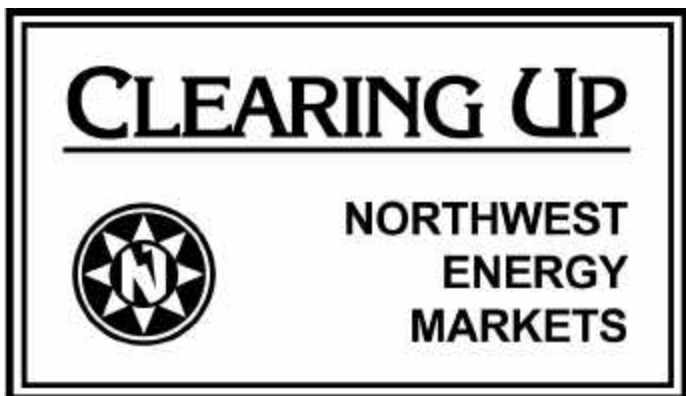


■ Monday, August 23, 2010 ■ No. 1455 ■



Energy and Utility News for the U.S. Pacific Northwest and Western Canada

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The Week in Summary

[1] **Idaho Power Shelves Wind RFP, Cites Drop in Wind QF Rates as Main Factor**

Last week, Idaho Power set aside its request for proposals issued last year to acquire 150 MW of wind generation by 2012, citing a market that has changed "dramatically" and a drop in prices for PURPA resources. The main cause was lower regional natural gas prices, which factor into the calculation of rates paid in PURPA contracts. Because of this change, the utility concluded that it could acquire energy resources outside the RFP process at this time. *At [10], Idaho Power hopes to complete a study by fall that recalibrates what it costs to integrate wind onto its grid.*

[2] **FERC Rejects PSE Wind Integration Tariff**

FERC didn't like the formula Puget Sound Energy used for calculating a capacity-based wind integration charge and earlier this month rejected the company's tariff filing. The FERC order is the latest skirmish over figuring out who should pay for balancing wind's intermittent output. While FERC took issue with the formula PSE suggested, it seemed open to the idea of a wind integration charge. *At [12], utilities want to keep hydro for native loads.*

[3] **BPA Finalizes Policy Framework for Post-2011 Energy Efficiency**

BPA's now-final policy framework for post-2011 energy efficiency is virtually identical to the draft version released in April. In a response to comments released Aug. 18, the agency generally defended its efficiency structure against concerns about putting conservation costs in Tier 1 rates, funding-allocation methods, local control and backstopping public-power's regional energy-saving target. BPA also noted this framework will be reviewed before fiscal year 2014. *BPA post-2011 conservation now delving into details, at [11].*

[4] **CPUC Seeks Clarity From FERC on Feed-In-Tariff Pricing**

After FERC struck down a feed-in tariff for combined-heat-and-power facilities, the California PUC agreed to recast its program to be consistent with federal law. But the commission is also seeking guidance from FERC on how it can set avoided costs for feed-in tariffs for combined heat and power. *At [13], trying to avoid a negative ruling from FERC.*

[5] **High-Performance Building District Aim of Seattle 2030 Collaborative**

A high-performance building district in downtown Seattle will take shape if a group that includes city representatives, community stakeholders, and downtown property owners and managers has its way. The mission of the Seattle 2030 District Committee is to meet the

**Week in Summary**

Architecture 2030 Challenge, which requires that by 2030, all the new buildings and major renovations will be carbon neutral. The group is still in the planning stages, but hopes to have a formal agreement in place by the end of the year. *Meeting the challenge takes incremental steps, at [14].*

**[6] POTOMAC: NW Senators Challenge Proposed Bulk-System Definition**

Northwest senators are pushing back against a FERC proposal to set 100 KV as a "bright line" minimum defining bulk-electric systems for purposes of enforcing reliability standards. Meanwhile, DOE awarded \$120 million in stimulus funds for efficiency and renewables, including \$21 million to 27 Northwest organizations. *EPA proposes rule to ensure power plants can obtain greenhouse gas emissions permits beginning in 2011, at [15].*

**Briefs****[7] Settlement Reached in Montana Power Plant Fight**

A settlement has been reached between Southern Montana Electric, the co-op seeking to build the Highwood Generating Station near Great Falls, and the environmental group and landowners fighting the power plant's development.

The deal will allow SME to continue developing the 120-MW gas-fired project--previously planned as a 250-MW coal-fired plant--without further legal challenges from the 48 landowners or the Montana Environmental Information Center that have fought the project for several years running.

According to an Aug. 19 *Associated Press* story, SME plans to immediately apply for a special-use permit from Cascade County.

The permit is needed to build the \$125-million project because the state Supreme Court ruled last month that the county illegally spot-zoned the project's site in approving a change from agricultural uses to heavy industrial (CU No. 1451 [2/14]).

After the ruling, the land reverted back to agricultural zoning, which it will retain into perpetuity under the settlement SME reached with MEIC and the landowners.

Other settlement conditions include a permanent injunction against construction of a coal-fired power plant at the site, as well as "some of the best noise restrictions at a gas plant that we could find anywhere in the country," according to MEIC program director Anne Hedges.

Also, SME agrees to withdraw its request asking the state Supreme Court to reconsider its ruling on the spot-zoning suit, and has negotiated agreements with surrounding landowners, in lieu of condemnation, as well as agreeing to implement an energy efficiency program.

There will also be permanent protection of a nearby Lewis and Clark national historic landmark, limits on

industrial development at the site in perpetuity, and a commitment from SME to pay the plaintiffs' \$140,000 in legal fees.

"Not bad, considering all we have to do is step aside as they try and get the county to agree to giving them a special use permit," wrote MEIC program director Hedges in an e-mail.

SME hopes to have the gas plant in operation by next June [*Penelope Kern*].

**[7.1] BPA Says Jefferson Meets Standards; Will Sign Contract Aug. 31**

BPA has concluded that Jefferson PUD meets its Standards for Service, and has agreed to sign the power sales contract that the PUD executed last June (CU No. 1448 [7]).

Bonneville said it will sign the contract Aug. 31, making it the first power sales agreement for a new public utility under the Regional Dialogue and Tiered Rates Methodology.

The provision of electric service was initiated June 11 when the PUD voted to purchase Puget Sound Energy's electric facilities in the county (CU No. 1446 [11.1]).

The BPA contract will commence in July 2013 at 38 aMW, though details of the load amount to be served and the timing of the PUD's eligibility for the Tier 1 rate and contract high water mark will be ironed out in the coming WP-12 rate case.

A rate case workshop on the contract will be held in September.

BPA said 20 parties commented on the PUD's request for service.

Eighteen specifically expressed support, including five local organizations and Grays Harbor, Pacific, Mason 1 and Asotin PUDs; Energy Northwest; Northwest Requirements Utilities; and the Washington PUD Association.

Snohomish PUD and a joint comment from PacifiCorp and PGE took no position; the Public Power Council did not file a comment.

In making its Standards for Service determination, BPA concluded the PUD has arranged for ownership and acquisition of a distribution system that will be able to take BPA service by March 2013.

It also found that it has the financial ability to pay for BPA power, which it will purchase in wholesale amounts; that it has sufficient capability to provide service and maintain its system; and that it has "general utility responsibility" [*B. T.*].

**[7.2] DOE Releases \$47 Million of PNW Smart Grid Demo Funds**

The U.S. Department of Energy has released another \$47 million of the \$88 million awarded to the Pacific Northwest's Smart Grid Demonstration project, which is overseen by Battelle Northwest in Richland, Wash.

"This is where the project participants can enter into contracts with vendors and begin hiring people to implement the demonstration," Battelle Northwest Deputy Director Tracy Yount told *Clearing Up*.

Participants received some funding shortly after DOE announced the award last November (CU No. 1418 [12]) for the planning process; this disbursement is a significant step, he said.

The project includes 15 test sites and will involve over 60,000 metered customers.

Other participants include BPA and 12 utilities in five states. The utilities are: Idaho Falls Power in Idaho; Flathead Electric Cooperative and NorthWestern Energy in Montana; PGE and the city of Milton-Freewater in Oregon; Avista Utilities, Benton PUD, the city of Ellensburg, Inland Power & Light, Peninsula Light Co. and Seattle City Light in Washington; and Lower Valley Energy in Wyoming [J. N.J].

