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September 3, 2014

MEMORANDUM

TO: Power Committee

FROM: John Shurts, General Counsel
Tom Eckman, Power Division Director
Gillian Charles, Energy Policy Analyst

SUBJECT: Staff Briefing on Draft Issue Paper on the Methodology for the Seventh Power Plan for Quantification of Environmental Costs and Benefits

BACKGROUND:

Presenter: John Shurts, General Counsel

Summary: As part of the Council's work on the Seventh Power Plan, staff has developed a draft issue paper on the methodology required in the power plan for determining the quantifiable environmental costs and benefits of new resources. Staff is proposing that the Council release this issue paper for a public comment period at the September Council meeting in order to receive feedback from regional stakeholders before a methodology for analysis is approved by the Council and incorporated into the development of the draft Seventh Power Plan.

Staff will discuss the issue paper at the Power Committee meeting and seek a recommendation from the Committee to the Council to release the issue paper for comments. The full Council will discuss this as part of Council Business.

Relevance: The environmental cost and benefits methodology is a key piece of the Council's power plan and is integrated into analyses such as the generating resources assumptions and costs and the conservation supply curves.

Workplan: 1D - Prepare for Seventh Power Plan and maintain analytical capability;
Approve environmental method for analysis

Background: The Northwest Power Act requires the Council's power plan to include "a methodology for determining [the] quantifiable environmental costs and benefits" of electric generating and conservation resources. This issue paper a) describes the requirements and relevant provisions of the Northwest Power Act, b) describes the primary method the Council has used and will use for quantifying environmental costs and benefits of new resources (estimating the costs of compliance with environmental regulations); and c) highlights four topics that raise issues for public comment. These topics are:

- Residual environmental effects beyond regulatory controls
- Environmental effects of resources not yet subject to regulatory control, especially carbon dioxide emissions
- Quantifiable environmental benefits
- Environmental effects of new renewable resources

The paper includes several questions to consider when providing comments.

More Info: The **tentative schedule** for the environmental cost methodology is as follows:

- September 9, 2014 – Power Committee: Discussion of issue paper and recommendation to Council to release for public comment
- September 9, 2014 – Council Business: Discussion and decision on release of issue paper for public comment

If Council approves release of issue paper, then:

- September 10, 2014 – October 31, 2014 – Public Comment Period
- October 7-8, 2014 – Council Meeting: Reserve time on the agenda for public comment
- October 29, 2014 – Resource Strategies Advisory Committee (RSAC): Discussion of issue paper
- November 4-5, 2014 – Council Meeting: Summary of comments received by close of comment period
- December 9-10, 2014 – Council Meeting: Council decision on methodology for quantifying environmental costs and benefits

Attachments:
Draft Issue Paper
Presentation

See also: Decision memo in Council Meeting packet

Seventh Power Plan

Issue Paper: Methodology for Determining Quantifiable Environmental Costs and Benefits

September 2014

Issue Paper: Bottom Line

- **Staff recommendation is that Council release issue paper for public comment until October 31**
 - **Council then decides in December 2014 on methodology to use in producing draft Seventh Power Plan**
 - **Methodology included in draft Seventh Power Plan *and* used for developing resource cost estimates**

Issue Paper: Outline

- Relevant provisions of the Northwest Power Act
- Description of primary method used by Council in past for quantifying environmental costs of new resources
- Four topics that raise issues for public context

Relevant Provisions of Northwest Power Act

Section 4(e)(3)(C): Power Plan is to contain a “methodology for determining *quantifiable environmental costs* and benefits under section 3(4)”

Section 3(4) (definition of “cost-effective”):

Estimate of all *direct costs* of a resource over its effective life, including ... such quantifiable environmental costs and benefits as the Administrator determines, on the basis of a methodology developed by the Council as part of the plan, ... are *directly attributable* to such measure or resource.”

Section 4(e)(1): Power Plan is to “give priority to resources which the Council determines to be cost-effective.”

Relevant Provisions of Northwest Power Act (2)

Section 4(e)(2):

Council is to develop scheme for implementing conservation measures and developing generating resources “with due consideration” for, among other things, “environmental quality” and the “protection, mitigation, and enhancement of fish and wildlife and related spawning grounds and habitat, including sufficient quantities and qualities of flows for successful migration, survival, and propagation of anadromous fish.”

Primary Method

- **Estimating the costs of compliance with existing environmental regulations**
 - All Past Power Plans
 - Seventh Power Plan (presumably)

Topics for Public Comment

- Treatment of *Residual* environmental effects beyond regulatory controls
- Treatment of environmental effects of resources not yet subject to regulatory control, especially carbon dioxide emissions
- Incorporation of *Quantifiable* environmental “benefits”
- Treatment of environmental effects of new *renewable* resources

Proposed Schedule

- September – Release for public comment
- September/October – Opportunity for Public Comment & Consultations
 - Bonneville
 - Utilities
 - RSAC
 - Environmental Groups
 - Fish & Wildlife Group
 - Others
- December – Council adoption for use in draft Seventh Plan