



Board of Directors September 14, 2007 Meeting Minutes

The PNUCC Board of Directors met on September 14, 2007 from 9:00 a.m. to noon at the Portland Airport Sheraton. The list of attendees is attached.

Next Board Meeting October 5, 2007

Corporate Business & Member News

The Board unanimously approved the August Board meeting minutes after acknowledging the PNUCC Antitrust Compliance Statement and completing a round of introductions.

The **2007 PNUCC Annual Meeting** is fast approaching and Shauna McReynolds asked everyone to mark their calendars for **November 2, 2007**. Without revealing any secrets, she promised that this year's program will be one of the best. She also noted that it is an election year. Each membership group will elect Board members for a 2 year term. Other business will include Board action on the 2008 budget.

In member news, the Board welcomed Scott Brattebo to the meeting in his new role as Public Power Generating Pool Executive Director. He said he is looking forward to working with PNUCC members and is still trying to get his feet on the ground after his first two weeks.

Dick Adams shared that the PNUCC website is really working. He said that the report on Renewable Portfolio Standards has caught the attention of folks in North Carolina as their governor just signed a bill to promote renewable resource development.

On the subject of RPS, Steve Klein said that he has learned that under Washington's I-937, utilities can not count "voluntary" conservation and renewable development. Other Board members confirmed that the requirements are the same for Oregon and Montana.

Finally, Steve Johnson, Washington PUD Association announced that they have hired Washington State Senator, Erik Poulsen as Government Relations Director.

Draft 2008 Budget

On behalf of the PNUCC Budget Committee, Treasurer Kelly Norwood, pointed the Board to the recommended draft budget and proposed membership assessments for 2008. He said was seeking agreement from the Board to send the draft 2008 budget and accompanying material to the PNUCC members for their consideration.

Dick Adams walked through the details, pointing out that the bottom line is a proposed budget of \$671,000. This is an increase of \$26,000 over 2007 that accounts for inflation and increases in staff costs. Dick said that with this budget PNUCC will continue its work efforts at a similar level as this year. To accompany this budget the Budget Committee is also recommending that membership assessments remain at the 2007 level. In other words, Dick clarified we intend to spend more than we collect in 2008. The difference would be paid out of the PNUCC Reserve Account. The target for the reserve fund is about one-third of the overall budget and it is projected to be greater than 50% by the end of this year.

Dick Helgeson said he was pleased with the recommendation to hold member dues at their current level, but he also expressed concern about cutting the budget too close and creating issues later down the road. Kelly Norwood explained that the Budget Committee shared his concern, but as they looked at the Reserve Account that has been growing and the contingencies that they must plan for they felt comfortable with their recommendation.

With that discussion the Board directed staff to send the recommended budget and assessments to the PNUCC members for their review. Staff will prepare a letter from the Board asking for members review and any feedback on the draft budget prior to the Annual Meeting on November 2nd where the Board will take action on the proposal.

Puget Sound Energy Integrated Resource Plan

Puget Sound Energy's new Director of Energy Supply and Planning, David Mills dazzled the Board with an in depth presentation of Puget's 2007 Integrated Resource Plan. David described Puget Sound Energy's system and service territory as Washington State's largest utility. Puget is both an electric and natural gas system covering 6,000 square miles. Their electric assets of hydro, natural gas, coal, wind and other non-utility generation add up to almost 3,000 MWa, David said.

The Puget Plan shows a current need for resources that grows to 1,650 MWa by 2015 comparing current resources to projected January loads. A significant part of the gap is attributable to contracts that expire in the next four to five years. The need for natural gas sources for Puget's core gas business is not as immediate according to David. Current projections are that new gas sources will be needed by 2013.

The purpose of the Integrated Resource Plan is to determine the “lowest reasonable cost” way to meet growing customer needs and then identify the strategic direction for acquiring new resources.