### **17.31 Clark Public Utilities Raises Residential Electric Rates 5.7 Percent**

Residential electric rates in Clark County will go up by 5.7 percent this fall.

The increase was approved last week by the Clark Public Utilities board of commissioners to help offset a projected budget shortfall of almost \$17 million.

The commissioners approved a \$2 increase to the base-monthly charge for all customers--for residential customers, that's a bump from \$8 to \$10--and a 4.3-percent increase in the energy charge. As a result, residential rates will go up from 7.65 cents/KWh to 7.98 cents/KWh. For a typical homeowner using 1500 KWh a month, the average bill will increase by \$6.95, from \$122.75 to \$129.70, a total increase of 5.7 percent.

The increase for commercial and industrial customers will vary according to use, said Clark spokesman Mick Schutt. Commissioners didn't change the demand charge, he said, "so what you end up with is a varying range of impacts based on load factor."

Clark's total electric system budget for 2010 is \$388.6 million. The utility has already offset some of the shortfall through cost-saving measures, but needed an additional \$5.7 million to balance the budget by the end of the year. The rate increase, which takes effect Sept. 1, will make up that difference.

The utility said a poor economy and mild weather have depressed demand for electricity, just as Clark is about to see its BPA power costs increase by 4.6 percent, in October of this year. BPA power costs went up by the same percentage in October 2009.

The utility assumed average weather conditions in setting its budget, while the first quarter of 2010 was significantly warmer than normal, reducing electricity sales.

In addition, a new law and recent court decision have tacked on about \$2.9 million to the utility's budget.

The Washington Legislature approved changes to the PUD privilege tax that will increase Clark's taxes by about \$1 million this year, Schutt said, and a state Supreme Court decision that allows cities to tax natural gas used at power plants will cost the utility an additional \$1.9 million in taxes on fuel for its River Road generating station.

The public utility serves 181,000 electric customers [J. N.J].

### **17.41 ACEEE Names NWPCC Champion of Energy Efficiency**

The Northwest Power and Conservation Council is one of three recipients of the American Council for an Energy-Efficient Economy's annual Champion of Energy Efficiency Awards.

ACEEE announced the winners Aug. 17 at its 16th biennial Summer Study on Energy Efficiency in Buildings.

The NWPCC received the award for its "nation-leading power planning efforts that have already resulted in nearly 4000 average megawatts of energy savings and that will, over the next 20 years, provide 85 percent of the Northwest's needs for new electric resources," ACEEE said.

ACEEE presents the awards to recognize leadership and accomplishment in the energy-efficiency field. The winners were nominated by their peers and selected by a committee of ACEEE's board of directors from over 40 nominees, ACEEE said.

Selection criteria included each nominee's impact, innovation, and leadership in the energy efficiency field, as well as demonstrated excellence in program implementation, research and development, energy policy, or private-sector initiatives.

The other two winners are Jeff Genzer and Walmart.

Genzer, based in Washington, D.C., is a partner in the law firm Duncan, Weinberg, Genzer & Pembroke. He serves as general counsel for the National Association of State Energy Officials, the National Association of Energy Service Companies, the National Energy Assistance Directors' Association and the Energy Programs Consortium.

ACEEE recognized Genzer for his "over 25 years of effective work on energy efficiency policies and programs," and "in particular, for playing a critical role in addressing implementation challenges under ARRA."

Walmart was recognized for its leadership on energy efficiency in store design, product merchandising and sharing best practices ideas [J. N.J].

### **17.51 Cascade Community Wind Receives \$1M From State Energy Program**

Cascade Community Wind Co. has been awarded \$1 million in ARRA funds by the Washington State Energy Program, the Bellingham-based company announced Aug. 19.

The company said it would use the award--which comprises a \$300,000 grant and a \$700,000 low-interest loan--to install up to eight community wind turbines before December 2011.

Cascade Community wind said it received the award "based on the strength of its business plan and the fact that this initial support will help create a business model that can be replicated to develop many more community wind projects."

Of particular significance to the State Energy Program, the company said, are "CCWC's ongoing efforts to remove barriers to distributed community renewable energy projects in general."

Under Cascade Community Wind's approach, supporters of wind energy can invest in small wind turbine projects--typically, one turbine of about 100 KW--that are built in locations with good wind resources and enough land to comfortably site such a project.

Money raised through these individual subscriptions will help finance construction of the wind turbine. Subscribers are entitled to some of the revenue from the sale of the wind energy; that money is used to offset the subscriber's utility bill.

While community renewable energy projects are common in Europe and parts of the Midwest, they are relatively new to Washington state, the company said, and have encountered barriers presented by permitting codes, utility policies, public education, a meager trained

workforce, and the lack of access to insurance and bonding.

The company is already building two community wind projects in Kittitas County (CU No. 1453 [4/11]) and plans to build six more around the state next year.

Cascade Community Wind invests the state grant money--and the approximately \$10 million of private and federal funds it leverages--"in communities that see locally-owned generation of renewable energy as a boon to both the environment and the economy," the company said.

Interested communities, especially those in Puget Sound Energy's service area, are encouraged to contact the company. Cascade has signed PPAs with PSE for eight community-supported wind turbines, to be developed over two years in Whatcom and Kittitas counties [J. N.].

## Notes & Comments



### *Bearing Down*

#### **181 Reality Check at Redfish Lake**

The excellent sockeye returns this year to tributaries of the Columbia have given renewed hope to salmon recovery addicts like me.

I've been hooked ever since *The Idaho Statesman* once ran a photo of a T-shirted Jamie Lee Curtis releasing a bucketful of smolts into Redfish Lake.

It shows just what can eventually happen when star power and a decent number of smolts hit an ocean that is in prime productive condition.

But just what are those fish going back to? A scholarly article that has been making the rounds of some agency scientists has raised some serious questions whether a place like Idaho's Redfish Lake will ever be hospitable to returning salmon, much less a home to a sustainable run of at least a thousand fish--NMFS' interim recovery goal for the site.

In fact, the 2007 peer-reviewed paper, published in *Transactions of the American Fisheries Society*, even suggests that the experiments conducted in the mid-1990s to boost the lake's meager productivity (after all, it is an alpine lake above 6,000 feet high) actually made things worse.

#### **But first, the good news.**

Close to 400,000 sockeye have headed up the Columbia, and half of them might make it all the way back to B.C.'s Lake Osoyoos.

More than 2,000 Snake River sockeye were counted at Lower Granite Dam--the halfway point on their uphill swim to Idaho's Stanley Basin, and more than half are expected to make it home.

Tens of millions of dollars have been spent on this tiny subset of sockeye to bring them back from the brink. In fact, they were probably over the brink when

they were listed under the ESA in 1991. Only sixteen of them returned over the next decade.

But times have changed. The Snake run is showing three good years of returns after juvenile numbers were bumped up exponentially from a captive broodstock program that the region's independent science panel recommended dumping a few years back because of concerns over genetic bottlenecks.

It was pretty tough going for awhile, according to a friend who worked at the NMFS facility in Manchester on Hood Canal, where some of the precious Redfish sockeye were raised to adulthood in large fiberglass tanks with gravel bottoms until they reached spawning age.

He said the fish had so little muscle tone, they didn't have enough energy to scrape out a little hole in the gravel to deposit their eggs, which had to be unceremoniously stripped from the fish and fertilized in buckets with the thawed essence of Lonesome Larry, the lone sockeye that returned to the lake in 1992. Not exactly Nature's way, but SOP for hatchery operations.

#### **Fast forward to this year.**

More than 700 of the latest progeny from some of those bucket procedures have actually made it all the way back to the Stanley Basin. Managers have decided to let a few even return to the lake. Up till now, each fish was trapped and hauled off to a nearby hatchery as part of the captive broodstock program. (Maybe 100 or so that returned this year were actually raised in the vicinity, either from eggs planted in two nearby lakes or the result of wild spawning at Redfish itself).

