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Northwest Power and Conservation Council
851 S.W. Sixth Avenue, Suite 1100
Portland, Oregon 97204-1348
www.nwcouncil.org

VIA EMAIL: comments@nwcouncil.org

Re: Proposed High Level Indicators and Methodology for Determining Quantifiable Environmental Costs and Benefits

Dear NPCC,

Thank you for the opportunity to comment on the Council's proposed High Level Indicators and Methodology for Determining Environmental Costs and Benefits.

High Level Indicators

Generally, Flathead is not sure what the overall application and benefit of the proposed High Level Indicators will be, but there are two areas of significant concern to our ratepayers. Both the Energy Efficiency and Economical Power Supply indicators are based on a false premise that the cost and usage pattern for energy in the Pacific Northwest should be measured against the U.S. Average instead of the current cost and historical use in the Pacific Northwest. Our ratepayers are not interested in a Power Plan that tells us how much room there is for cost increases in the Pacific Northwest when you compare it to the rest of the country. They care about any increase to their current bill and want to use energy the way they currently use it.

1. For Conservation and Energy Efficiency

The High Level indicator of "Regional Electricity Use per Person vs. US Average" should be changed to "Regional Electricity Use per Person vs. Historical Regional Average"

2. For Economical Power Supply

“Average PNW Residential Electric Bills vs. US Average” should be changed to “Average PNW Residential Electric Bills vs. Regional 10-year Average Residential Bill”

“Electric Revenues as a Share of Gross Regional Product vs. US Average” again should be changed to a regional standard.

It is very important for the Northwest Power and Conservation Council maintain a Northwest focus by keeping regional cost-effective power supply as the primary goal.

Determining Quantifiable Environmental Costs and Benefits

As the Council considers the significantly detailed work on developing a 20-year plan for cost-effective regional power supply, environmental costs and benefits are important. The Council should be very careful about making certain resources cost-effective by adding residual effects costs to other resources.

As the Council properly mentions in the request for comments, “Under Section 4(e) (1) of the Act, the Council’s regional conservation and electric power plan is to “give priority to resources which the Council determines to be cost-effective.” This may include consideration of “such quantifiable environmental costs and benefits ‘as the [Bonneville] Administrator determines’ are directly attributable to the resource.”

Flathead recommends that any methodology for how environmental costs and benefits are incorporated into cost-effective resource planning focus on direct and measurable impacts of established generation resources based on current regulations, but considers the full range of negative environmental externalities for new generation resources, including the reliability impacts of intermittent generation.

Issue 1: Whether and how to account for the residual effects of resources on the environment after compliance with environmental regulations.

Flathead agrees that, “in most cases, the relevant regulatory body has determined that further reduction in environmental effects is not in the public interest, or that additional costs of further reduction significantly outweighs the benefits.” This should be a guiding principal for evaluating established resources, such as coal, natural gas, nuclear and hydro generation. The regulatory framework these resources operate under is very mature and heavily litigated. Opinions about future regulation of established resources are speculative because those opinions have not been able to affect real regulatory requirements even after many years of litigation and lobby. For example, the federal hydro system has been subject to environmental regulations for a long time and the costs are increasingly measured and certain. There is a billion dollars coming out of electric ratepayer pockets every year, which our members feel is more than sufficient. The Council should not expect that additional requirements are imminent.

For new resources that have only recently been widely deployed, the regulatory landscape is not mature and often the environmental costs are underestimated in the current regulations. For example, wind and solar generation as widespread mass scale generation resources are relatively new. It takes time for the regulatory landscape to assess the proper environmental costs on these resources. The issues with bird mitigation, view-shed, energy density, water quality impacts, and others will gradually add costs to these new technologies and the externalities associated with them should not be under-estimated. Hence for these newer types of generation, costs should be added to account for a less mature regulatory landscape and more uncertainty around the true environmental impact.

Issue 2: How to account for those environmental effects of new resources that are not yet subject to comprehensive regulatory control, especially carbon emissions.

Environmental effects of new resource types related to carbon emissions that are not yet subject to regulatory control should be treated the same as other causes of carbon emissions that are also not subject to regulatory control. For example, the utility industry has been an easy target because of the scale and existing regulatory framework, but automobile emissions have been a harder target for regulators. Generation should not be ascribed costs ahead of general carbon regulation across all sources. If unregulated carbon impacts are going to be taken into account, the Council should consider all carbon sources and the functional impact of electric generation. For example, due to the high energy density and efficient power transfer of electricity, it may be more beneficial from a carbon reduction standpoint to run electric cars powered by traditional generation sources than have people continue to drive carbon emitting vehicles, yet, the transportation sector is not subject to a carbon tax.

We would hope the Council would learn from its experience in the last plan. The public debate about future carbon regulations is just as heated today as it was during the development of the last plan and yet today there is not a mandatory carbon tax or other regulatory framework across all carbon-emitting sectors. To again assign a high cost or benefit related to carbon, such as the \$47/ton used in the last plan, is contrary to existing regulations.

For established resources, any environmental costs should be directly attributable to the resource under current regulations. Proposed regulations, such as compliance with 111(d), should be left for the next plan.

Issue 3: How and to what extent to account for the environmental “benefits” of new resources.

Generally, it is our impression that environmental “benefits” of new generation technologies are ahead of the environmental costs. There should be some proportional reduction to potential benefits and proportional increase to potential environmental damage for most new technologies.

For example, the Council cites energy efficiency measures that reduce wood burning and thus associate health effects and emissions. Flathead has many members that depend upon wood burning stoves for either primary or secondary heat. If the heating is primary, then the existence of a wood-burning household on Flathead’s distribution system during a winter peak event

reduces the need for peak period generation. In addition, the time when most of us throw a log on the fire with wood as our secondary heat source is also during the coldest time periods. To measure the environmental benefits of displacing wood burning stoves without taking into account the peak reduction benefits is not accurate. This is a good example of how the environmental benefits are over-estimated and the impacts to the grid are under-estimated.

(4) What is the appropriate way to account for the environmental effects of new renewable resources?

New renewable resources should be evaluated on equal terms with existing generation with the exception of environmental benefits and environmental costs. As mentioned above, there should be an environmental damage/regulatory cost adder for unknown environmental impacts of new renewable generation and the benefits of carbon reduction should be conservative. Reliability and firmness of both new and existing generation should be incorporated into the cost and benefit equation if other externalities such as environmental benefits and costs are going to be accounted for.

In summary, Flathead appreciates the Council keeping rate-payer interests first and developing a defensible Plan for future generations.

Please contact me if you have questions about these comments.

Sincerely,



Mark Johnson
General Manager