

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

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## The Week in Summary

- [1] **FERC's Draft EIS Greenlights Jordan Cove LNG Terminal, Pacific Connector**  
 A draft study FERC recently issued recommended 141 measures addressing "limited adverse environmental impacts" caused by the Jordan Cove LNG terminal proposed for Coos Bay, Ore., and its associated pipeline project. The impacts include the potential for tsunami waves 45-feet high or more, and terrorist attacks. **At [12], the study says the market, not FERC, chooses between competing projects, but adds that no other LNG terminal and pipeline project is exactly comparable.**
- [2] **Colstrip Transmission Owners to Study Upgrades**  
 Montana-born wind energy inched closer to finding a path westward last week when the owners of the Colstrip Transmission System agreed to begin studying potential upgrades to the twin 500-KV lines to accommodate wind power. The announcement was one in a string of recent good news for wind power developers in Montana. **At [13], NorthWestern, Puget Sound Energy, PacifiCorp and Portland General Electric team up for study.**
- [3] **BC Hydro Gets BCUC Approval for Two-Tier Rate Structure**  
 The B.C. Utilities Commission has given crown-owned BC Hydro the go-ahead to introduce a new two-tiered electricity rate system designed to reward residential customers who conserve electricity while imposing higher costs on those who use extra power. **At [14], BC Hydro says the system will save most residential customers money--but not everyone is happy.**
- [4] **Wind Surge Leads BPA to Gauge Market for Load-Following, Services**  
 With 1500 MW of wind-power capacity in its balancing authority area and thousands more on the way, Bonneville has issued an information request for third-party generation inputs and/or load interruptions for load-following and regulation services to help integrate the intermittent energy supply. BPA currently uses the federal hydro system for generation inputs, but hydro flexibility is limited, and the agency wants to examine other alternatives as wind installations surge. **BPA balancing act, at [15].**
- [5] **POTOMAC: McCain Wants Homegrown Energy; New Energy Reform Act**  
 Sen. John McCain, who accepted the Republican nomination for president in St. Paul, Minn., on Sept. 4, favors an "all of the above" approach to addressing the country's energy problems. The Arizona Republican seeks increased domestic oil and gas production, more clean cars, clean coal, tax credits for renewables, and

**Power Prices Mixed on Hot Weather**

Electricity prices seesawed last week, driven by rising demand following Labor Day and varying weather reports for the West Coast. Prices climbed through Wednesday on the post-holiday boom in energy demand, then diverged between the Northwest and California.

Climbing natural gas prices, which tracked three new tropical storms in the Atlantic Ocean, provided uplift for higher electricity prices. After falling much of the week along with a weakened Hurricane Gustav, natural gas prices rebounded to end Friday nearly even with Tuesday.

A ridge of high pressure over the West Coast is pushing up temperatures in California and breaking some records around San Francisco, AccuWeather said. Beginning Sunday, however, temperatures were expected to cool to more seasonal levels.

Temperatures also warmed in the Northwest, with Seattle and Portland expected to hit highs of 77 and 82 by Sunday. Some thunderstorms were expected in the interior Northwest.

Power demand marched steadily higher with rising temperatures in California last week, climbing from 33,600 MW Monday to 44,200 MW Thursday, according to the California Independent System Operator. Friday, electricity usage was expected to top out at 43,200 MW.

Over the week, California average daytime power dropped about \$1 to \$71/MWh at North of Path 15 and South of Path 15. Average nighttime power rocketed \$11-\$12 to \$59 at both hubs.

Palo Verde peak prices fell \$2 to an average of \$63.64/MWh while off-peak power traded \$7 higher at \$47.32.

Average prime trades at the California-Oregon border inched up \$3 over five days to \$69.70/MWh. Off-prime trades shot up to \$55.19/MWh, an increase of \$9.

Daytime Mid-Columbia prices climbed \$3 to an average of \$62.43/MWh, while average nighttime deliveries clocked in a \$9 rise to \$53.73.

**Repairs continued** to a backup generator at the San Onofre Nuclear Generating Station and kept its Unit No. 3 off line. The 1080 MW unit has been shut down since Tuesday and there is no date for its resumption. At the Diablo Canyon nuclear facility, a new transformer is being installed at its 1118 MW second unit after a fire damaged it two weeks ago *[Kristina Shevory]*.