But will those returning sockeye be fruitful and multiply on their own this year or ever? The authors of the 2007 paper--two Canadian paleoecologists and two U.S. biologists--think the ecosystem may be stacked against their ultimate success.

The paper [*Long-Term Population Dynamics of the Endangered Snake River Sockeye Salmon: Evidence of*

*Continued on page 7*

# Price Report

## Power Price Declines Continue

Western energy prices continued losing value throughout the week, with Northwestern hubs leading the losses for both daytime and off-peak power trades.

From Friday, Aug. 13 to Friday, Aug. 20, average daytime prices for all hubs fell. Northwest hubs lost about \$12/MWh. Mid-Columbia dropped from an average of \$50 to \$38.06, while California-Oregon Border prices moved from \$53.58 to \$41.81/MWh.

North of Path 15 and South of Path 15 average-peak prices also eroded, though not as dramatically. By Friday, NP15 and SP15 lost between \$3.35 and \$3.85/MWh compared with the previous week. Average pricing for those hubs was around \$42/MWh on Aug. 20.

Palo Verde average daytime pricing fared a little better, ending the week at about \$43.75/MWh, a loss of about \$4.25 compared to Aug. 13. The hub posted this week's high spot price: \$47.50/MWh.

For nighttime power, average prices in the West ended Aug. 20 in a range between about \$26.50 and roughly \$31/MWh. Northwest prices showed significant declines--\$12/MWh at Mid-C, for example.

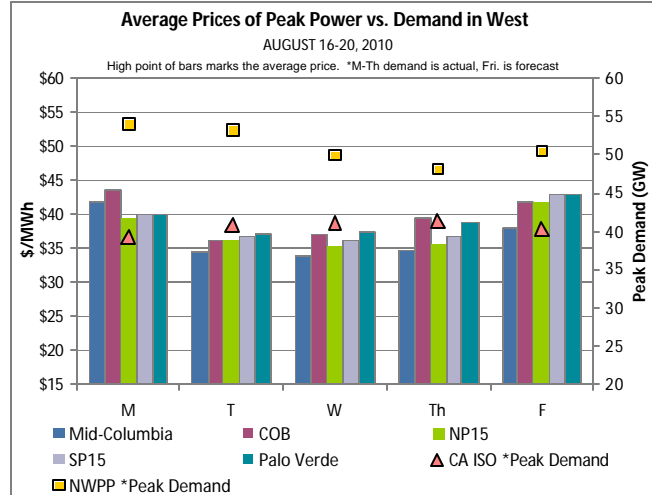
Peak demand on the Cal-ISO grid peaked at 41,152 MW Wednesday. Future demand may exceed 42,300 MW on Tuesday, Aug. 24.

According to the U.S. Energy Information Administration, a 27-Bcf addition to natural gas reserves provided a total of 3.012 Tcf in storage as of Aug. 13. This addition was 27 Bcf less than last year's 54-Bcf injection at this time, but inventories remain 7 percent above the five-year average. This marks the first time storage inventories have reached 3 Tcf since Jan. 1, 2010.

Natural gas prices continued to decline throughout the week. Henry Hub spot prices traded at \$4.35/MMBtu on Aug. 18, down 3 cents from the preceding Wednesday, according to the EIA. Spot prices traded at an average of \$4.19/MMBtu Friday.

The average regulated retail price of electricity increased at a rate greater than inflation in 2009, according to a newly released study by Regulatory Research Associates. The average bundled price to end consumers in 2009, the study stated, increased by 2.1 percent to 9.87 cents/kWh compared to a 1.2-percent increase in the Gross Domestic Product Price Index.

The pattern held true for the western U.S. as well, said Rob Schain, president of RRA. In California, prices were up 8.1 percent in 2009; Arizona prices were up 4.1 percent; Oregon, 5.2 percent; and in Washington prices rose 3.9 percent. Schain said infrastructure additions and replacement, including projects for green-power generation, are among the prime contributing factors to price increases.



Analysts conclude that prices should continue to rise as utilities seek to recoup various costs associated with mandated programs such as environmental compliance and greater employee benefit and health-care costs.

**What's ahead:** The entire West Coast is expected to have at least some warmer weather this week. Sun reaches the Seattle area Monday and Tuesday, with cloudy conditions and showers predicted Wednesday and Thursday. Portland should be warm and dry as well [Linda Dailey Paulson].

Western Electricity Prices Week of August 16-20, 2010 (\$/MWh)		
	Peak	Off-Peak
Alberta Pool	18.78-160.88	18.37-35.03
Mid-Columbia	30.00-43.25	22.50-28.50
COB	35.00-45.00	23.50-28.60
NP15	35.25-42.25	25.50-31.00
SP15	35.75-44.75	24.45-31.50
Palo Verde	35.50-47.50	23.00-31.50

Western Natural Gas Prices (\$/MMBtu)	
Permian Basin, Texas	3.54-3.94
San Juan Basin, N.M.	3.40-3.72
Southern California Border	3.53-3.90
Malin, Ore.	3.38-3.74
Alberta Hub	2.90-3.07

# Northwest Numbers

## 19] Gas Prices on Summer Holiday Despite Heat

Natural-gas prices across the nation seem immune to recent conditions. A feeble economy, no big storms to shut gas supplies in the Gulf, and one of the hottest summers in years along the eastern seaboard weren't enough to do much to the spot prices. West Coast weather has been uneventful enough to engender bland price trends, too, with monthly weighted-averages showing small price swings that don't amount to much. To get any kind of exciting comparisons, look to year-ago prices. That view is one more reminder of how much more drastic economic conditions were then, when spot gas pretty much spent the summer looking for buyers below \$3 MMBtu.

The Atlantic states all had July average temperatures ranking among their 10 hottest on record, with Delaware and Rhode Island notching their hottest July in history. New Jersey had its second hottest July, and New Hampshire and Massachusetts posted their third hottest. Take a three-month view and nine states show up with their hottest May-to-July average temperatures on record (states shaded red in map).

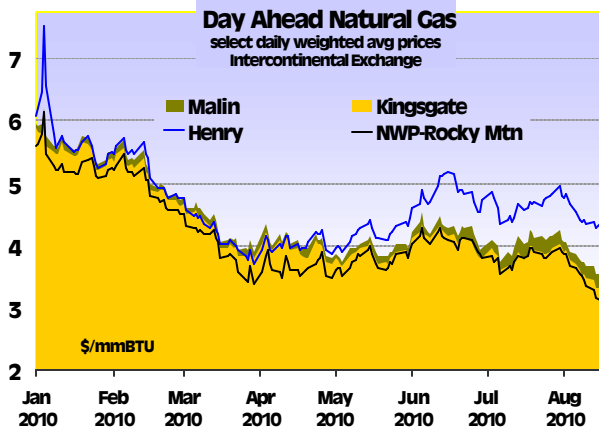
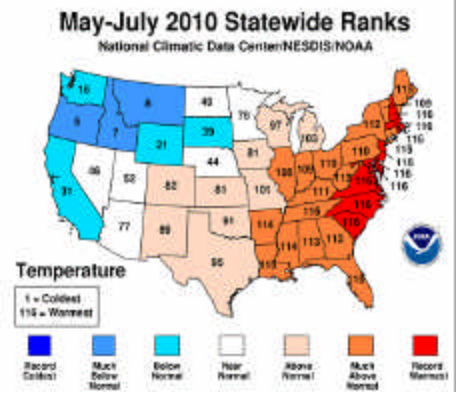
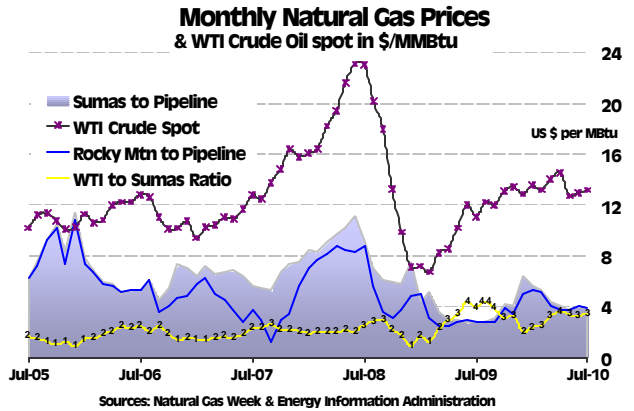
With between a third and a half of the U.S. population sweltering, gas prices could be expected to have firmed and spiked repeatedly. While prices did firm as summer heat developed and persisted in the East, major hubs like Henry did not surge past their late-winter price levels. Notable is that eastern prices have continued and expanded their divergence from our western hubs such as Kingsgate and Rocky Mountain in the time since we last depicted spot gas prices in CU No. 1444 (see chart). Even with the heat, the slack demand resulted in a range of less than 90 cents in weighted average prices at Henry and only \$1.01 between the highest trade of \$5.22 set back in late June and the lowest trade reported since on the Intercontinental Exchange platform.

