Creating
inside the box

pnucc annual report 2012
Chairman’s message

We work in a dynamic industry. Whether we are talking technology, regulation, or economics, new issues and fresh challenges are always on the horizon.

This year is not my first opportunity to serve as chairman of the board at PNUCC. As with the issues, the view from the chair evolves. This time around, it strikes me how profoundly recent legislation is changing our industry. From renewable portfolio standards to reliability regulations, we have entered an era in which more and more of what we do is geared to meeting these mandates.

PNUCC is a hub where we share insights about such changes and their impacts. The organization helps us in many ways to bridge the gap between a time when the job was to provide reliable electricity at least cost and today, when we are integrating wind and must assure adequacy with variable resources on the system.

Communications has become a big part of the PNUCC mission. It is complicated to explain how changes in the laws are transforming what we do and pushing up rates. But we are unraveling the complexity to inform the public and policymakers about the industry that keeps the lights burning and the motors turning in the Pacific Northwest.

In 2012, we made big strides in building our relationship with the gas industry. PNUCC has continued to foster joint problem-solving as our two industries grow more interdependent. We are working together to address questions for planning and operations.

There is never a dull moment in this business. Fortunately, we have an organization like PNUCC to help us stay on top of the issues and put the power of good ideas toward resolving them.

Sincerely,

Jack Speer
Chairman of the Board
In 2012, PNUCC used its strengths as an organization to have an impact in key policy arenas. We’ve established a practice that starts with early identification of issues that could challenge our industry. Then we get organized, mustering the amazing technical expertise our members, working together, can bring to analyzing a problem. We spread the word through our many communications channels, and then we circle back to make sure our ideas are being heard and having an effect.

A good example is our work this year on the growing interdependence of the natural gas and electricity industries. We reached out to our counterparts in the gas industry to build mutual understanding of the issues and how to approach them. Our work caught the attention of the Federal Energy Regulatory Commission, which brought its staff to Portland to hear what the Northwest thinks is important. We also helped shape the agenda for the Northwest Power and Conservation Council’s mid-term assessment of its Sixth Power Plan, and we’ve made a point of showcasing our utilities’ substantial conservation achievements.

Several issues are already hovering over our radar screen for next year. We will continue to use the PNUCC forum to communicate with our members about the Columbia River Treaty negotiations and what’s at stake in their outcome. We will saddle up the technical horsepower of our PNUCC committees to look further into natural gas-electricity questions and to spearhead discussions on meeting capacity needs in the future.

You just can’t beat the diverse collection of experience, smarts and viewpoints that PNUCC can gather in a room to tackle a problem. I’m grateful to all our members whose contributions enable our organization to have an impact far beyond its size and geographic scope, and I’m looking forward to another successful year in 2013.

Sincerely,

Dick Adams
Executive Director
Utilities look far into the future to meet demand. They adjust constantly to cope with the unexpected, hour to hour and peak to peak. Utilities innovate as technologies change and new policies alter the landscape. Throw them a curve through the weather, the legislature or the digital revolution, and they’ll find a way to keep the lights on.

PNUCC’s job is to help the industry stay aware of what’s out there, analyze what it might mean, and identify what strategies and tools are needed. Our organization is the forum where utilities in the Northwest convene to hear the latest news. PNUCC’s communications programs spread the word on trending issues in ways that can easily be translated to consumers and policymakers. Our technical expertise illuminates complex problems so utilities can work together to find solutions.

In 2012, PNUCC’s work influenced the course of regional policy and garnered attention on the national front as well.
Focusing a kaleidoscope of natural gas issues

Natural gas is now a major topic for resource planners in the electric utility industry. PNUCC has tracked the trend toward gas-fired generation for a number of years in the Northwest and was a sparkplug behind the Power and Natural Gas Planning Task Force that convened in April and now meets regularly.

Early in the year, PNUCC teamed with colleagues in the gas business to host a summit called “Plugging into Natural Gas,” which attracted over 200 participants. The day of presentations and discussion lit the flame for exploring issues related to the convergence of electricity generation and natural gas in the region’s energy supply.

The January summit introduced the audience to incongruities in the way these two distinct industries operate and communicate. With Northwest electric utilities planning to add thousands of mega-watts of natural gas-fired generation in the next decade, the differences between the two—from scheduling protocols to building infrastructure—raise many urgent and multifaceted questions.

We are working today on complex topics like whether gas pipelines offer the products and services electric utilities need and if not, how to make that happen.

The task force pulled together a core group of industry experts, who laid out an ambitious work plan. One of its first products was a PNUCC-produced Natural Gas-Electricity Primer, which provides planners, operators, and policymakers basic information about the electric power and natural gas industries.