**Western Electricity Prices  
Week of September 1-5, 2008**

	Peak	Off-Peak
Alberta	13.29-720.95	7.16-57.64
Mid-Columbia	55-64	43-54.50
COB	64.25-72.25	44.50-55.75
NP15	69-78	46.25-60.25
SP15	69-80	45-62
Palo Verde	60.25-73	35-55

**Week in Summary**

45 new nukes by 2030. *At [16], Congress heads back to work Sept. 8, and the Gang of 10 pushing the New Energy Reform Act has morphed into a Gang of 16.*

*Briefs*

**[6] FERC Issues Arrowrock Hydro License Extension and Amendment**

FERC has granted the proposed 15-MW, \$41-million Arrowrock hydro project on the Boise River in Idaho a license amendment and extended the deadline to commence construction on the project.

The project will provide electricity for the Clatskanie People's Utility District in Oregon, and would be owned by irrigation districts in Idaho (Boise-Kuna, Nampa & Meridian, New York, and Wilder) and Oregon (Big Bend).

The irrigation districts will finance the project, and sell the PUD its generation, which would annually average 81,000 MWh. Clatskanie PUD and the irrigation districts plan to issue bonds, and to begin construction in November.

The project, stalled for 16 years, survived near-cancellation in the past, most recently gaining a three-year reprieve in late 2006 when the White House signed bipartisan legislation as time ran out on its license application (CU No. 1268 [7/15]).

The project is planned for the Bureau of Reclamation's Arrowrock Dam northeast of Boise, on the South Fork of the Boise River. The 353-foot-high dam was the world's highest when it was finished in 1915.

FERC licensed the project [*P-4656*] in 1989 as a 60-MW addition to Arrowrock Dam. The current smaller 15-MW design requires no penstock or tunneling through the dam. Instead, the generating units would receive water through existing downstream valves. In FERC filings, the developers said they had adopted the reduced design to minimize environmental impacts.

By the terms of the Federal Power Act, the developers should have started construction within two years of receiving the license. However, the listing of the bull trout as an endangered species caused a reevaluation of the project, marking the start of many delays that have required interventions by FERC and Congress to keep the license from expiring.

The reprieve by Congress was proposed after FERC had turned down a request to extend the most recent deadline of March 26, 2005. The developers argued that the U.S. Fish and Wildlife Service had delayed an ESA consultation on bull trout until it completed the higher-priority Upper Snake River consultation needed to implement the Snake River Water Rights Act of 2004 and the Nez Perce Agreements of 2004.

The 2006 law that extended the project's application process was proposed in 2004 by Butch Otter (R-Idaho) in the House (now Idaho's governor), and by Larry Craig (R-Idaho) in a companion bill. Later cosponsors included Oregon legislators Rep. David Wu (D), and Sens. Gordon Smith (R) and Ron Wyden (D), who were supporting Clatskanie PUD, which joined with the license holders in 2004 to develop the project.

The irrigation districts also own and operate the 101-MW Lucky Peak hydroelectric power plant located downstream of Arrowrock Dam, and sell its output to Seattle City Light **[Rick Adair]**.

#### **[6.1] Court Ruling Confirms Vulcan Power Expulsion From Newberry Partnership**

Bend, Ore.-based Vulcan Power lost a two-year battle to set aside arbitration terms that would strip it of assets in a partnership that includes geothermal leases near Newberry Volcano in central Oregon.

At issue was a power purchase agreement a Vulcan subsidiary made in 2006 with California utility Pacific Gas & Electric for generation from a proposed geothermal project on Newberry leases (CU No. 1227 [9/13]).

Vulcan was sued in Deschutes County (Oregon) Circuit Court in August 2006 by Davenport Power LLC, which said the PPA violated the terms of the partnership between the two companies, giving Davenport control over agreements made by Northwest Geothermal, the jointly operated company **[06CV0448ST]**.

Under binding arbitration terms, Vulcan was expelled from the partnership in May 2007, and the remaining issues—mainly Vulcan's buyout price—were moved to arbitration (CU No. 1291 [9.6]), which concluded in late 2007.