In the same 52 trading days, Northwest gas has been at lower prices but had a greater range, with a \$1.14 spread between the high of \$4.38 and the low of \$3.24 at Kingsgate. In all four hubs depicted in the bottom chart, the lowest trades occurred at press time; August has seen consistent price declines across the nation in the face of increased domestic production and continued ample storage. Imports are falling and lower prices across the board are virtually certain as shoulder season patterns seem to be taking hold early this year.

Northwest prices may narrow the gap with their eastern counterparts if water supply forecasts play out and gas needs to fill in for diminished hydro to a greater degree than usual, so lows similar to last year's late-summer prices seem very unlikely. A resurgent domestic economy might return gas to where transitory weather events push prices around more.

I am all but certain that no resurgence in the domestic economy is imminent. Chatter about additional rounds of Federal stimulus will likely go nowhere as summer recesses and fall elections play out. Besides, while even many doubting economists have come around to say that stimulus and fiscal policies over the past 18 months may have rescued the economy, the effect seems more like a net over a chasm, rather than a spark in a cylinder. And much of the stimulus effort seemed to be predicated on assumptions that the recession was a typical, if very deep, business cycle event, while the huge interventions in finance and manufacturing point to severe structural misalignments.

The long romp through the fantasy land of lower taxes, more spending, and unbalanced economic relations with China and others, at both national and the personal levels, is not a normal to which we should aspire to return. Stimulus is not structural change, which takes longer and involves comprehensive societal involvement, not just Federal policy alone. Structural economic changes will almost include revisiting natural gas's role in the nation's energy supply and more certainty around carbon pricing. Well before all that, spot price gyrations worth noting here are likely to resume *[Alan Mountjoy-Venning]*.



*Continued from page 4*

*Past Influences on Stock Decline and Impediments to Recovery, Transactions of the American Fisheries Society 136:800-821, 2007 Selbie et al.*] analyzed sediments from the bottom of Redfish Lake, and opened a window on its natural history that goes back nearly 1,400 years.

For the past 1,370 years, they found little variability in an isotope of nitrogen that is now commonly used as a marker to map the natural ups and downs of salmon populations. It's an isotope salmon can only pick up from feeding in the ocean, and they bring it back to their fresh water homes after years of foraging in the ocean.

The scientists said the amount of this isotope was small compared to Alaska lakes, where it is found to be a large part of the nutrient base for young salmon during their freshwater rearing phase. So it likely played a small role in adding to the nutrient dynamics of the lake, but the researchers did infer that it showed natural salmon production was "substantially higher" than in recent years.

However, long before any mainstem dams were built, they said isotope levels showed "unprecedented declines" in Redfish Lake when salmon numbers began to decline 150 years ago. They said the drop occurred after strong harvest pressure in the lower Columbia began building in the 1860s, with impacts likely felt from other human activities like mining, logging, and agriculture.

Then Sunbeam Dam was built in 1910 on the Salmon River below Redfish Lake to provide power to a nearby mine, and pretty much blocked all fish migration, though some reports indicated that the facility did have some funky fish passage details. There were also reports of a kindly watchman at the dam, who felt sorry for the blocked migration and sometimes used a bucket to haul returning sockeye over the concrete. The dam was torn down in 1934.

The paper says analysis of the Redfish Lake sediments has shown that in the early 1920s, the community of zooplankton species in the lake began to change drastically as ocean-going salmon numbers plummeted.

Later on, well-meaning fish managers stocked the lake with non-native sockeye, kokanee (landlocked sockeye) and other species through the 1950s--which, according to the researchers, "appear to have led to increased competition for already limited lake food resources.

The net result, persistent to present, is an altered zooplankton community that is less beneficial in terms of prey characteristics for juvenile sockeye."

Recent sockeye numbers peaked in 1955, when more than 4,000 returned. Since then, it began another long downhill slide.

Since the 1950s, says the paper, the productivity and ecology of the lake have changed even more, and major

shifts in the nutrient base likely resulted from higher numbers of kokanee, climate change, and atmospheric nitrogen deposition.

"These changes, in addition to enhanced planktivory, may have also favored less valuable sockeye food sources (Bosmina) and contributed to conditions resulting in an overall interruption in trophic energy transfer from in-lake zooplankton food sources to juvenile Snake River sockeye salmon."

So, it looks like many factors to reduce sockeye numbers were already in play long before most mainstem dams were built, and will still have adverse effects on the sockeye even if the lower Snake dams are breached.

In an Aug. 13 Idaho Fish and Game (IDFG) press release, politicians and fish managers lauded the process that led to the returning fish. Evidently, Jamie Lee Curtis couldn't make it, but Idaho Sen. Mike Crapo was there.

"When the female sockeye slipped out of his hands, U.S. Senator Mike Crapo witnessed a sockeye swim up Redfish Lake Creek for the first time in 20 years," said the celebratory prose. "'It's a ray of hope,' Crapo said. 'A testament to the power and strength of this fish.'"

Actually, it was more of a testament to spending tens of millions of dollars of BPA's money. BPA administrator Steve Wright was on hand, and he was ready to write another check.

"Seeing so many of these fish return for the first time in so many decades says to me

that all the hard work and collaboration that has gone into saving them is working," Wright said, according to the IDFG release. "It's now time to build on the success by expanding Idaho's broodstock program to further increase the numbers heading to sea and, ultimately, returning to Idaho as adults. This is proving to be an effective investment in our heritage and our legacy."

BPA is coughing up another \$4.75 million to buy an old hatchery and turn it into a state-of-the-art facility that IDFG will use to produce a million sockeye smolts a year.

"This would mean a five-fold increase in the number of sockeye smolts produced and released for their journey to the ocean," says IDFG.

But they didn't say anything about the current state of the lake, or what those poor little socks are going to eat when they get all the way home.

The paleoecologists did, though. "These findings (e.g. altered nutrient dynamics, nursery lake competition, and food web associations) present important challenges for future management of endangered Snake River sockeye salmon and to the establishment of a self-sustaining salmon run in Redfish Lake."

That's measured scientific prose for "good luck fellas, but don't bet on it!" *[Bill Rudolph].*

**'That's measured scientific prose for good luck fellas, but don't bet on it!'**

## Supply & Demand

### [10] Idaho Power Shelves Wind RFP, Cites Drop in Wind QF Rates ■ *from [1]*

Idaho Power set aside a request for proposals Aug. 18 that it issued last year to acquire 150 MW of wind generation by 2012, citing a "dramatically" changed market and a drop in prices for PURPA resources.

"In the end the RFP no longer provided a competitive resource," said Lisa Grow, the utility's senior VP of power supply, in a statement.

The biggest change has been a recent drop in regional natural gas prices, which has a direct impact on the avoided-cost rates small generators are paid through the PURPA contracts that federal law requires utilities sign, Tom Noll, the wind RFP project manager, told *Clearing Up*.

"When the natural gas prices change, that drives our avoided-cost rates," he said. "This is the main variable."

Avoided costs reflect what a utility avoids when it buys energy generated by a qualified facility--generally a small power generator--rather than from the wholesale market or from generating the energy itself.

Based on the lower gas rates applied to the Surrogate Avoided Resource model--currently a natural-gas-fired, combined-cycle combustion turbine--the new avoided-cost rates approved in March 2010 and paid to "small" QFs dropped by about 10 percent for 20-year contracts (CU No. 1433 [7/17]). In Idaho, a "small" QF generates less than 10 aMW of energy per month.