Regulators join the discourse

The Federal Energy Regulatory Commission is very concerned about the growing connection between the electricity and natural gas industries and the ramifications for reliability. FERC Commissioner Phil Moeller spoke at our January summit, and PNUCC worked with the Northwest Gas Association and BPA to respond to his follow-up questions about the preparedness of the Northwest industries to make the transition.

PNUCC staff and natural gas industry representatives are working together to keep national and regional policy makers up to speed on our work in the Northwest. PNUCC gave an update on task force activities when FERC held a meeting this summer in Portland, and we briefed the Northwest Power and Conservation Council on electricity and natural gas issues in October.
Refreshing the power plan

PNUCC jumped in when the Northwest Power and Conservation Council began a mid-term assessment of its Sixth Power Plan to gauge if its two-year-old views of the region and conclusions align with our views of today. We met with Council members and staff to explain our viewpoint and volunteered to help with the analysis. Our efforts convinced the Council to broaden the scope of the assessment to provide the region better data and confirm that the Council and utilities share a common view of the state of the Northwest power system and its present and future challenges.

PNUCC also helped tee up issues to be analyzed in the Seventh Power Plan. We recommended the next plan do a better job explaining how policies like renewable portfolio standards influence resource development and include more information on such issues as system flexibility and transmission constraints. PNUCC members can count on having a front-row seat as the new power plan is put together, courtesy of the succinct and snappy Council Reports they receive every month.

Raising the energy efficiency bar

Northwest utilities are leaders in developing energy efficiency programs that other regions look to emulate. Over the last five years, utilities have set aggressive conservation goals and put in place programs that have achieved record-breaking success.

This year PNUCC, working with the Council on its mid-term assessment asked for more and better information about conservation, including descriptions of successful initiatives, accurate data on the costs of programs, and a clearer prognosis for achieving the region's goals. As a result of our collaborative efforts, the Council added new questions to its annual survey of utilities' conservation achievements. The survey results showed the Northwest acquired nearly 300 MWa of new energy efficiency in 2011.

The Northwest Energy Efficiency Alliance visited the PNUCC forum this year to preview a new “regional marketing toolkit.” It will provide utilities with messages and resources to increase consumers' enthusiasm for energy efficiency.
Brainstorming flexibility and capacity questions

Wind generation in the Northwest now totals nearly 8,000 MW and more is coming. As the number of wind plants in our region increases, utilities need new “flexible capacity” tools to help integrate these intermittent resources into the system. Flexibility tools that allow operators to respond quickly to real-time changes in wind generation and electricity demand to maintain system reliability will also be necessary.

PNUCC is at the forefront of the region’s effort to find workable ways to integrate wind energy. We are exploring new possibilities such as a west coast energy imbalance market, an electronic bulletin board for intra-hour transactions, and intra-hour transmission scheduling. We are also working to discover cost-effective strategies to use demand response to meet flexibility needs.

At our meetings this year, we talked with BPA about its oversupply management protocol and related operational challenges and with Idaho Power representatives about integrating substantial amounts of PURPA wind projects into their system. PNUCC members are helping the Northwest Power Pool’s Market Assessment and Coordination Committee formulate a set of recommendations on these issues.

PNUCC’s System Planning Committee this year has continued its successful System Operation Watch program aimed at studying unusual situations that stress the power system and learning lessons from them. Our committee also helped review new tools for resource adequacy and for quantifying imbalance reserves.

Thinking and linking transmission

PNUCC considered transmission from a couple of angles in 2012. Briefings by ColumbiaGrid kept us up to date on the organization’s annual transmission planning studies and its role in helping its members meet the requirements of FERC’s Order 1000, which deals with coordination and cost allocation in constructing new transmission lines.

In addition, we are working with ColumbiaGrid on a study of capacity on cross-Cascades transmission lines and voltage control issues on the west side of the mountains. The results will tell us if there is adequate transmission capacity to bring power from east of the Cascades if gas-fired generation is not available in the I-5 corridor.
Seeing the future through utilities’ eyes

Every year, PNUCC compiles the *Northwest Regional Forecast*, a 10-year snapshot of actions utilities are taking to ensure an adequate, reliable power supply for the future. It is the only assessment of the Northwest’s need for power from the utilities’ perspective.

Our 2012 *Forecast* shines a spotlight on the region’s need to acquire firm resources to meet both winter and summer peaks over the next decade. Last year’s report included a new January peak-hour load/resource metric, and this year, we added a July peak-hour snapshot to call attention to growing summer peak needs.

The *Forecast* shows that demand for electricity in the Northwest is rising and that hydropower still does the heavy lifting on our system. Our *Forecast* also indicates that conservation, natural gas, and wind energy plants are what utilities plan to use to meet new resource needs over the next 10 years.

Word power lights up a complex world

Communication is the key to keeping our members and a wider audience current on the electric power industry. The connection between 21st century technologies, federal and state policies, customer choices, and electricity rates is not an easy picture to draw. But we continue to work on ways to connect the dots for the public and policymakers.