Vulcan has tried to set aside the expulsion and final arbitration awards, even taking the expulsion matter in May 2007 to federal district court, which sent it back to circuit court. Vulcan also had the arbitrator's expulsion award reviewed by the American Arbitration Association, which reconfirmed it.

In July, Circuit Court Judge Stephen Tiktin finally denied Vulcan's arguments to set aside the arbitration awards, clearing the way for final discussions set to begin next month.

Vulcan did not immediately return calls, but Davenport and Northwest Geothermal attorney Michael Dillard told *Clearing Up* it was his understanding that Vulcan would appeal Tiktin's ruling.

Vulcan has since captured the attention of venture capital attracted to the geothermal leases it has accumulated over the years (CU No. 1286 [7.7]).

The company also has pending lease applications on federal land near Mount Baker in Washington that the Bureau of Land Management expects to address by year's end (CU No. 1350 [8/20]) **[R. A.]**.

#### **[6.2] Fall Chinook Numbers Climbing Fast**

Fall chinook counts at Bonneville Dam took off last week in earnest. By Wednesday, the count had reached nearly 150,000, with more than 15,000 fish passing the dam on Sept. 3.

State and tribal harvest managers said Sept. 3 that they believed their Spring Creek tule forecast was low, but that it was too soon to make a precise prediction of either the tule run or the upriver bright run.

They also noted that coho counts are tracking higher than predicted for this time of year. And they said preliminary analysis of both the A and B steelhead runs are tracking above the preseason forecasts.

Catches by tribal fishers in Zone 6 are climbing fast. Harvest managers had expected their catch to reach about 32,000 chinook by Sept. 6. In the Sept. 3 update, they said the catch would reach about 86,000 by Sept. 12, which included about 36,000 upriver brights.

That would put the estimated tribal harvest rate of ESA-listed Snake River fall chinook at 21.8 percent, according to the managers, who are tasked with enforcing a 23-percent maximum tribal take.

They said the tribal harvest of B-run index steelhead was only expected to reach about 7.4 percent, about half of the maximum allowable take **[B. R.]**.

#### **Watchwords**

#### **[7] Waddington Steps Down at WIA**

Steve Waddington, the first executive director of the Wyoming Infrastructure Authority, has resigned from the organization, effective Oct. 31.

Waddington has served as executive director of the WIA since May 2005. The WIA was created by the state Legislature in 2004, and is governed by a five-member board appointed by the governor.

"It was a privilege to work with the WIA board to forge a business strategy for promoting transmission development and the greater utilization of Wyoming's resources," Waddington said in a statement. "I feel that the WIA is now on a trajectory for success, and that it is a good time for me to step down and pursue other interests" **[Steve Ernst]**.

#### **[8] Remington Reappointed to Energy Northwest Board**

Gov. Christine Gregoire has reappointed David Remington to Energy Northwest's executive board.

Remington first joined the executive board in December 2004, when he was appointed to a four-year term by then-Gov. Gary Locke. His new term will run through June 30, 2012. He served as secretary of the executive board during his first term.

Three of the members for the executive board are appointed by the governor of Washington, three are drawn from industry ranks, and five are elected from the 22-member Energy Northwest board of directors **[Steve Ernst]**.

#### **[9] Plantico Joins PGE as Environmental and Sustainability Policy Director**

Reuben Plantico has been tapped to be Portland General Electric's director of environmental and sustainability policy, the utility announced Aug. 27.

In his new position, which he started in July, Plantico will lead PGE's environmental policy team in the areas of climate change advocacy, federal and state environmental regulation, and natural resources stewardship.

Plantico has more than 20 years of experience working on Clean Air Act and resource issues for utilities, as well as three years' experience serving in the U.S. Department of the Interior. For the past

year, he has consulted with PGE on environmental and climate change issues.

He holds a law degree from Lewis and Clark Law School, a master's degree in public policy and

administration from the University of Wisconsin, and a bachelor's degree from Lawrence University in Wisconsin **[Rick Adair]**.