"In light of these changes, we expect to be able to acquire energy resources without concluding the RFP at this time," Grow said.

While the call for bidders had generated considerable interest from wind developers, and a contract was being "diligently" negotiated with the "clear front runner," Idaho Power said, the two parties "jointly determined" that a final agreement was not possible.

Noll said the avoided-cost rate also impacts non-QF wind proposals because developers generally use it as a "bogey" to set the rates they propose.

**Over the same period** the RFP was being pursued, wind generation under PURPA contract has grown by 115 MW, from 252 MW to 367 MW, from four additional projects. Together with seven other PURPA contracts--four from biomass, two from canal hydro, and one from solar--the overall amount of PURPA generation that will be in Idaho Power's portfolio has grown by 150 MW, from 452 MW to 602 MW.

Idaho Power identified a need for additional wind resources in its biennial Integrated Resource Plan

completed in 2006. This need was reaffirmed in the June 2008 IRP update and again in the 2009 IRP.

The 2009 IRP release was delayed by 12 months to December 2009 in order to synchronize the filings of Idaho's three investor-owned utilities, and by another six months to allow inclusion of information on the Boardman-to-Hemingway 500-KV transmission project (CU No. 1423 [2/11]).

Although the release of the 2009 IRP and its action plan were delayed, the availability of federal stimulus funds from passage of the American Recovery and Reinvestment Act had spurred the utility to issue the RFP in May 2009 in hopes of getting more competitive prices for the generation (CU No. 1391 [9.4]).

With the drop in the rates offered to PURPA contracts for projects with 10 aMW per month or less, Idaho Power said, the resources found through the RFP process were not cost-competitive enough. But not all QFs were happy with the drop.

When the avoided-cost rate decrease was approved in March by the Idaho PUC, several PURPA projects said it would render them economically infeasible, and protested that it had not been properly heard before the public, eventually taking the complaint to the state's Supreme Court (CU No. 1437 [6/15]; 1439 [10]).

Some of these contracts--in particular 8 MW from three anaerobic digester projects in the Magic Valley area--have been grandfathered in because if not for the delay involved with internal reviews by

Idaho Power, they would have been signed when the higher rates were in effect (CU No. 1443 [9.1]).

Windland, which has pursued two 21.6-MW-capacity PURPA wind contracts with PacifiCorp, also participated in the state Supreme Court appeal, but reached a settlement on Aug. 16 that the utility filed on Friday.

The Idaho PUC staff is also recommending the approval of a 20-year PURPA contract at grandfathered rates for 20-MW from a solar project, citing similar considerations, although the developers didn't file a complaint in the matter.

**Despite the lower PURPA rates**, QF projects continue to apply for PPAs with Idaho Power, Noll said.

"We do have some serious inquiries, and we are negotiating some of those deals now," he said.

Another factor looming on the horizon that could affect wind PPAs is an update to the study of wind-integration costs, which Noll said is just now getting underway, and should be completed by fall.

"The study is a key issue in the IRP," he said, because it provides an estimation of how much wind we can integrate onto our system.

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**'When the natural gas prices change, that drives our avoided-cost rates.'**

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The integration charge effectively decreases the avoided-cost rate paid to QF wind projects. The state's three investor-owned utilities--Idaho Power, PacifiCorp, and Avista--decrement the rate paid PURPA wind contracts by a fixed amount to account for firming the utilities must provide for the intermittent resource. Currently, that rate is capped at \$6.50/MWh for all three IOUs, which was most recently updated by PacifiCorp in March (CU No. 1433 [7/17]).

Idaho Power and Avista use a three-tier integration scheme based on the total amount of wind on its system. The integration charge is a percentage--7, 8 or 9 percent, depending on the tier--of the avoided-cost rate. Idaho Power's three tiers are 0-300 MW, 301-500 MW and 501 MW and above.

With 101 MW from the Elkhorn wind project in eastern Oregon, and 108 MW of QF wind already in operation, this means only 91 MW of the 259 MW of QF wind under contract but not yet in operation could qualify for the 7-percent integration rate, if they don't provide the firming themselves. The remainder would have to pay the higher, 8-percent rate, as would subsequent wind QFs applying for PPAs.

Wind is the only intermittent renewable resource that currently pays for integration in Idaho, mainly because of its large size on the IOU systems.

Solar and biomass do not pay, even though they are also intermittent. Noll says these resources have added value--biomass generation can be used as a baseload resource, and solar generation is reliably available during peak summer hours, which stress the system most.

In addition, the PUC staff noted in its recommendation to approve the solar QF's PPA, not enough data is available to understand how solar should be integrated at larger levels, so there is no basis for charging it.

All changes to the integration charges must be approved by the PUC [*Rick Adair*].

## [11] BPA Policy Framework in Place for Post-2011 Conservation ■ from [3]

BPA's final policy framework for its post-2011 energy efficiency structure is virtually identical to the draft version released in April, despite some stakeholder concerns.

Those concerns included putting conservation costs in Tier 1 rates, funding-allocation methods, local control and backstopping public power's regional energy-saving target.

Bonneville addressed those concerns, and generally defended its plans, in a response to comments released Aug. 18 along with the final policy framework. BPA and stakeholders are now hashing out implementation details for Bonneville's energy efficiency structure beginning in October 2011.

BPA's post-2011 approach notably includes a pledge to meet public power's share of cost-effective conservation acquisitions, based on the Northwest Power and Conservation Council's 6th plan. That comes

to an estimated 504 aMW from 2010-2014. BPA, however, eschews creating energy-saving targets for individual utilities.

Bonneville also will incorporate conservation costs in Tier 1 rates, and allocate incentive funding to utilities based on their proportional rate contributions. Most post-2011 conservation dollars are expected to go toward incentives, under either standard or pay-for-performance agreements with utilities. A lesser amount will fund regional energy efficiency infrastructure (see CU No.1439 [17] for more on the draft framework).

BPA's plans generated mixed reactions from commenters (CU No. 1446 [16]). Several public-power utilities and associations panned elements of the proposed approach, especially the agency's centralized role and Tier 1 conservation costs. But some other entities, including the Council, PNGC Power and NW Energy Coalition, were generally supportive.

In a letter to the region accompanying BPA's responses to comments, BPA energy efficiency vice president Mike Weedall called the 18-month public process "very productive." He said the dialogue "will make us collectively more successful in meeting public power's aggressive regional energy efficiency target."

Nonetheless, the final policy document follows BPA's April draft almost verbatim.

Weedall's letter touched on three points raised in the public process--all of which, he said, are addressed in the policy framework.

"First, one of the major concerns about the existing energy efficiency framework is the presence of cross subsidization, i.e., the amount one customer pays in rates for conservation may be used to help pay for the programs of another customer." Weedall cited the planned allocation of conservation funding based on rate payments, which he said will allow all customers initial access to their own monies for energy efficiency.

"Second, the desire on behalf of BPA's customers to have local control and self-fund energy efficiency was clearly articulated" over the past 18 months, Weedall said.

On that point, he said BPA expects to collect in rates an amount sufficient to meet 75 percent of the total public-power energy-saving target, with utilities funding the remaining 25 percent. This is designed "to provide more flexibility in how utilities achieve conservation savings and to provide an avenue for self-funding."

Weedall also noted BPA's intent to review the policies before the fiscal year 2014-2015 rate period, "to identify any areas for improvement."

In its formal response, Bonneville reported several commenters think conservation "should not solely be a Tier 1 cost because it is a resource choice that can be made as a Tier 2 option." With state renewables portfolio standards and BPA's tiered-rates construct, many believe "customers are incented to use conservation as a resource similar to physical power."

BPA responded that the Long-Term Regional Dialogue final policy from 2007 calls for conservation cost-recovery in Tier 1 rates. That policy also

emphasizes collaboration with utilities and low acquisition costs for conservation, which the agency is "confident" will occur under the policy framework.

Bonneville described conservation as its top-priority resource under the Pacific Northwest Electric Power Planning and Conservation Act, and also "distinct from physical power and/or generation."

Energy savings reduce the need for new supply-side resources, which ultimately lowers costs for all BPA customer utilities and their end-use customers, according to BPA.

