PNUCC ANNUAL REPORT 2014
When 2014 kicked off, it wasn’t clear what kind of a season PNUCC would have. But we knew from experience we could draft an extraordinary team from our members to dig into the facts behind energy issues facing the region and carry that information down the field successfully. We scored early with our carbon report which attracted fans from all over the Northwest and showed how PNUCC can up its game when the stakes are high.
This past year has demonstrated once again the valuable role PNUCC plays in bringing together a diversity of members and a range of perspectives. Every PNUCC member has a stake in the region’s power system—from the safe and reliable production and transmission of electricity to the efficient end use of our product. PNUCC gives us a venue to consider options and impacts as we plan for a future electricity supply that is cost-effective, mindful of the environment, and meets the expectations of those we serve.

PNUCC links electric service providers and large end-users from all corners of the Northwest. Our membership represents the broad spectrum of our industry. Each member has a unique story and circumstance, and a contribution to make to our exploration and analysis of perplexing industry issues. At our monthly meetings, we have the opportunity to hear multiple points of view and to get acquainted with how electric service providers and their customers across the region are impacted by industry proposals, policies, and regulations.

In addition to the viewpoints of a diverse membership, PNUCC seeks out experts from related industries and other parts of the country to share their knowledge and work jointly on issues. Our natural gas task force is a good example of an ongoing collaboration with a partner in the energy business. And PNUCC’s 2014 paper about carbon emissions as we see it in the Northwest, has been a catalyst for a regional discussion. We have offered an objective look at the facts regarding the Northwest’s carbon footprint to shine a light on a topic that frequently generates a lot of heat.

We’re gearing up to be a significant participant in shaping the next regional power plan. Electric service providers have worked aggressively and collaboratively to understand the accounting of energy efficiency in the Sixth Plan, and we expect efficiency will be a major theme in the Seventh Plan. The discussions and presentations we’ve had in the PNUCC boardroom over the past year have prepared us to engage fully as the plan is developed.

Many thanks to PNUCC’s expert staff—Dick, Shauna, and Tomás—for keeping our meetings relevant and thought provoking.

See you at the PNUCC meetings.

Cheers,

John Prescott
Chairman of the Board
You can read about PNUCC's impressive list of accomplishments this year in the following pages, but I'd like to tell you why they happened. Over the years, PNUCC has brought together a community of smart, committed individuals willing to share their time and knowledge to help our industry build a strong future. Some days the enthusiasm reminds me of those early American barn-raising efforts, where everyone pitched in—except that these days we use webinars and PowerPoint instead of meeting in a field with saws and hammers.

PNUCC succeeds because of its people, starting with our Board. They provide the leadership that raises our sights and fine-tunes our work. When we initially scoped out our feedback to the Council on their approach for assessing environmental impacts in their Seventh Plan, our Board members didn't hesitate to lean in and suggest the direction for our messages to make sure our communication would be as focused and useful as possible.

And PNUCC's technical expert bench is deep. Just look at the roster of our System Planning Committee. When the committee launched a study of the value of distributed solar, volunteers from large and small publics, as well as investor-owned utilities, stepped forward and said “we want to get in on this conversation.”

We can count on the people of PNUCC to suggest issues our industry needs to explore and get the jump on; reach out to colleagues elsewhere to educate us on emerging issues; convene monthly to help us bushwhack through technical thickets; and share strategies to communicate with the public on complex issues like carbon and conservation.

This year we've rediscovered just how valuable an association like ours is and how much we can get done by harnessing our collective horsepower and expertise.

Sincerely,

Dick Adams
Executive Director
PNUCC is a key player in the Northwest energy league, relying on our deep bench of analytical talent and our ability to communicate with one another, as well as with the policymakers who set the rules for our industry. PNUCC’s monthly boardroom huddles keep our game plan tuned to new challenges, alerting us when to rally our offense or punch up our defense. In so many arenas this year, our team has proven its mettle and helped shape key events, as you can see by reading this report.

**CARBON PAPER SCORES!**

It's hard to perform well on the field when you haven't mastered the fundamentals. In July, PNUCC released its report titled *Carbon Emissions—a Northwest Perspective* to provide the region a grounding in the facts about a topic of increasing significance to the electricity industry. Our System Planning Committee recognized the need for industry leaders, policymakers, and the public to have a common understanding of the realities about Northwest carbon emissions as they develop carbon-reduction strategies. We wanted to dispel urban legends that fog the issue and present basic information so everyone starts from the same playbook.

After months of analysis, PNUCC penned a report that draws several conclusions, among them: the region’s electric power system has half the carbon intensity of electric supply in the rest of the United States. The low intensity is a product of the non-emitting hydropower that generates much of the electricity in the region, 60 percent on average.

The report points out the wide variation in carbon emissions annually due to the supply of water to fuel the hydro system. In addition, PNUCC’s carbon paper sacked the conventional thinking that power production is the largest carbon emitting sector. Not in the Northwest. Here the transportation sector has a larger carbon footprint than electric power, the opposite of other parts of the country.

