it has created over the years to help reduce barriers to new renewable resources. BPA's early commitments to renewables helped build capability and experience with these resources in the Northwest. The current revenue earned from BPA's investment in new renewables earlier in the decade demonstrates the value of being an early adopter and of taking some measured risks. The recent 2006 BPA *Background* on wind summarizes how being active in the renewable energy market has helped BPA identify barriers to new renewable resources

Members

3 Phases Energy Services

American Wind
Energy Association

Bonneville Environmental
Foundation

Center for
Energy Efficiency and
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Citizens' Utility Board

David Evans & Associates

Eurus Energy America

FPL Energy, Inc.

Geothermal
Resources Council

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Horizon Wind Energy

Jones Stevedoring

Montana Environmental
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Montana Public Interest
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Defense Council

NW Energy Coalition

Northwest
Environmental Advocates

Oregon State Public
Interest Research Group

Orion Energy

PPM Energy, Inc.

Portland Energy
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RES America
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Stoel Rives, LLP

Vestas American
Wind Technology, Inc.

Washington
Environmental Council

Washington State Public
Interest Research Group

Western Resource Advocates

Western Wind Power

and design solutions. Previous actions have helped deliver local economic and environmental benefits, reduce risks, and keep our energy system clean. However, most of the actions taken by BPA to develop renewable resources occurred at the beginning of this decade with few actions taken recently.

Long-term vs. short-term

This process is called the *Long-Term* Regional Dialogue. RNP's first suggestion is that BPA and its stakeholders really think through what is in the best long-term interest of the region before we proceed. Our forefathers and mothers acted wisely 50 years ago in providing us the tremendous endowment of what has now become inexpensive hydropower. We know that customer utilities are interested in securing the greatest amount of low cost energy from Bonneville with the fewest additional costs in Tier 1. Advocates are interested in securing a commitment from BPA to at least meet the Council's targets for renewable resources and to provide the products, services, resources and programs that will allow its customer utilities and/or BPA to reach the goal. That will require taking some risks and putting some financial resources into the Tier 1 rates in the short-run in order to reach the long-run goals on a sensible time schedule. We can see the benefits of taking those actions, and we should learn from our experience.

BPA should also look ahead and anticipate energy and policy developments: an increasingly carbon-constrained world; the potential adoption of Renewable Energy Standards in the Northwest states and perhaps at the federal level; and continued volatility in the gas market. To prepare for serving its customers with long-term resources that will be high value and low risk, BPA should move forward with renewables now.

Leadership

We very much appreciate that BPA has noted its statutory responsibility to encourage the development of renewables and adopted public power's share of the Council's targets as its goal. We also appreciate BPA and the Council's effort on regional wind integration.

BPA Administrator Steve Wright should be the leader in the region on the development of new renewables, and he should communicate this goal and the actions that will achieve it to the energy community at large. To provide ongoing ideas to the Administrator about how to address issues facing renewable resources in the market, he should assemble a renewable energy advisory group consisting of public and private utilities plus stakeholders in the region who have demonstrated positive actions on clean energy.

To ensure effective implementation of the action items, the Administrator should designate a "renewables team" for the PBL and the TBL so that parties will know who the "go to" people are. The leader of the team for each business line should have decision-making capability and be tasked with appropriate goals.

Working Group Recommendations to BPA on integration products, budget and acquisition

RNP assembled a diverse group of utilities and others to discuss a reasonable, practical, initial set of recommendations for BPA to "encourage the

development of renewable resources.” That group included Terry Mundorf, Jeff Carr, Tom O’Conner, Keith Knitter, Walt Pollock, Angus Duncan, a representative from PGE and staff of BPA and RNP. We primarily discussed issues that are important to near-term wind development in the region. A summary of our discussions was prepared and delivered to the Technical Group at our December 12, 2005 meeting and briefly outlined for the Principals Group at its December meeting (see attached memo distributed at the Dec. 12 meeting). We urge BPA to implement the recommendations of the group.