The agency acknowledged larger Washington utilities are required to pursue conservation under the state's Initiative 937, but it believes, "BPA's post-2011 program strikes a balance between meeting BPA's obligations and giving customers the flexibility to meet their obligations."

A number of commenters took issue with the incentive-funding allocation based on Tier 1 rate payments, suggesting instead using energy-saving potential within utility territories. BPA responded that "source data and information" to develop conservation potential assessments do not yet exist for all utilities.

However, BPA also noted, there was "widespread support" for it to provide resources to develop such assessments for customers, and promised to further explore that notion.

Commenters varied on whether to set energy-saving targets for individual utilities. Defending its decision for a collective public-power target, BPA cited "no easy way" to establish service territory-based targets across the region. It noted failure to achieve individual targets could lead to surcharges levied on underperforming utilities, as allowed under the regional act.

"BPA and public power have a strong history of meeting regional targets," it concluded.

**In another response, Bonneville** said it "listened and heard that local control of energy efficiency programs is a critical part of success in achieving savings targets." It thinks the policy framework "allows for a significant amount of flexibility and local control"--utilities can choose implementation

mechanisms (pay-for-performance or standard) and run their own programs as well as BPA ventures.

Several utilities questioned BPA's intent to "backstop" the entire public-power regional target, since Bonneville does not serve all loads of all public-power utilities.

Bonneville responded by referencing the historic and continuing shared pursuit of energy efficiency by BPA and its customers, and its "strong interest" in capturing all potential public-power savings, given likely future load growth and the impossibility of teasing out conservation savings based on whether loads are served or not by BPA.

Bonneville also anticipates publics with lower percentages of BPA-supplied power will fund more of their own conservation, which it said would "alleviate the concern" about the broad backstopping approach.

BPA listed a worry by some commenters that utility self-funding will lag "because there are no specific targets or rate relief." It responded that "strong drivers exist for utilities to pursue cost-effective conservation on their own," including tiered rates, conservation's low cost and state mandates. However, BPA left the door open to "additional incentive" to promote self-funding, as an option for discussion.

Among other responses, BPA noted interest by a few commenters in developing a pool of capital available for large energy-saving projects, with customer repayments. BPA called this "a worthy issue to discuss."

With the policy framework of BPA's post-2011 conservation in place, attention has turned to filling in many implementation details.

Accordingly, BPA has created five work groups for this so-called Phase 2: energy efficiency incentives; small/rural/residential focus; conservation potential assessments; implementation mechanisms; and regional programs/infrastructure.

These groups will develop recommendations for BPA, which will devise an implementation proposal for public comment. Bonneville plans to wrap up this second phase in early 2011 *[Mark Ohrenschall]*.

## Courts & Commissions

### [12] FERC Rejects PSE Wind Integration Tariff Request ■ *from [2]*

FERC rejected Puget Sound Energy's request to charge wind generators in its balancing authority area a capacity-based grid integration charge, but the debate over integration costs is far from over.

The commission's decision was based mostly on Puget's use of a proxy rate that was calculated using a hypothetical capacity cost chosen from a group of five commercially available peaking units in the area. The proposed rate was not a "reasonably accurate representation of the opportunity costs Puget incurs"

in providing wind-integration service, the commission said.

Puget used a proxy gas-fired generator to set the incremental costs for balancing services because the company's hydroelectric output is diminishing and is reserved to meet its native load, as a state-mandated least-cost resource, explained Christine Philipps, director of federal regulatory affairs at PSE.

The case was closely watched by utilities and wind developers around the country, and follows two similar FERC cases that dealt with wind-integration costs.

In May, FERC reaffirmed its order denying NorthWestern Energy's request that some wind

generators within its balancing authority be responsible for providing their own regulation services.

The utility argued that it doesn't own or operate generating facilities to supply ancillary services, and so must rely on third parties for the capacity and energy needed to meet its balancing authority obligations (CU No. 1418 [6/16]).

NorthWestern Energy is building the Mill Creek Generating Station, a 200-MW natural gas-fired plant near Anaconda, Mont., primarily to provide balancing services for wind farms in its Balancing Area Authority (BAA).

In March, FERC reaffirmed its support of Westar Energy, a Kansas utility, charging for and providing generation regulation and frequency-response services to wind generators located in its BAA.

While those two cases focused mostly on regulation of a balancing authority, Puget's case centered on the costs of supplying the capacity necessary to follow the variable output from wind, and who should pay for those costs.

Several Northwest utilities filed motions in support of PSE's tariff request, arguing that existing

**'No other generators have these charges assessed, and with this order, we expect utilities will give up their interest in assessing these charges to renewable sources.'**

hydroelectric facilities shouldn't be used to subsidize third-party wind generators.

Puget's attempted to justify its use of a proxy rate was based on FERC's acceptance of proxy rates in the assessment of generator imbalance

charges under Schedule 9 of the pro forma OATT, according to the FERC order.

The utility tried to "expand the logic beyond the context of imbalance energy charges to the capacity reserves at issue in its Wind Following Service," arguing that because there is no existing liquid market for the flexible capacity in the region, it is appropriate to use the hypothetical capacity costs of a hypothetical generator as a proxy for determining the rate to be charged for this service.

"While Puget has explained how it will determine its opportunity costs (based on the hypothetical Proxy unit), it has not demonstrated that calculating its opportunity costs in this manner will not lead to over-recovery of its costs," the commission wrote in its order, released Aug. 13.

"Accordingly, even under the standard for using proxy rates in assessing generator imbalance charges, Puget has not met its burden," FERC said. "Moreover, Puget has not explained its proposal for self-scheduling this service, including the types and locations of resources that may be used."

On June 14, PSE asked FERC to approve the charge, effective Aug. 16, for its Within-Hour Generation Following Service--also termed Following Capacity Service--as Schedule 12 of its Open Access Transmission Tariff [ER10-1436].

Puget argued that the charge was needed to recover the cost of supplying the capacity required to balance wind generator variability. Puget had 393.4 MW of total installed wind capacity in its BAA during 2009, according to the FERC order.

Wind generators in the region opposed the tariff request. Estimated as \$2.70/KW per month, it would have applied toward a wind generator's nameplate capacity and could be sizeable, amounting to more than \$3.2 million per year for a 100-MW wind farm, according to the American Wind Energy Association, which intervened in the case (CU No. 1450 [14]).

"No other generators have these charges assessed, and with this order, we expect utilities will give up their interest in assessing these charges to renewable sources," the American Wind Energy Association said in response to FERC's order.

However, the debate may not be over. The utility is reviewing the FERC order and plans to respond this fall [Steve Ernst].

### [13] CPUC Seeks Clarity From FERC on Feed-in-Tariff Pricing ■ from [4]

The CPUC is seeking guidance from FERC on whether it can set flexible prices within a feed-in tariff for combined-heat-and-power facilities.

The move follows the federal agency's rejection of a CPUC decision that set feed-in tariff prices for CHP facilities.

Last December, under direction from AB 1613, the Waste Heat and Carbon Emissions Reduction Act, the CPUC required investor-owned utilities to purchase electricity from efficient CHP generators up to 20 MW in size. The purchases were to be at standard rates under 10-year contracts. Part of the program's aim was to reduce greenhouse-gas emissions [D09-12-042].

Last month, however, FERC ruled that the California commission's program constituted "impermissible wholesale rate-setting."

The federal agency did say, however, that a state could set wholesale rates for purchases from CHP units, so long as those units were qualifying facilities (as provided by the Public Utility Regulatory Policies Act, PURPA) and the prices did not exceed "avoided cost" rates [EL10-64].

In an Aug. 16 motion for clarification (or rehearing in the alternative), the CPUC said it would recast its program to be consistent with PURPA. But it asked FERC to clarify that states enjoy "sufficient flexibility" with regards to calculating avoided-cost rates.

"There could be multiple avoided cost calculations for new CHP facilities," the CPUC stated. Such calculations might include long-term commitments of five years or more; short-term commitments of less than five years; the efficiency of the new CHP unit; and the location of the CHP facility.