Our Plan Today. Power Tomorrow. website has been up and running for over a year, and we keep adding articles and information. PNUCC’s Communications Committee met regularly this year to collaborate on tailoring and disseminating our messages.

In 2012, we took on a special project to illuminate what is happening with residential electricity rates. PNUCC conducted a survey over several months and compiled what we learned from 26 Northwest utilities that represent the lion’s share of the region’s load. We now have fresh data and an easy-to-read report when the subject turns to changes in residential electricity rates. And as we suspected, rates have indeed gone up around the region for a variety of reasons. Of the utilities surveyed, only one had no rate increase since 2007.
We took advantage of the PNUCC forum this year to keep our members posted on newsworthy items, including Oregon’s 10-year energy action plan. Members of the Governor’s team briefed us while the plan was being developed, and we had some good conversations about what it might mean for the region and Oregon utilities. New technology was on our agenda, with a presentation on the methane digester pumping out power for Tillamook PUD, fueled by waste from the area’s famous dairy herds.

Countdown is on for the Treaty

The clock is ticking on a recommendation for the future of the Columbia River Treaty. PNUCC had regular updates this year from BPA on the review process, which will culminate in September 2013. Our members had a preview of scenarios that look closely at power, flood control, and ecosystem benefits and will inform the recommendation to continue, modify, or terminate the Treaty.

PNUCC is representing the interests of our members in the Columbia River Treaty Power Group. Our goal is to see a Treaty recommendation from the Northwest that PNUCC can support when it is forwarded to Washington, D.C.

Staying ahead of the curve in 2013

Next year, PNUCC will continue to explore the possibilities increased cooperation offers the electricity and natural gas industries. When BPA and the Corps of Engineers make a recommendation to the U.S. State Department about the Columbia River Treaty, we will ramp up communications with our members to explain the ramifications. We will tap the technical acumen of our System Planning and Power and Natural Gas Planning committees to study the details of proposals that surface to remedy capacity and flexibility challenges.

Problem-solving. Top-notch technical analysis. Effective communications strategies. Creative thinking. These are the hallmarks of our organization. PNUCC is the forum that brings together the power of good ideas from the best and the brightest minds in our industry. We made our mark on regional energy policies in 2012, and in 2013, we will keep scanning the horizon to make sure our members are prepared to deal with whatever comes our way.
PNUCC has played a pivotal role in the region's electric utility industry for more than 60 years. As a voluntary, non-profit organization, PNUCC is a forum for bringing the power of good ideas to bear on a range of issues that affect electricity providers and large industrial users in the Northwest. Through PNUCC, members have the opportunity to listen and learn from each other and help shape evolving regional policies.

**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
- A catalyst for examining issues that impact a significant portion of its membership
- A forum for dialogue on policy issues of regional importance
- The hub for technical analysis and data on vital Northwest power industry issues

**Our staff**

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PNUCC 2012 board of directors

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Ken Sugden, Flathead Electric Cooperative

The leadership for PNUCC’s technical and communications committees was shared in 2012. With the guidance of these leaders and the dedication of the committees’ participants we’ve been able to accomplish a great deal and contribute to the dialogue on many regional issues.

System Planning and Power and Natural Gas Planning Committees
Steve Kern, Seattle City Light; David Mills, Puget Sound Energy; Dana Toulson, Snohomish PUD

Communications Committee
Jeff Beaman, Central Electric Cooperative; Kathi VanderZanden, PNGC Power

2012 budget

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2012 PNUCC members

- Alcoa Inc.
- Ashland Municipal Electric Utility
- Avista Utilities
- Benton PUD
- Blachly-Lane Electric Cooperative
- Central Electric Cooperative
- Chelan County PUD
- City of Cheney Light Department
- Clark Public Utilities
- Clatskanie PUD
- Clearwater Power Co.
- Consumers Power Inc.
- Coos-Curry Electric Cooperative
- Douglas Electric Cooperative
- Emerald People's Utility District
- Eugene Water & Electric Board
- Fall River Rural Electric Cooperative
- Flathead Electric Cooperative
- Forest Grove Light & Power
- Franklin PUD
- Grant County PUD
- Idaho Falls Power
- Idaho Power
- Lane Electric Cooperative
- Lewis County PUD
- Lincoln Electric Cooperative
- McMinnville Water & Light
- Northern Lights Inc.
- NorthWestern Energy
- Okanogan Co. Electric Cooperative
- Pacific Power
- Pend Oreille County PUD
- PNGC Power
- Portland General Electric
- Puget Sound Energy
- Raft River Rural Electric Cooperative
- Seattle City Light
- Snohomish County PUD
- City of Sumas
- Tacoma Power
- Tillamook PUD
- Umatilla Electric Cooperative
- Vera Water & Power
- Wells Rural Electric Co.
- West Oregon Electric Cooperative
- Whatcom County PUD