

July 29, 2011

Ms. Julia L. Kryiss and Ms. Paula Fronk
Colorado River Storage Project Manager
Colorado River Storage Project Management Center
150 East Social Hall Avenue, Suite 300
Salt Lake City, UT 84111-1580

VIA E-MAIL

Subject: Western Area Power Administration Proposed Revisions to the Final Principles of Integrated Resource Planning

Dear Ms. Kryiss and Ms. Fronk:

The American Wind Energy Association (AWEA)¹, Western Grid Group (WGG)², Western Clean Energy Advocates (WCEA)³, Interwest Energy Alliance (Interwest)⁴, Intertribal Council on Utility Policy (Intertribal COUP)⁵, and Wind on the Wires (WOW)⁶ appreciate the opportunity to provide the following comments on behalf of our members regarding the Western Area Power Administration's

¹ The American Wind Energy Association is a national trade association representing a broad range of entities with a common interest in encouraging the expansion and facilitation of wind energy resources in the United States. AWEA members include wind turbine manufacturers, component suppliers, project developers, project owners and operators, financiers, researchers, renewable energy supporters, utilities, marketers, customers and their advocates.

² Western Grid Group, a network of former state regulators and energy officials, promotes development of the infrastructure needed to access and deliver clean power across the western US.

³ Western Clean Energy Advocates is a coalition working to advance energy policies that create jobs, increase energy security and reduce costs to consumers in the eleven states of the Western Interconnection. WCEA members include energy efficiency and clean tech companies, renewable energy generators, tribes, and environmental and public interest NGOs.

⁴ The Interwest Energy Alliance is a trade association representing the nation's leading renewable energy industry companies, bringing them together with the West's non-governmental advocacy community to advance new project and transmission development. Interwest's states of operation are Arizona, Colorado, Nevada, New Mexico, Utah and Wyoming.

⁵ The Intertribal Council On Utility Policy is composed of 15 Tribes in the Northern Great Plains and serves as a forum for tribes in the region and throughout the west on issues of hydropower, renewable energy, energy efficiency and climate change. COUP helped to initiate the Wind Hydropower Integration Feasibility Study for tribal wind in the Upper Great Plains Region, and the COUP plan for promoting building sustainable homeland economies, based upon efficiency and renewable energy, was awarded the inaugural World Clean Energy Award for Courage, in Basel, Switzerland in 2007.

⁶ Wind on the Wires represents the interests of the wind industry and environmental organizations in the Upper Midwest. WOW members include environmental organizations, turbine manufacturers, project developers, and businesses that supply goods and services to the wind industry.

(Western) Integrated Resource Plan (IRP) principles for acquisition of power resources and transmission planning. We support Western's desire to update its IRP principles and to set a consistent approach for evaluating new resource acquisitions. We look forward to working with Western, its customers and key stakeholders to clarify these principles especially regarding how Western evaluates renewable resources.

Thank you for your consideration of these comments. If you have any questions or concerns regarding this input, please do not hesitate to contact AWEA.

Sincerely,

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General Comments

The proposed additions to Western's IRP Principles are an improvement that will help to clarify how resources will be evaluated, and help to set the basis for a more consistent approach to resource acquisition. We applaud Western for taking this step to revise its resource acquisition process. These improvements should apply not only to long-term purchases (five years or more), but to short-term purchases as well. Evaluating all but the shortest real-time purchases against the criteria Western has proposed will help to ensure the greatest benefits for Western's customers.

In addition to this general improvement in process, we urge Western to make a commitment to purchase wind and other renewable resources on a long-term basis. We call on Western to set a specific target for renewables purchases. We suggest 25% of off-system purchases by 2025 be from renewable resources. Such purchases should not be just REC (renewable energy credit) products, but Western should procure bundled renewable energy products for their customers. Given that Western has made a number of large power purchases in the past, it is surprising that none of these has been a long-term purchase of renewable energy, especially when Western's territory includes areas with some of the most cost effective wind, solar and geothermal resources in the country. Renewable resources will bring the benefits of stable priced, emission free electricity to Western's customers, as well as economic benefits to customer owned utilities, federal agencies and rural and tribal communities in Western's service territory at a time when such an economic boost is strongly needed. A commitment to purchase renewable energy will also help to diversify Western's resource portfolio, balancing the risks of fuel cost volatility with stable prices, and the risk of future clean energy or carbon reduction policies with emission free power.