The CPUC mentioned that its current tariff, for instance, includes a price adder for avoided costs of transmission and distribution in certain transmission-constrained areas. It also explained that some CHP

qualifying facilities could charge "full avoided costs" when their systems are operating at high efficiency standards set by the state, but also let the CHP units charge short-run avoided costs if they operate at lower efficiencies. The law on which the feed-in tariffs were based, AB 1613, required the CHP units to meet energy-efficiency standards of at least 60 percent and to comply with the state's emissions performance standard of 1,100 lbs. of CO<sub>2</sub> per MWh.

"FERC has found states have a wide degree of latitude in implementing PURPA," the CPUC stated.

In its July order, FERC found that the CPUC may not set rates for sale or resale of energy or capacity by a qualifying facility that exceed the purchasing utility's avoided costs, and that such rates must be just, reasonable, non-discriminatory and non-preferential.

At a Law Seminars International webcast on Aug. 18, Kevin Fox of the Oakland firm Keyes & Fox LLP said that "line losses are certainly calculable, but the amount is going to depend on the location of the generators. Perhaps avoided transmission and distribution benefits fall into a gray area."

He did note that only CHP units that provide avoided transmission and distribution benefits would get those included in their rates under the CPUC proposal.

"I think there is a very strong case for incorporating avoided transmission and distribution benefits into avoided cost calculations," Fox said in an e-mail. "The potential gray area [is] in calculating the value of this benefit given that it can be site or location-specific, meaning that not all CHP facilities produce this benefit. I think the CPUC was smart in reserving payment for this benefit to only CHP facilities that locate in transmission-constrained areas.

"It is difficult at this point to calculate a precise cost of GHG emissions permitting and compliance

requirements, but I believe that in California, which is in the process of implementing GHG regulations, GHG compliance costs are actual costs that can be included in avoided cost," he added. "What is somewhat speculative at this point, in my opinion, is the precise value of these compliance costs given that AB 32 implementation is still under way."

Fox did not think other CPUC programs would be affected by FERC's initial ruling. The commission currently has a FiT for 478 MW, which includes 228 MW of water and wastewater capacity. Those programs were adopted under AB 1969.

The commission has not yet implemented feed-in tariffs under SB 32. An Energy Division report earlier this year suggested a FiT program for facilities up to

10 MW in size with a 1000-MW cap. But Fox noted this program would include market-based pricing, which would not clash with FERC's decision.

The commission has not yet implemented feed-in tariffs under SB 32, a 2009 bill that expands FiTs for renewable-energy facilities from 1.5 to 3 MW and expands the program cap from 500 MW to 750 MW.

"Market-based programs are not affected by the FERC decision. Fixed-price programs are unaffected because the pricing put in place is arguably going to be [based on] avoided costs," he said.

According to a report from the National Renewable Energy Laboratory, FiTs were responsible for developing 15,000 MW of photovoltaics and 55,000 MW of wind globally between 2000 and 2009.

While much of this capacity was installed in Europe--most notably Germany and Spain--Fox noted that the United States was actually the progenitor of feed-in tariffs with the enactment of PURPA in the 1970s [Chris Raphael].

**'It is difficult at this point to calculate a precise cost of GHG emissions permitting and compliance requirements.'**

## Clearing It Up

### [14] High-Performance Building District Aim of Seattle Collaborative ■ from [5]

A group of city representatives, downtown property owners and managers, community stakeholders and others is working to create a high-performance building district in downtown Seattle.

Known as the Seattle 2030 District Committee, it was formed in March of this year. Its mission is to meet the Architecture 2030 Challenge, which calls for all new buildings and major renovations to be carbon neutral by 2030--that is, the energy they use to operate will generate no net GHG emissions.

To do so, the committee will develop "realistic, measurable, and elegant strategies to assist property owners, managers and tenants in meeting goals that aggressively reduce the environmental harm from

facility construction and operations, making the district a regional and nationwide magnet for environmentally-minded businesses."

The idea started with Brian Geller of Zimmer, Gunsul, Frasca Architects. Geller heard about a proposed decarbonization project for Chicago, which involved studying 550 buildings and developing recommendations for achieving carbon neutrality. The idea was enthusiastically received by a host of Seattle groups.

"My pitch was basically to create a geographic area that links all these (sustainability) efforts together and unite them under one common goal to get much further than they could on their own," he told *Clearing Up*.

The committee now has 18 members--five major property owners and managers, Seattle City Light, Seattle's department of planning and development,

three architecture firms, Seattle Steam, NEEA, the Seattle Climate Partnership, Architecture 2030, Virginia Mason Medical Center, and engineering firm MacDonald-Miller.

The committee has been meeting every two weeks since March, with each meeting addressing different elements of the challenge--from energy and water use to transportation challenges, resources and solutions.

Geller said the committee is not looking for "widget-based" solutions, but rather is taking a more holistic approach, "getting outside the box of looking at the pieces of the machine and looking at system as a whole"--for example, if one building collects more rainwater or heat than it needs, it could share that resource with another building.

**Those are longer-term goals**, however, Geller said. Shorter-term goals for existing buildings and infrastructure operations include a minimum 10-percent reduction in energy and water use below the regional average by 2015. For new buildings and infrastructure, it's an immediate 60-percent reduction in energy use and a 50-percent reduction in water use.

One of the first steps is establishing a baseline for current building performance, Geller said.

"Building owners have been willing to share energy (use) information from Energy Star programs," he said.

So far, the committee has information on about 20 buildings, "so we are building our own baseline" and finding that it's better than the national baseline, because Seattle has had stricter building codes for some time.

Brett Phillips, sustainability project manager for Unico, which has at least a half-dozen high-rise buildings in the downtown district, said this information-sharing is a real accomplishment.

"Knowing where we are--establishing that baseline--is huge," he said. "It's relatively unprecedented to have not just building owners talking to each other about energy consumption and data that's usually proprietary, but to have that much brain power around the table...having a conversation that's meaningful and wants to move in the right direction, is a huge first step."

While the committee's short-term goals can probably be reached though a building-by-building approach, "we really don't think the long-term goal of neutrality can be reached that way," said ZGF's Geller. A holistic, cooperative approach will be necessary.

Steve Grose, administrative director of support services for Virginia Mason Medical Center, agrees. "That truly is not just a vision, but a requirement," he said. "To get to the 2030 goal of a carbon-neutral city, there has to be total collaboration, or we just can't get there."

Virginia Mason established its own sustainability program about three years ago, Grose said, and its vision is closely aligned with the goals of the Seattle 2030 District. "Part of our program has to do with community outreach, advocacy and communication,

which are also three goals of the 2030 Committee." Virginia Mason, which is in the downtown district, has been working closely with the committee, sharing best practices.

"It really is a balance," Grose said--"figuring out how to do this collaboratively rather than all of us doing this independently."

"The idea behind the whole thing is that this group of industry stakeholders will discuss and create best practices that are easily and readily available, to share among each other," said Unico's Phillips.

He added that while larger companies may be familiar with new technologies and best practices to improve efficiency, this may not be the case for smaller property managers or building owners, which make up a significant part of the building stock.

"Those are the owners that have the buildings that are struggling the most, and we need to provide them with a structure that allows them to be successful," he said.

**That's one reason Seattle City Light** is part of the committee.

"We are particularly offering both our advice and potential financial support through our energy efficiency programs for actual projects (that develop) as a result of this interest moving forward," said Glenn Atwood, interim director of City Light's conservation resources division.

The city's department of planning and development is also playing a key role and recently applied to the EPA for a \$500,000 Climate Showcase Communities Grant.

Planning and Development's application is "structured around providing some funding for key city staff to work with the committee and to pay a director," said the department's Peter Dobrovolny.

The intent would be to support the development of tools such as standardized contracting packages that explain different energy efficiency options and their paybacks, and to develop a more focused and streamlined permitting process for the city, "to connect all the programs and incentives the city provides and to do so in a more coordinated way," he told *Clearing Up*.

The committee won't know if it has received the grant until October, Dobrovolny said, and the funds won't be available until February of next year.

In the meantime, the committee is shifting gears somewhat, he said. Two new steering committees--one to look at membership criteria and a technical committee to start developing some of the tools--will be meeting monthly.

"We are moving forward, somewhat slowly, and that's been by intention, quite frankly, to make sure everyone is coming along at the same pace--so it's their own organization and not something the city thought was a good idea," he said.