As it turns out, David noted the least cost resource portfolio for the 2007 Plan is also the least carbon intensive portfolio Puget has every identified. The recommended portfolio includes an aggressive investment in energy efficiency, relies heavily on more wind power and gas-fired generation. David said that Puget will have a “windy, gassier and more efficient future.” They will be looking for 1,200 MWa of natural gas fired combustion turbines, 300 MWa of demand side management and 550 MW of wind capacity to meet their needs.

David also pointed out that this Plan concluded that adding new coal resources at this time is not in the best interest of Puget’s customers. He said that Puget had come to that conclusion prior to the Washington law restricting utilities’ reliance on coal-fired generation.

A key factor in this version of the Integrated Resource Plan is the significant increase in the cost of resources since Puget completed their 2004 Plan. Not only have the costs increased, for most resource types, the potential range of costs for a type of resource also grew. These increases and range of costs reflect the uncertainties associated with capital costs and volatility of the natural gas market.

David wrapped up by recognizing the challenges Puget and other utilities face as they acquire new resources. Not only are greenhouse gas emissions and climate change quickly becoming a permanent part of the utility planning landscape, but increased competition for available resources and technical expertise is driving up resource costs, and the number of viable resource alternatives, especially renewables, is becoming more limited.

Regional Energy Efficiency - The Big Picture

The Northwest Power and Conservation Council’s staffer, Tom Eckman provided the Board with a history and expectations for the future regarding the region’s energy efficiency efforts. Tom showed the Board that the region has acquired over 3,100 MWa of conservation in the past 25 years. This amount of savings has offset a fair chunk, as much as half, of regional load growth in this same time period, Tom added. For perspective, Tom noted that 3,100 MWa is enough electricity to serve the entire state of Idaho, plus Western Montana and this savings has lowered Northwest carbon emission for 2005 by 13.5 million tons.

Tom also observed that there was a great deal of fluctuation in the year to year acquisition of conservation. In his view this has not been the recommended way to gain energy savings, but it has worked. He showed the Board how conservation efforts ramped up in the early 80s, dropped significantly in response to the recession in the late 80s, then significantly picking back up in the mid 90s, declining again in the late 90’s and finally increasing again in response to the West

Coast energy crisis in 2000. The annual amount of conservation acquisition has remained steady at over 120 to 140 MWa since then.

This information was provided by Bonneville Power Administration and individual utilities Tom said. He explained that past savings from codes and standards are included based on 1980 levels. However, he noted as he forecasts future efficiency gains from codes and standards he would measure against current requirements.

Another observation Tom shared was that after decades of growth, Pacific Northwest electric use per capita has remained unchanged. The Board asked questions about this and challenged this conclusion in the most recent years. Tom clarified that his data only looks through 2005.

Looking ahead to the potential for future savings Tom sees in the next 20 years another 2,875 MWa of savings available with the greatest savings in the residential and commercial sectors. He also showed the Board that one of the major sources of savings continues to be from replacing incandescent lighting with compact florescent lights. The Board had several questions about this conclusion, challenging Tom about how the actual potential from CFLs and why the price of these technologies are not dropping as we would expect. Tom explained that lighting in new housing and home remodels continues to provide opportunity for savings from choosing efficient lighting. Others opined on the question of consumer costs.

Economic Analysis of CO₂ Policies

There continues to be a great deal of discussion about CO₂ policies and their impacts, Dick Adams noted as he teed up a proposal from EPRI to do a study, “Collaborative Analysis of CO₂ Policy Impacts on Western Power Markets” to better inform the national discussion on legislation. Dick said that EPRI is looking for funding for this work to analyze the economic impacts of national carbon legislation on the West Coast power industry.

Dick said that they are hoping to get funding organized in time to get the analysis underway by this fall. They estimate the cost to be \$150,000 for all utilities in the Western region. This seems inexpensive Dick said and thought it would be a valuable study. He said he was bringing it to the Board to make sure that everyone knows about the study and to confirm his belief of the value of the study. In a recent conference call, Dick said the question was raised about an organization such as PNUCC contributing to the funding to make sure the work gets done. He said EPRI was hesitant and would think about that.