Specific Comments on IRP Principles and Criteria

We offer the following specific comments on the additions to the IRP Principles and power purchase criteria proposed by Western:

- 1. The Western office responsible for marketing power from a specific project will identify the need for a long-term resource acquisition. The need could be due to occurrences such as, but not limited to, the unavailability of generation from Federal hydropower facilities initially included in an existing marketing plan, generation lost due to drought conditions impacting water availability, and modifications in normal reservoir operations.*

We recommend adding the following language to the end of this principle:

“In determining the sources of power Western will deliver to its customers under all existing and new contracts [to make up for shortfalls in federal hydropower generation], Western will evaluate energy savings programs, customer demand response programs and renewable energy generation alongside fossil resources, using consistent and transparent criteria that treat these resources objectively.”

The need for a long-term resource acquisition could also be driven by a need to diversify Western's resource portfolio. Increasing diversity of Western's portfolio should be included in the list of “occurrences” above in principle #1.

Western's needs for long-term or short-term resources should be identified in an on-going open, and transparent resource planning process, which allows for and encourages robust stakeholder participation. Nowhere in the existing or proposed IRP Principles is such a process identified. Western should commit to such a planning process and specifically call it out in their principles, either here in this principle or under the existing principle #1. The Northwest Power and Conservation Council offers a good example of such an open process, the purpose of which is to "ensure an adequate, efficient, economical, and reliable power supply."⁷

Western is also well positioned to be able to aid its smaller customers and individual loads in making long-term purchases. These customers typically have such small loads that they are challenged to invest in a new resource development on their own. However, Western could aggregate demand from a number of smaller utilities and loads so that these customers can benefit from the economies of scale of investing in a larger resource. We urge Western to include this opportunity in its work plan and in these principles.

Lastly, we urge creation of a standard offer for small to mid-size renewables. TVA has such a Renewable Standard Offer⁸ that offers set prices for major renewable technologies, long-term contracts of up to 20 years and a simplified application and contracting process, and could be a model for similar offers from the Power Marketing Administrations like Western.

2. *Once the resource need is identified and the initial amount(s) are determined, the project-specific customers involved will be notified and offered an opportunity to discuss this planned acquisition. Western will pursue widespread publication for the resource acquisition solicitation, which may include posting on Web sites, publishing in the **Federal Register** or in newsletters, or using other media to reach potential suppliers.*

Does Western also look for additional entities that may wish to join in the resource acquisition to capture benefits of scale? If not, in line with the Western Renewable Energy Zone initiative of the Western Governor's Association, which promotes coordinated procurement of renewable resources by western utility companies, Western should seek to coordinate its RFPs with those of other regional entities, so that all parties may capture any economic and environmental benefits of larger-scale resource acquisitions."

3. *The solicitation will request potential suppliers to submit proposals that address the evaluation criteria described below, to the extent such criteria apply.*
4. *To the extent applicable, Western will screen the proposals received that best meet the criteria set forth below.*
5. *When evaluating potential resource acquisitions under the Final Principles of IRP, the following evaluation criteria will be considered:*
 - a. *Cost—the amount paid to acquire resources, such as purchased power, fuel, plant and equipment, or labor services.*

Cost is a key component of any resource purchase, however, many secondary or hidden costs are often not considered. Many western state IRP processes include cost adders for emissions, and for water use. We believe that, in addition to the costs mentioned above, Western should include

⁷ Sixth Northwest Conservation and Electric Power Plan, February 2010.

⁸ <http://www.tva.gov/renewablestandardoffer/>

evaluation of health costs, and the costs of environmental damage and climate change for its purchases⁹. All costs should be analyzed over the life cycle of the resource. The risks of various options should be considered as well. Over the long term, risks can turn into costs, and cost analysis that considers risks will lead to better decisions.

b. Dependability—a supplier's ability to provide power as specified in a purchase power solicitation. A supplier is considered dependable when it delivers to the contracted location, in the contracted amount, at the contracted time, and in the contracted manner.

This criterion should not be used to discriminate against resources such as solar and wind, which have higher mechanical availabilities than fossil generators. Western should recognize the ability that each resource has to be “dependable” and Western’s analysis of “dependability” should accommodate the variability of wind and solar resources so as to be able to include them in portfolios to gain their benefits of cost stability, freedom from fuel risks, water savings, and clean generation. Delivering “in the contracted amount, at the contracted time” should not be considered so rigidly as to rule out variable resources such as wind and solar. In fact, the output of diversely located variable resources can be aggregated in such a way that the net output has greater potential for delivering capacity value and near “firm” power.