The Seattle 2030 Committee hopes to have a formalized agreement completed by the end of the year **[Jude Noland]**.

**'To get to the 2030 goal of a carbon-neutral city, there has to be total collaboration, or we just can't get there.'**

## [15] POTOMAC: NW Senators Challenge FERC Proposed Bulk-System Limit ■ *from 161*

Northwest senators are pushing back against a FERC proposal to set 100 KV as a "bright line" minimum that defines bulk-electric systems for purposes of enforcing reliability standards.

Northwest utilities are concerned FERC's proposal would result in a one-size-fits-all standard that doesn't suit Western systems, where long lines at higher voltages than 100 KV are used for distribution, which shouldn't be subject to the FERC rules, Public Power Council Executive Director Scott Corwin told *Clearing Up* Aug. 19.

FERC's definition would roll in 115-KV lines used as distribution lines by Northwest utilities, wires that "don't impact the system or system reliability," Corwin said.

The six senators from Washington, Oregon and Idaho sent FERC Chairman Jon Wellinghoff a bipartisan letter Aug. 6, declaring "it is important to Northwest utilities that regional differences continue to be recognized in the (bulk electric system) definition." They asked FERC to adopt region-specific exemption criteria and to allow regional reliability organizations to apply the criteria regionwide.

In an earlier letter sent May 12 to Wellinghoff, PPC and 11 other Northwest utility organizations said the Western Electricity Coordinating Council is developing mechanisms to exclude transmission facilities that "are not integral to the operation of the nation's electric grid, even though they are rated at higher voltage."

The letter said that because of long distances, "many higher voltage facilities in the West operate only as distribution facilities, serving a utility's retail consumers."

Under FERC's proposal, issued May 18, utilities would need to go through what the Northwest utility organizations' letter described as a cumbersome, case-by-case review process to win an exemption from the standards.

Utilities are concerned the proposal would lead to a "level of regulation that adds a level of administrative burden on utilities that don't have large staffs to deal with these issues," Corwin said.

### NW Groups Get DOE Efficiency, Renewables Funds

The Department of Energy awarded \$120 million in stimulus funds on Aug. 19 to 120 organizations, including 27 in the Northwest.

Three-fourths of the money, or \$90 million, will pay for a "wide range of energy efficiency and renewable energy technologies," DOE said. The remaining \$30 million will fund pilot projects designed to "demonstrate innovative approaches" to weatherizing low-income dwellings.

Six community-service organizations in Idaho, seven in Oregon and 11 in Washington were awarded about \$21 million, split approximately evenly among the three states.

Idaho organizations in Boise, Twin Falls, Idaho Falls, Pocatello, Caldwell and Lewiston were funded to install high-performance space-conditioning retrofits; condensing, tankless and solar water-heaters; cool-roof technologies; and in-home energy displays.

Oregon service organizations in St. Helens, Portland, McMinnville, Corvallis, Roseburg, Redmond, Coos Bay and Medford were awarded funds for pilot solar-photovoltaic projects.

The 11 Washington organizations--serving Bellingham, Seattle, Tukwila, Tacoma, Lacey, Longview, Vancouver, Colville, Okanogan, Pasco and Walla Walla--received funds for a mix of projects, including heat pump, tankless and solar water-heaters, solar photovoltaics and efficient windows.

In addition, the Washington Department of Commerce received \$3 million to establish a pilot low-income weatherization loan fund. The project includes a "one-stop" shop to offer loans and subsidies for owners and developers of low-income multifamily housing.

### EPA Seeks to Ensure Power Plant GHG Permits

EPA proposed a rule on Aug. 12 to ensure power plants and other large stationary sources can obtain greenhouse gas emissions permits under the Clean Air Act.

The proposed rule would mandate changes in air-permitting programs in 13 states to ensure businesses could obtain permits under the Clean Air Act's Prevention of Significant Deterioration program.

EPA's proposal affects permitting programs in Idaho and Oregon, and in California's Sacramento Air Quality Management District.

Starting Jan. 2, EPA plans to require large stationary sources to obtain PSD permits for GHG emissions.

Under a "tailoring" rule finalized May 13, the requirement will be phased in, starting with sources that emit 75,000 tons or more of greenhouse gases annually and that also need PSD permits for other pollutants.

The second phase runs from July 1, 2011 to June 30, 2013, when new sources emitting at least 100,000 tons of greenhouse gases per year would need PSD permits.

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Existing plants would need permits for emissions of 75,000 tons or more.

#### **U.S. Chamber Sues EPA Over GHG Regs**

The U.S. Chamber of Commerce filed suit on Aug. 13 against EPA, challenging the agency's rejection of the chamber's petition to reconsider its plan to regulate GHG emissions under the Clean Air Act.

Robin Conrad, vice president of the chamber's litigation unit, said the law "was never intended to regulate something as

**'The law was never intended to regulate something as complex as global climate change.'**

complex as global climate change."

The suit was filed in the U.S. Court of Appeals for the D.C. Circuit.

EPA has argued that under a 2007 Supreme Court ruling, the Clean Air Act permits regulation of greenhouse gases. Last year, EPA found greenhouse gases endanger public health and safety, a prerequisite to regulating emissions.

#### **Wu: Give States Final Call on LNG Terminals**

Rep. David Wu (D-Ore.) said on Aug. 13 that he plans to introduce legislation giving state governments final say over proposed liquefied natural gas import terminals.

Wu's bill, the Local Control for Energy and Environment Act, would repeal Section 311 of the Energy Policy Act of 2005, which gave FERC final authority for LNG terminal siting.

Wu plans to introduce the bill Sept. 15, shortly after Congress returns from its summer recess.

Sen. Ron Wyden (D-Ore.) is sponsoring similar legislation, which he introduced March 2. Co-sponsors include Democrats Jeff Merkley of Oregon and Maria Cantwell of Washington.

FERC has approved two LNG facilities at Oregon sites--Northern Star Natural Gas LLC's facility in Bradwood, which was suspended when the developer filed for bankruptcy, and the Jordan Cove Energy Project in Coos Bay. Both have a planned capacity of 1 billion cubic feet per day.

Also, a terminal with capacity of 1.5 Bcf per day has been proposed to FERC by Oregon LNG for the

Skipanon Peninsula in Warrenton, and Port Westward LNG LLC has identified a potential 0.7-Bcf-per-day project in St. Helens, but has not submitted a proposal to FERC.

#### **Interior Cracks Down on Oil/Gas Drilling Exclusions**

The Interior Department on Aug. 16 clamped down on "categorical exclusions" that had been routinely used to streamline the permit processing for offshore oil and gas drilling.

During the clampdown, Interior's Bureau of Ocean Energy Management, Regulation and Enforcement will review policies for granting categorical exclusions to offshore oil and gas exploration and production projects.

Categorical exclusions exempt proposed projects from detailed environmental assessment under the National Environmental Policy Act.

#### **Study: Cutting Oil/Gas Tax Breaks Bad for Production**

Proposals to eliminate oil-and-gas-industry tax breaks would result in lost production, a study sponsored by the American Petroleum Institute said.

The study, carried out by Wood MacKenzie and released Aug. 16, said rolling back the intangible drilling costs and domestic-manufacturing deductions could make production of up to 2.9 Bcf of gas per day uneconomical in 2011.

If prices remain at current levels--which are below \$5 per million Btu--up to 9 Bcf per day of gas production would be at risk by 2017, the study estimated. Break-even gas prices needed for a 15-percent internal rate of return would increase from \$5.40 to \$6 per MMBtu.

In the Rocky Mountain region, 20 of 33 oil and gas plays would fall below a 15-percent return, including tight gas and coalbed methane plays in the Powder River, Piceance, and Uinta basins.

In a cautionary note, however, the study said the impact of the tax changes could be less than estimated. Companies may continue producing even if their internal rates of return are below 15 percent, because they expect higher future prices or to hold drilling leases on federal lands.

In his fiscal 2011 budget request, President Obama proposed eliminating nine oil and gas tax breaks, for a total estimated 10-year savings of \$45 billion

*[Jim DiPeso].*



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