The most important issue agreed upon was the need for BPA to provide long-term integration products (up to 20 years) for renewables with some degree of price certainty and predictability for more than a rate period, but less than 20 years. We acknowledged that BPA would need to study the availability in its system to provide these products. BPA and the Council are leading the entire region in a broad study that includes integration products right now. We are especially hopeful that looking at ACE diversity will help us arrive at least-cost solutions. RNP supports BPA’s “Proposed Principles for the Post-2011 Slice Product” item #9, page 38 in the July 13, 2006 proposal to “no longer include within-hour load-following” as one mechanism that will allow BPA greater flexibility on this issue. To fulfill its renewable energy mission, BPA should prioritize generating capacity in the system to further renewable development. While the group was unanimous in wanting to provide these services to COUs, RNP would like to see services be available to IOUs as well. The July 13, 2006 BPA proposal provides good intentions on integration services, but falls short of providing the necessary certainty that is needed for business transactions to occur.

The second item discussed by the renewables sub-group was not decrementing COUs for renewable acquisitions. We appreciate that BPA stated that, “new renewable acquisitions by the customer would not reduce its HWM (page 62).”

The last set of issues tackled by the renewables sub-group included acquisition of renewables by BPA and a budget for renewables “facilitation” activities.” While BPA’s July 13th proposal mostly rejects the idea of acquiring renewables in advance of need (although it opens the door for some circumstances after it closes it on page 59) in favor of resource contingency planning, the group disagreed. We talked about utilities needing renewables to meet their load growth and/or policy directives in the states, and that there would be some basis for being able to plan ahead for that need. BPA could use part of its facilitation budget to acquire in anticipation of those needs. To the extent that BPA used its budget to be an “anchor tenant” in a public power renewable project, those funds could be repaid as the utility sponsors’ load grew, needing the megawatts.

Resource contingency planning is a nice idea, but BPA is quite late to the party in the Northwest. The pressure from California utilities currently looking to the Northwest to help meet their own public policy goals should signal BPA to accelerate its efforts. BPA should promptly identify a diversity of renewable energy projects in which it would like to be a partner and get busy securing those projects.

BPA will need some financial resources to be nimble and take advantage of opportunities to invest in renewables as they occur. In the July 13th Regional Dialogue paper, BPA proposes to invest “*up to* a net \$21 million a year (plus annual escalation) on a range of facilitation activities with its public power customers...” RNP believes that this is not enough money to provide BPA the flexibility it needs to do the job, and that BPA should make facilitation available to non-COU customers. Remember that BPA’s \$21 million combines the \$15 million/year commitment made for renewables acquisition in 1996 (which would be approximately \$20 million in today’s dollars according to the Bureau of Labor Statistics inflation calculator), with the BPA “backstop” commitment amount for renewables in the previous rate period’s C&R discount. Capping the budget at \$21 million actually sets the program backward, not forward.

Considering that renewables are a priority resource in the Act, and that BPA is committing to meeting the Council’s renewable energy targets, BPA should not unrealistically limit its budget. It should ensure that sufficient resources are on hand to reach its goals. Perhaps that could be done with \$21million/year or less if new renewables continue to be cost competitive. Perhaps more will be needed to reduce barriers and achieve a diversity of renewable resources. Within reason, BPA should give itself some room. Leaving aside the money for the C&R discount program, the renewables working group even agreed that facilitation dollars would be, “more than \$15 million, but less than x.” That was an acknowledgement that it may take additional resources to meet the needs of BPA’s customers on renewables. In other words, \$15 million was a floor and not a ceiling.