Western also has a great opportunity to help facilitate renewable resource development through the use of its hydro resources to provide firming and shaping products for variable resources like wind. We support the development of such products, which can also be a new source of revenue for Western.

c. Dispatchability—the ability of a utility to schedule and control, directly or indirectly, manually or automatically, the resources under consideration.

This criterion should not be used to discriminate against resources such as solar and wind, which can be dispatched to a degree and whose dispatchability has been increasing with new technologies and grid management techniques. Wind plants have always been dispatchable down, and utilities such as Xcel are developing techniques to allow wind plants to follow AGC and dispatch up.

d. Diversity—an acceptable level of both the mix of generation resources in the region's overall blend of power provided to a customer and the mix of generation sources of the supplier.

We support this criterion and note that acquisition of renewable resources such as wind will greatly increase the diversity of resource types in Western’s portfolio.

⁹ Western’s discretionary decisions to purchase fossil fuel as a supplemental power resource appear to be fully under “federal control and responsibility” which, as deemed federal actions, are subject to NEPA requirements, including consideration of alternatives. Western’s IRP principles should thus provide for evaluation of all feasible alternatives for supply of supplemental power. Precedent for Western purchase decisions being deemed federal actions has been established by the memorandum opinion rendered in the Case 1:07-cv-01860-EGS Document 114 Filed 04/18/11 Page 1 of 54 in UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLUMBIA SIERRA CLUB, Plaintiff, and Defendants, SUNFLOWER ELECTRIC POWER CORPORATION, v. UNITED STATES DEPARTMENT OF AGRICULTURE, RURAL UTILITIES SERVICE, et al., Defendant-Intervenor. Civ. Action No. 07-01860(EGS). At pages 42-43: “In sum, the Court concludes that, both because RUS gave necessary approvals for the Holcomb Expansion Project and because RUS provided financial assistance to the project, the Holcomb Expansion Project was subject to “Federal control and responsibility”, 40 C.F.R. § 1508.18, and therefore RUS’s involvement amounted to a major federal action within the meaning of NEPA.”

- e. *Environmental impact—the degree to which the resource has an impact on the human environment. Impacts vary according to: (1) The type of resource purchased (supply-side, demand-side, or renewable), (2) the length of the purchase, (3) the geographical area from which the power is purchased, and (4) the transmission path(s) used to get to the contracted location.*

We support this criterion and urge Western to make all reasonable efforts to reduce any adverse environmental impacts of power purchases, one effort of which should be long-term purchases of renewable resources such as wind. In addition, we urge Western to specifically call out impacts to the “natural” in addition to the “human” environment in this criterion.

- f. *Indian Preference—Under section 2602(d) of the Energy Policy Act of 1992 (as amended by the Energy Policy Act of 2005), in purchasing any energy product or by-product, a Federal agency or department may give preference to an energy and resource production enterprise, partnership, consortium, corporation, or other type of business organization the majority of the interest in which is owned and controlled by one or more Indian Tribes. In carrying out this subsection, a Federal agency or department will not pay more than the prevailing market price for an energy product or by-product or obtain less than prevailing market terms and conditions.*

We support this criterion as Western has the opportunity and, under federal treaty and statutory law, shares in the federal trust responsibility to assist tribes in their economic development aspirations, particularly in the renewable energy arena. We note also that there are economic benefits gained from the development of electricity resources on Indian land, and often an additional market value to such resources, in addition to the REC or “green” value.

- g. *Renewable Energy Resource—the electric energy that is generated from solar, wind, biomass, land-fill gas, ocean (including tidal, wave, current, and thermal), geothermal, municipal solid waste, or new hydroelectric generation capacity achieved from increased efficiency or additions of new capacity at an existing hydroelectric project and is physically delivered to the grid.*

It is unclear how Western intends to use this criterion to evaluate new resource acquisitions or power purchase arrangements. We urge Western to state clearly that it will give priority to renewable resources and these types of resources will receive additional weighting when Western evaluates all proposed resources against its IRP criteria. This criterion should be used to highlight the economic benefits of renewable resources, such as stable prices, local economic development, the monetary value of RECs, as well as the reduced policy risk of such resources in a world of growing carbon and climate concerns.