**THE RIGHT PLAY AT THE RIGHT TIME**

The final carbon report was particularly timely with regard to a new proposal from the Environmental Protection Agency (EPA) that hit the field this year to reduce carbon emissions from existing power plants. PNUCC’s efforts will benefit the region as policymakers engage in a lengthy and complex effort, involving numerous states and parties to develop a plan that is acceptable to EPA.

Our System Planning Committee prepared a report to educate members about how EPA defined state targets for reducing carbon and what opportunities states have to present their own plan to reach the target. We posed a number of questions to EPA staff to clarify how our situation in the Northwest, particularly with regard to hydropower production, can be addressed under the proposed rule.

**SOLAR STUDY GAINS GROUND**

This year, the System Planning Committee began an analysis on the value of distributed solar power. As solar prices drop, more and more customers are approaching their utility about rooftop solar systems, and we wanted to understand more about the value of those kilowatt-hours coming into the grid. We want our members to be out in front on distributed solar power as federal policies and state legislation take center field.

Our study immediately attracted volunteers to serve on a new solar work group. Idaho Power shared the results of a study on the costs of integrating solar on its system that found integration costs increase as solar penetration increases. In July, the general manager of Trinity PUD in California paid us a visit to offer insights on the rapid growth of distributed solar in that state and how it is changing utilities’ thinking about costs and rates.

We hope to discover what benefit the system derives when customers install solar, taking into account energy, capacity, and line-loss savings. Our work group plans to have a report to the Board by early next year.

**PILING UP CONSERVATION POINTS**

Northwest utilities have an amazing track record in achieving conservation, and conservation remains a high priority. Since 1978, utilities have enabled the region to save 5,300 average megawatts. PNUCC’s strategy going forward will
be to sort through the latest stat sheets and efficiency formations to discern better how the numbers pile up and fit together. This effort will be particularly useful as new federal standards and state codes kick in and have more of an influence on loads and savings in the region.

SETTING A SCREEN FOR THE SEVENTH POWER PLAN

The Northwest Power and Conservation Council is gearing up to write its Seventh Power Plan in 2015, and this year, we have been keeping up with all their preliminary moves. PNUCC members and staff participate on each of the energy-related Council advisory committees, including the newest one, the Resource Strategies Advisory Committee (RSAC). Formed this year, the RSAC's job is to advise the Council on regional power strategies and related matters during the plan’s development.

Our goal is to make sure the Council’s plan accurately reflects the state of the Northwest power system and provides useful guidance to the region on such issues as carbon policy, conservation, distributed generation, adequacy, and reliability. We want the plan to recognize that utilities vary in many ways and one size does not fit all.

In addition to a scouting report on the Council’s retooled Resource Portfolio Model, PNUCC submitted comments on two Council issue papers this year. One paper dealt with a methodology for quantifying environmental costs and benefits, including carbon emissions, and the other proposed metrics for conservation achievements, renewable resource development, and reliability. We want the plan to recognize that utilities vary in many ways and one size does not fit all.

If PNUCC’s analytical experts see the plan writers starting to go out of bounds, we won’t hesitate to raise a penalty flag.

IN LEAGUE WITH THE NATURAL GAS INDUSTRY

This is the third year of our collaboration with the Northwest Gas Association to tackle issues related to the growing interdependence of the electricity and natural gas systems. PNUCC’s Power and Natural Gas Task Force has created a forum where representatives from both industries come together to work on regional issues. Our meetings attract regular participation from the Federal Energy Regulatory Commission (FERC), the Western Electricity Coordinating Council, and state agencies.

A top agenda item in 2014 is a proposal for a new scheduling regime FERC issued in March. FERC proposed changing the start of the natural gas operating day, as well as modifying scheduling timelines. Later this year, our task force will submit comments, the gist of which was summed up by one of our gas industry colleagues, Lynn Dahlberg of Williams Northwest Pipeline, at FERC’s Quadrennial Energy Review in Denver this summer. She said: “Don’t force the Pacific Northwest to change its gas day to address an Eastern electric reliability issue when such changes only serve to create problems in our region that we aren’t facing today. Don’t fix what isn’t broken.”

We’ve also participated engaged in the Western Interstate Energy Board’s study of the adequacy of gas supply infrastructure to meet electricity needs in the West. Phase 1 covered meeting power needs in the next 10 years, and Phase 2 looked at whether the gas system would have adequate short-term flexibility to meet electric industry requirements, particularly regarding wind energy’s impact on Northwest pipeline operations.
In April, Canadian utility representatives shared their perspectives on winter operations in British Columbia and how demand there can affect the Northwest gas supply. In August, Columbia-Grid gave us a look at an upcoming study of the impacts on transmission of coal plant retirements and a move to natural gas generation.

NO FANTASY IN THIS FORECAST

One of PNUCC’s primary missions is to report on the state of the power system, and in March we released our 2014 Northwest Regional Forecast. It provides an on-the-ground view of the Northwest’s electric power landscape and highlights what’s trending for the next 10 years. The 2014 report shows that utilities’ energy load forecasts add up to an annual growth rate of 0.9 percent for the next 10 years, and it also indicates a need for additional firm power supply to meet winter peak demand. The Forecast spotlights the importance of flexibility and capacity issues in our power system picture. For the first time, this year’s Forecast reported on how energy efficiency programs help the region reduce peak-hour need. In the next five years, utilities expect to dampen peaks by as much as 1,300 megawatts (MW). The Forecast shows utilities’ demand-response programs could reduce load during peak hours by as much as 90 MW in winter and almost 600 MW during the summer. It also indicates the region will rely on more conservation, wind, and natural gas-fired generation to meet future needs.