## Notes & Comments



### *Bearing Down*

#### **[10] Mini-Nukes: Intriguing Idea From Oregon-Based Company**

Amory Lovins once likened nuclear-generated electricity to cutting butter with a chainsaw.

Now comes an Oregon-based company with a concept that could turn that chainsaw closer to a knife--albeit an electric-powered carving knife, perhaps, if not quite a conventional table knife.

Call it a mini-nuke. Instead of the 1000-MW-plus nuclear behemoths existing and planned, NuScale Power is proposing small-scale nuclear plants, on the order of 45-MW capacity.

NuScale is indeed new. It has not yet applied for standard design certification from the Nuclear Regulatory Commission. It has no committed customers.

And, even with the proposed diminutive size of its plant, NuScale would face issues common to all new nuclear-energy prospects--from waste storage, to siting, to safety, to cost. Its internal timeline lists 2016 for an operating plant.

Still, the idea of modular nukes has some intrigue, and merits consideration in the electric-power marketplace and the court of public opinion.

It may fail in either or both of those arenas. But given the growing constraints on new electric resources and the limitations of the current favorites--renewables and natural gas--we ought to keep an open mind on new possibilities, while we simultaneously strive to maximize energy efficiency.

As with anything new, questions arise, and NuScale is no exception.

#### **First, who are these folks?**

Formed in June 2007, the company has origins in a U.S. Department of Energy-funded project earlier this decade investigating small light-water nuclear reactors, according to Bruce Landrey, NuScale senior business development consultant.

Oregon State University was engaged in that project, and the school's nuclear engineering dean, José Reyes, kept working on the concept and developed the NuScale technology.

The company is led by CEO Paul Lorenzini, well-known here as a former president of Pacific Power & Light.

Landrey, meanwhile, worked at Portland General Electric in executive communications and other positions during the tenure of the now-shuttered Trojan nuclear plant, before moving to Tennessee Valley Authority.

What is their technology? NuScale uses light-water technology, of the familiar type now used in all 104 operating U.S. nuclear plants. It proposes a 45-MW capacity plant, which Landrey called "the ideal size for the natural circulation system used to both produce steam and cool the NuScale plants."

The company envisions supplying anywhere from one to 30 plants at a single location. Landrey said this modularity offers reliability benefits, because each unit could be separately taken out of service for refueling or maintenance while others continue to run.

Where's the money coming from? NuScale secured initial financing early this year, from California-based CMEA Ventures and individual investors. Landrey declined to share any further specifics.

How much will it cost? NuScale and strategic partner Kiewit are developing estimates.

"We are confident the cost of a NuScale plant will be highly competitive with other nuclear technologies," said Landrey, acknowledging those costs are very wide-ranging--not to mention rising. Large-scale

new nukes could run into double-digit billions.

What about the nuclear waste? Same as with conventional nuclear plants--on-site storage pending opening of a central U.S. repository (insert obligatory cynical remark on when that will happen).

What about acquiring plant components? Landrey said all potential components for NuScale plants could be manufactured domestically--in contrast to large-scale nukes, which still rely on heavily backlogged Japan Steel Works for heavy forgings.

**What about safety?** NuScale touts its natural-circulation cooling as a safety enhancer, although Landrey said the company anticipates more stringent seismic requirements with this feature. He said the proposed plant design would erect more barriers between nuclear materials and the outside environment than larger, traditional reactors.

What's the regulatory process? "We've just been in very preliminary discussions with them. We're not even in what I would call the pre-application space just yet," said NRC spokesman Scott Burnell.

NuScale plans to submit a design-certification application in late 2009 or early 2010, and hopes to gain

*Continued on page 6*

**'We are confident the cost of a NuScale plant will be highly competitive with other nuclear technologies.'**

# Northwest Numbers

## [11] Permits, Prices and Construction Spending Falling Still

To say we are at the bottom in the housing sector, one would need to credit gut feelings, because data for that case are scant. Annualized Northwest permit activity is plummeting and has fallen more since last July than the comparable U.S. total. National construction spending shows weakness that is now spreading to non-residential construction, a harbinger of continued tough economic times. If there is any bright spot it is that price indices for Seattle and Portland appear to be on a plateau the last few months. But even that could dim if the pattern in those markets follows that of other Western cities.

