



Department of Energy

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PUBLIC AFFAIRS

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In reply refer to: DK-7

Bill Bradbury, Chair
Northwest Power and Conservation Council
851 SW Sixth Avenue, Suite 1100
Portland, OR 97204

Dear Chairman Bradbury:

Thank you for seeking public comment on the Northwest Power and Conservation Council's (Council) Methodology for Determining Quantifiable Environmental Costs and Benefits issue paper. The Bonneville Power Administration (Bonneville) appreciates that the Council summarized different issues related to the methodology and sought the perspective of the region.

In considering all of the questions in the paper, Bonneville starts from the perspective that the environmental methodology used in previous power plans worked well and is understood by the region. We would therefore naturally be concerned about the ramifications of making any significant changes to the traditional methodology. If the Council decides to pursue some of the areas identified in the draft document, it is imperative that the Council take its time and work with the region so that a clear and common understanding of a revised methodology and its impacts are fully understood before including the methodology in the Seventh Power Plan.

For example, Bonneville is concerned about the prospect of a revised methodology that results in a reexamination of its existing resource portfolio. Bonneville's resource portfolio, with the Federal Columbia River Power System at its heart, does not lend itself to the kind of regional reconsideration that may result from this kind of change. Keeping the methodology focused on its original statutory purpose – to address whether any measure or resource as that term is defined in section 4(e)(1) of the Northwest Power Act – is all the law requires of the Council.

Likewise, to the issues of residual environmental effects beyond regulatory controls and the environmental effects not yet subject to regulatory control, there is a significant amount of uncertainty and concern. Interpreting the environmental costs and benefits that are directly attributable to a resource or measure is very difficult and likely to have significant consequences on traditional planning processes.

The questions raised in section 3b of the paper on direct and indirect costs also present a complex set of issues that have potentially significant policy and resource implications for the

Council, Bonneville and regional utilities. For example, it remains unclear to Bonneville if the application of health effect benefits from new resources falls within Bonneville's interpretation and understanding of direct cost. Further regional discussion is needed to address areas of concern and to fully understand the implications of quantifying and directly attributing environmental benefits to resources. Additionally, related to the example of wood smoke under consideration at the Regional Technical Forum (RTF), Bonneville believes any decision on direct and indirect costs is beyond the scope of the RTF and should be determined by the full Council.

On these and other issues, Bonneville recommends that the Council take more time to discuss and understand the serious ramifications of any changes to the traditional environmental methodology. Perhaps the Seventh Power Plan can, like the recently amended Fish and Wildlife Program, include commitments by the Council to lead a regional discussion on whether and how to define direct costs and benefits to new resources, the scope of direct environmental costs and benefits that should be considered, and the potential impacts to the cost effectiveness analysis of resources.

Finally, regarding the environmental effects of resources that do not currently have regulatory controls, Bonneville recommends that the Council continue to explore these implications using scenario analysis similar to the analysis performed in the Sixth Power Plan. Another alternative would be dedicating a chapter of the Seventh Power Plan to discussing and analyzing regulations that may become regulatory controls during the life of the Seventh Power Plan. Either way, Bonneville believes it is important that the Council review and understand possible regulatory scenarios when developing the Seventh Power Plan.

Thank you for the opportunity to comment.

Sincerely,

/s/Peter T. Cogswell

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Acting Chief Public Affairs Officer