In addition, we support the definition of renewable resource as written here. We do not support inclusion of large-scale hydro in the definition of renewable resource, whether it be existing or new large-scale hydro on Western’s system, other systems in the United States, or in Canada. Existing large-scale hydro has largely been paid for and does not need any additional support or priority to compete with other resources. We would argue that new large-scale hydro such as is being contemplated in Canada also does not need a preference consideration to be developed.

- h. *Risk—the potential impact of market uncertainties, including a supplier’s financial condition and creditworthiness. A supplier shall be required to demonstrate adequate financial and physical resources to provide capacity and energy to meet Western’s requirements during the term of the contract.*

We support consideration of risk factors in evaluating potential resources, and suggest that Western

specify under this criterion that it will also consider fuel cost risks and energy policy risks. Risks should be considered in concert with costs.

- i. Transmission Availability—the ability to move or transfer electric energy over an interconnected group of lines between points of supply and points of delivery to Western’s system.*
- j. Transmission Losses—the reduction in available electricity after being transmitted over transmission lines and/or facilities from the generation source to the contracted delivery location.*

We support consideration of both transmission availability and transmission losses when evaluating potential resources for acquisition or power purchase.

Transmission Planning Principles:

We appreciate Western’s desire to avoid redundancy by eliminating the Section II of its IRP Principles, the Transmission Planning Principles. We understand that Western does have tariff provisions such as are required by FERC under Order 890 that detail Western’s transmission planning process. However, we urge Western not only to retain a section on Transmission Planning in its IRP Principles to clarify and emphasize on a high level Western’s commitment to a robust, open and transparent transmission planning process. But we recommend that Western update these principles as well, to recognize the way that transmission planning, and the benefits of transmission additions are more regional in today’s world. To support these goals, we have provided a proposed set of revised transmission planning principles below.

Success of Western’s transmission planning effort should be measured by how much new transmission capacity Western is building independently and together with its neighboring transmission providers, instead of by how many lines may be identified in transmission plans. In light of the recent FERC Order 1000 on Transmission Planning and Cost Allocation, we encourage the appropriate portions of Western’s service territory to join nearby RTOs and ISOs (such as the Midwest ISO, SPP, Cal-ISO) in order to improve Western’s transmission planning efforts, and their ability to build needed transmission to benefit the regions, their customers, and renewable resources. Some of the country’s most cost effective wind resources are located in Western’s service territory and strong regional and interregional transmission planning and ultimately construction of new transmission capacity will bring the benefits of wind and other renewable resources to Western’s customers as well as access to markets in neighboring regions.

1. Western will conduct local, regional, and interregional transmission planning processes with robust public involvement to solicit information on transmission needs and to confirm the purpose and need of proposed transmission projects. Western’s goal will be to earn stakeholder consent to its transmission plans so as to provide a strong basis for public support for implementing plans.
2. Western will work to the best of its ability to coordinate its local transmission planning efforts with neighboring transmission providers, and to participate actively in regional and interregional planning efforts.
3. Western will consider not only transmission alternatives such as new construction or upgrades of existing facilities, but also non-transmission alternatives to address future transmission needs. Non-transmission alternatives may include demand-side management, smart-grid technologies, energy storage and plug-in hybrids, etc.

4. Western will seek to publish, to the best of its ability, information about how to participate in its transmission planning process in order to encourage public involvement of all interest parties, including but not limited to power customers, residents of the area, environmental groups, various resource suppliers including renewable generation entities, and other transmission utilities in the area, as well as other participants in the proposed transmission project if it is a joint participation project.
5. Alternatives that are reasonable will be initially evaluated for cost, impacts to the natural and human environment, system reliability concerns in coordination with interested parties, economic benefits of reduced congestion and access to low cost resources, as well as support of renewable resource development and improved market-to-market transfers. Data from this initial evaluation will be included in the subsequent NEPA analysis.
6. The initial and final results of Western's transmission planning processes will be made available to Western's power customers and the public via Western's website and other appropriate methods to the degree allowable by CEII (Critical Energy Infrastructure Information) Regulations.
7. Western will comply with the Federal Energy Regulatory Commission's Order 1000 on transmission planning and cost allocation to the degree permissible under federal law.
8. Western will undertake and report its full consideration of the benefits and costs of joining other regional transmission organizations such as the Midwest ISO, Southwest Power Pool, and the California ISO.