Pat Egan, Pacific Power said that they are supportive of the study but had not yet decided how much they would commit to the study. He also pointed out that if every utility contributed, EPRI would significantly over collect for this work. Mark Gendron indicated that BPA is looking seriously at funding this effort also.

The Board asked about the deliverables of this project and how this relates to earlier studies. They also asked about assumptions for the study including whether they consider the electrification of transportation. Pat suggested that another discussion with an EPRI representative could answer some of the questions being raised.

Dick Adams said he would follow up with Kyle Davis at Pacific Power and the EPRI staff to get clarification for some of these questions. It was also suggested that it might be useful for them to come to a PNUCC meeting.

In related efforts, Dick reported that the Council had just issued an analysis aimed at defining the current CO₂ footprint of the Northwest power system. This is a draft paper that Council is seeking comments on by October 19th. Dick indicated that that he would ask the members of the PNUCC Climate Change Workgroup to look at the report and perhaps provide comments.

PNUCC Plans for Council's Fish and Wildlife Program

At their last meeting the NW Power and Conservation Council decided to request amendments to their Fish and Wildlife Program beginning in November. Shauna McReynolds explained that this was expected although we were hoping they would wait at least until January to give the region an opportunity to better digest the about to be released Biological Opinion for river operations. She explained that the Council's Program provides guidance to Bonneville Power Administration for funding fish and wildlife efforts to the tune of \$143 million a year and given the new Biological Opinion, it is expected that there will be major pressure to significantly increase the level of funding for the Program.

Shauna said that this amendment process is a unique opportunity for PNUCC, along with PPC and NW RiverPartners, to improve the efficiency and effectiveness of the Council's Program. She reminded the Board that PNUCC's interest is to have the most effective, efficient program for addressing hydro system impacts on fish and wildlife. The staff recommendation is to fully engage in the amendment process and to continue working with the Council's Biological Objectives Ad Hoc Workgroup. Amendments that would be submitted by PNUCC and others would ensure a strong connection between mitigation actions and hydropower impacts; ensure the Program is a high-level guidance document that provides flexibility and adaptability to meet its objects; heightens independent science review of the Program measures and promotes new ideas for soliciting and selecting fish and wildlife measures to be funded.

With a few clarifying questions the Board gave staff a thumbs up on the direction and goals for this work effort. Shauna also reported that there is a strategy session already scheduled with the others working on this effort to ensure that all the bases are covered and that we are well coordinated.



Attendance List

September 14, 2007 Board of Director's Meeting

Jack Speer	Alcoa
Kelly Norwood	Avista Corp.
Jim Sanders	Benton PUD
Ken Sugden	Flathead Electric Cooperative
John Prescott	PNGC Power
Dick Helgeson	Eugene Water & Electric Board
David Mills	Puget Sound Energy
Ray Camacho	Seattle City Light
Mark Gendron	Bonneville Power Administration
Pat Egan	Pacific Power
Steve Klein	Snohomish PUD
Scott Corwin	Public Power Council
Scott Brattebo	Public Generating Pool
Dirk Borges	Canby Utility
Terry Morlan	NW Power & Conservation Council
Harry Hewitt	Tillamook PUD
Debbie Bone-Harris	Franklin PUD
Mark Johnson	Flathead Electric Cooperative
Doug Grob	Flathead Electric Cooperative
Dan James	PNGC Power
Stefan Brown	Portland General Electric
Jessica Wilcox	Snohomish PUD
Suzann Grassell	Chelan County PUD
Dan Peterson	Pend Oreille PUD
Tom Eckman	NW Power & Conservation Council
Jack Janda	Mason County PUD #1
Steve Johnson	Washington PUD Association
Jerry Rust	NW Power Pool
Dave Ward	Tacoma Power
Ken Canon	Industrial Customers of NW Utilities
Margie Gardner	Northwest Energy Efficiency Alliance
Mark Ohrenschall	Newsdata
Ron Malmgren	Corps of Engineers
Jim Luce	Washington EFSEC
Dick Adams	PNUCC
Lee Corum	PNUCC
Shauna McReynolds	PNUCC