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Comments of the Renewable Northwest Project And the Natural Resources Defense Council On the Northwest Power and Conservation Council Draft Recommendations on the Future Role of Bonneville April 23, 2004

The Renewable Northwest Project (RNP) and the Natural Resources Defense Council (NRDC) appreciate the opportunity to comment on the Council's April 9th draft recommendations on the future role of the Bonneville Power Administration. 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 (developers, manufacturers, marketers). NRDC is a non-profit environmental organization with more than 43,000 individual members in the Northwest. NRDC is dedicated to protecting natural resources and ensuring a safe and healthy environment.

While RNP and NRDC have an interest in many of the issues described in the April 9th draft, we will confine our detailed comments to the recommendations on renewable resources. We agree with many of the comments submitted by the NW Energy coalition. Specifically, we strongly agree with their comments in the following sections: the fundamental changes to BPA's power supply role; products and terms of service; conservation; and resource adequacy. We will not repeat those comments here, but refer the reader to the NW Energy Coalition comments filed today.

RNP and NRDC have worked productively with BPA over the past decade on a variety of policies, projects, products, and programs to help the agency respond to their statutory responsibility to encourage the development of renewable resources. Since the Regional Review in 1996, BPA has worked with utilities, an aluminum company, developers, and advocates on a variety of actions relative to a broad range of renewable resources. In addition, BPA has acquired over 180 MW of wind generation, supported several solar projects, a geothermal project, long-term wind monitoring, and they have developed a robust green marketing program (which many BPA customers have used for their general portfolios and to supply retail green power programs). BPA has also helped eliminate irrational transmission policies, and developed helpful services to integrate renewables into the electricity system. All of these activities have helped BPA identify barriers to renewables, and solutions to those barriers. They would not have discovered these problems and solutions but for their active participation in the market.

Through their renewable energy activities and acquisitions, BPA has helped support the Northwest economy. The renewable energy projects alone have generated several million dollars of property tax revenue for rural counties in Oregon, Washington and Wyoming. The related family wage

construction and operation jobs have helped the struggling economy in the region. The lease payments to farmers and ranchers for wind projects have helped them stay in the farming business. The resulting renewable resources will add to the existing renewable energy base for the region and will help stabilize rates over the long term. Because renewables have no fuel cost, they will reduce the risk of price volatility. The rate stability benefits of both conservation and renewables will help guard against the consequences of future market swings.

Since 1996, BPA has conducted all of these renewable resource activities within a very tiny budget (\$15 million per year in above-market costs), plus a \$6 million per year commitment from the Conservation and Renewable Discount program. The current BPA program has created capability and experience in the region on renewables—something called for in the Council’s 1991 “Confirmation Agenda.” It has delivered excellent services, projects, and economic benefits for the region while staying within its budget. It is a bright example of a well-run program at BPA. Programs such as these, especially those that deliver on the statutory responsibility of the agency, should be rewarded, not punished for their success.

The current Council draft recommendations seem to do just that. We are concerned that the Council recommendations are more negative toward renewables than the recommendations made by the group of utilities, state staff, and advocates that were held during March of 2004. Just when utilities are planning to acquire renewables, the Council draft seems to want to decrease the activities that have proven useful to date.

RNP and NRDC are aware of the customers’ interest in restricting BPA’s acquisition of power. We believe, however, that there is a reasonable role for BPA in renewable resources, which includes a broad menu of actions, including some acquisition. We believe it can be executed in a manner that is low-risk, high value for the region, and consistent with BPA’s statutory responsibilities. BPA’s future role should be flexible enough to deal with changing market circumstances and therefore not overly prescriptive. Actions on renewables should be undertaken by both PBL and TBL.

Specific Responses to Council draft recommendations .

Conservation and Renewable Discount

The Council draft proposes to limit the use of the C&RD further by making it unavailable to utilities that are not also acquiring conservation. Considering the number of existing barriers to renewables, it is unwise to limit utility choices. We recommend urging utilities to invest in both conservation and renewables without conditioning the use of the C&R discount.

Regional Need and Wind

Many utilities in the region are seeking additional resources to help meet their individual needs. Indeed, six utilities are looking for a total of 1500 MW of renewables, and we applaud their actions. That fact conflicts with the Council’s view that the region needs no power. Those utilities that have been active in acquiring wind in the region have helped reduce barriers to the resource. Having said that, we believe each one of them would provide a

healthy list of operational and transmission barriers that must still be overcome. That conflicts with the Council's view that wind doesn't need any help.

Because fossil fuels and nuclear continue to enjoy over \$3 billion of federal tax benefits and the Price Anderson Act, renewables have to work harder to reach a level playing field.¹ It is also true that determining that renewables are cost-effective is not enough. Even when renewables are deemed cost-effective, they are not developed due to other barriers in the market. We recommend that BPA and the region's utilities respond to the Council's plan by beginning *now* to develop renewables in a sustained, orderly manner over the next decade. Only then will we avoid the boom and bust cycle, and avoid our neighboring states claiming the best sites for projects to serve them (i.e., California meeting its Renewable Portfolio Standard with Northwest resources). This will take investments on the part of utilities and BPA.

BPA PBL should play an active and creative role in facilitating purchases of renewables by other utilities, partnering with utilities to help them achieve economies of scale for renewable projects, continuing to acquire some renewables to support its green tags marketing and the sale of renewables to small utilities and government customers. These efforts will assist BPA in refining its expertise on these resources, and in identifying the need for, and developing useful products and services for the market.

A critical role for BPA TBL is to acknowledge the unique characteristics of renewables as they define transmission tariffs and products, and as they plan for system expansion. Because renewable resources are often remote from the load, transmission is critical to renewable development. TBL should plan for ways to accommodate renewables into the system in a fair and balanced fashion, including firm and non-firm products.

Facilitation and R&D

RNP and NRDC agree that a menu of renewable resource facilitation actions and R&D should be conducted by BPA and funded by all customers. We agree that the portfolio of activities will change over time and should be flexible. We further suggest that a reasonable budget for these activities, and the acquisition activities referenced above be developed and implemented.

Conclusion

BPA has a statutory responsibility to encourage the development of renewables, and they have an enormous capability to help the region follow through on that responsibility. It is short-sighted to so limit the budgets and responsibilities for the agency as to miss the opportunity to develop indigenous, clean energy that can stabilize rates and provide substantial economic development benefits. We should allow BPA to build on its current renewable energy capabilities and we should provide them with an adequate budget to do so. Then BPA could follow-through with its mission and provide continuing value to the region.

¹ Taxpayers for Common Sense