A GREAT MESSAGE PASSING GAME

PNUCC’s Communications Committee catches the information we generate in our studies and moves it across the region, using a variety of media. This year, key messages have included the need to meet peak power needs, utilities’ continued commitment to energy efficiency, the value of hydropower, and the low-carbon nature of the Northwest power system.

Our committee hosted a meeting in July to talk about PNUCC’s new carbon report. Carbon is a hot topic, and we wanted our members to be able to make the best use of the report’s facts and findings when communicating with customers and policymakers.

Our committee has decided to conduct a survey of how rate structures may be changing in light of new technologies like rooftop solar. There’s a debate raging in some states about net metering charges and whether current rate structures adequately reflect the costs of maintaining infrastructure that kicks in when the sun doesn’t shine. We hope to learn more about the new distributed generation landscape and what it means for utilities and their customers.

AN INTERNATIONAL MATCH OVER THE COLUMBIA

Throughout 2014, PNUCC has kept its eye on the goal for the Columbia River Treaty: a renegotiation that will remedy the imbalance between the United States and Canada in sharing the downstream power generation benefits of the Treaty projects. The U.S. Entity—BPA and the Corps of Engineers—handed off its recommendation to the U.S. State Department at the end of 2013, and the proposal has been under review by the Administration since that time.

PNUCC’s Board has had numerous briefings on the status of the recommendation, and PNUCC continues its engagement in the Columbia River Treaty Power Group. Education is the name of the game in Washington, D.C., as the region waits to see what action the State Department will take. PNUCC remains a part of the Power Group’s joint effort to inform congressional and agency decision makers about the opportunities for change presented by a renegotiation of the Treaty.
TACKLING EMERGING TOPICS

PNUCC members don’t miss much. Why? Because they regularly get clued into the latest information on emerging issues, pending legislation, and innovative approaches. We’ve had presentations about the Energy Imbalance Market that started this fall, and we talked a lot this year about efforts to develop a Security Constrained Economic Dispatch system in the Northwest.

Our members provide some of the most interesting meeting fodder. Grant County PUD explained what it is like to integrate large new loads, especially from customers like data centers that require high-quality power with a green footprint. Portland General Electric enlightened us on changes coming in their resource mix given the 2020 retirement of the Boardman coal plant. Cowlitz PUD reps described their “MyPowerPay” program that offers customers a pay-as-you-go approach to topping up of their electricity accounts, and Seattle City Light discussed behavior-based residential programs that challenge individual customers to use less energy.

TEEING IT UP IN 2015

You’ll find us in the Power Plan scrum most of next year because that’s a top-priority issue for our members. We’ll be looking out for how the carbon emissions issue is treated there, as well as in state and federal arenas. We will keep on slugging to notch wins for our power-natural gas industry collaboration and monitor the stats of new institutions like energy imbalance markets.

Our Communications Committee will continue to work on the challenge of explaining how the utility industry is changing and how that may affect rates and expectations. Distributed generation, demand response, flexibility, and capacity aren’t household words, and our mission is to get more understanding between our world and the real world of families and businesses.

NORTHWEST UNITED

PNUCC is a place of teamwork. Whether we meet in Portland or by webinar, our members bring their best. We constantly scan the field so we can meet what’s coming with sound technical analysis and the power of good ideas. But in the end, it is PNUCC’s team spirit and the hard work our industry puts in every day that makes it possible, at sports fields across the Northwest, for those Friday Night Lights to come on without fail.
PNUCC has given its members a seat on the 50-yard line of regional energy policy for more than 60 years. A voluntary, non-profit organization, the PNUCC team includes an expert staff and a strong roster of dedicated members who bring the power of good ideas to bear on a range of issues that affect electricity providers and large industrial users in the Northwest. Through the PNUCC forum, members have the opportunity to scout multiple perspectives and contribute to a strategy for the next matchup in the PNUCC Energy League.

OUR MISSION

Bringing the power of good ideas together to assist PNUCC members in fulfilling their company missions in this ever changing electric industry.

PNUCC’s mission is accomplished by providing the:
• Searchlight for changes that will have a significant impact on how our industry does business in the future
• Catalyst for examining issues that impact a significant portion of its membership
• Forum for dialogue on policy issues of regional importance
• Hub for technical analysis and data on vital Northwest power industry issues
• Nexus for educating the region on the realities of the current and future challenges of the electric power industry

OUR STAFF

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OUR 2014 BUDGET

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¹Reflects net costs. Includes income from NW RiverPartners.
²Reflects net costs. Includes income from Collaborative members.
³Reflects net costs. Includes cost-sharing with NWPCC.

Approved by Board of Directors—November 8, 2013
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