Our experience has been that when a utility participates in a renewable project, they learn about the technology and its operation is demystified. BPA should include in its goal that all of the region’s utilities should participate in its renewable energy program in a way that fits their circumstances. Small utilities may want to purchase the EPP product or use a C&RD-type program. Other small utilities may want to band together as the Last Mile Electric Coop has done and make use of BPA’s products and services, or they may need BPA to be an initial anchor tenant. Still others who have taken steps to acquire renewable resources will need help on transmission services and policies, or just plain access, in order to follow through with their plans. Every few months a new situation evolves in which a new need is identified. BPA should be nimble enough to respond to changing circumstances, and have the necessary creativity and resources to address the problem.

Augmentation and Tier 2

The July 13, 2006 proposal indicates that BPA could augment its system up to 300 MW permanently to meet its customers’ needs. Again, the Act lays out a very clear priority for acquisition to meet load: cost-effective conservation first; cost-effective renewables second. This is yet another reason that BPA should be active now in assessing future needs and positioning itself soon in order to access the most desirable renewable resources.

Beyond augmenting the system, BPA claims to want to prepare “many Tier 2 products” for its customers beyond 2011. If “many Tier 2 products” means many renewable products (wind, geothermal, biomass, energy only, shaped and firming, etc.), we can support this idea. We anticipate that many utilities will want to continue to be served by a BPA with a Tier 2 product. Again, considering the priorities in the Act, BPA should make energy efficiency and renewable energy Tier 2 products available. The Agency has unique advantages with respect to these resources, its potential to aggregate, and its statute. Customers should find other suppliers for fossil fuel resources.

Transmission

The July 13, 2006 proposal does not deal specifically with transmission issues, but they are critical to the achievement of BPA’s renewable energy goals. We urge Bonneville to continue to identify and implement products, services and investments that will make more efficient use of the existing transmission system (thereby avoiding the expense of new additions), participate actively in planning for new transmission with an eye toward areas that have good renewable energy potential, and finally, build new transmission where it is needed. The region will not achieve the Council’s plan of 6,000 MW of new renewables without a focus on transmission, and BPA is poised to lead in this effort.

Conclusion

It is appropriate that these comments are due on Halloween as BPA’s Long-term Regional Dialogue proposal could be very scary if the agency does not properly prioritize its statutory responsibilities to invest in all cost-effective conservation and encourage the development of new renewable resources. Happily, BPA has a rich history of activities on renewable energy issues that have led to economic and environmental benefits for the region. But, unless and until we are convinced that BPA will undertake their stated goal of meeting the Council’s public purpose targets, complete with the certainty, staff and necessary resources to address a variety of changing circumstances, this new world is not worth the risk.

Thank you.

Attachment

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The following people met to see if we could make progress on our renewable items for the Regional Dialogue: Walt Pollock, Elliot Mainzer, Angus, Terry Mundorf, Larry Kitchen, Jeff Carr, Tom O'Conner, Keith, Natalie McIntyre and me. These were the notes we agreed upon by the end of the meeting. Terry and Walt are to create some options for the IOUs to add to the list. Relating back to the list of six issues from the previous memo on renewables from our November 18th discussion:

1. On flexibility

BPA will provide long-term integration products (up to 20 years) for renewables with some degree of price certainty and predictability for more than a rate period, but less than 20 years.

BPA will study the opportunity in its system with which to provide these products (and use that plus purchases to meet need).

Customers will not be harmed.

The service will be available to: resources serving firm loads in the NW, COUs and Tier 2. No agreement on how to make this available to IOUs, but Walt and Terry will come up with something.

2. On "no decrement for renewables."

Larry Kitchen will provide a bit of additional clarity to #2 as it relates to sub-allocation.

3 and 5. BPA Facilitation with Tier 1 budget.

Use "facilitation" dollars (which will be more than \$15 million but less than x) to accommodate anchor tenant concept, for BPA to acquire additional renewable megawatts to be placed in the FBS (that may be used to create Tier 2 products, and to accomplish sustained, orderly RR development), and RD and D. When \$\$ area used for anchor tenant concept on a project, \$\$ will be repaid to BPA as the customers need grows.