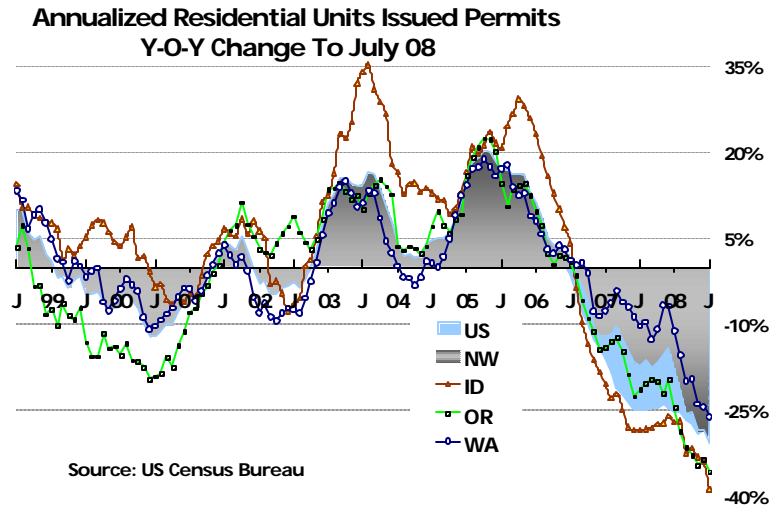
There's no silver lining in July's monthly permit data from the Census Bureau. The 4,412 units authorized in the Northwest is the lowest July total since 1984. It's half the July 2006 total, and is down 40 percent from 12 months ago. Washington had its lowest total for any summer month since 1982. Annualized comparisons are no less bleak. In the 12 months through July, fewer than 59,000 residential units were permitted, down almost 31 percent from last July's depressed level. U.S. permits are down 29.5 percent.

Construction spending data show a persistent lag in private building activity in the United States. Spending on private residences was 27.5 percent lower than last July, contributing to a more than \$55-billion, 4.8-percent decline in total construction spending in the seasonally adjusted annualized rate. That year-over-year comparison has been dropping for more than two years, from a high of over \$664 billion in March 2006 to less than \$358 billion in the current tally. Private residential construction typically accounts for more than half of all construction spending. So far this year it adds up to only a bit more than a third of a shrinking pie.

Non-residential construction spending helped bolster those in the industry after residential activity began to slow down two years ago. Although year-over-year comparisons still show growth, July marked the first recent month-to-month decline in the seasonally adjusted annualized rate of private nonresidential spending in the U.S. Public construction spending has been on the rise, however. July's report shows a growth in the value of construction put in place of 7.5 percent over the past 12 months, with schools, offices, transportation facilities and roads and highways accounting for most of the change. Total construction spending accounts for around 7 percent of GDP.

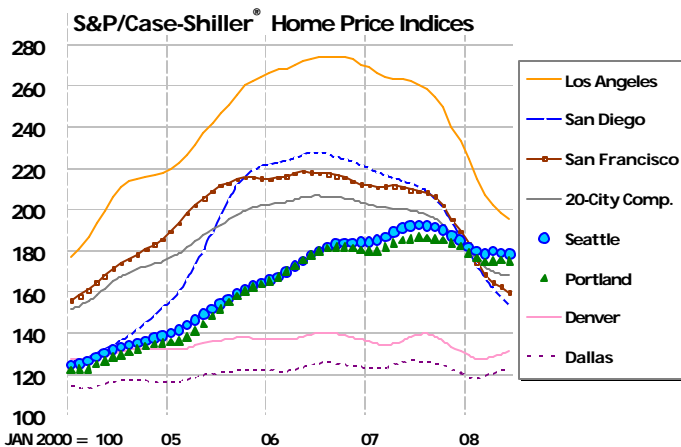
Standard & Poor's Case-Shiller data for June show month-to-month increases in 10 of the 20 cities in the broader index, up from seven in May's data and eight in April's. But Seattle and Portland were not among June's gainers, nor were any cities in Pacific or Southwestern states. Among Western cities, only Dallas and Denver are showing increases, as they did heading into summer in 2006 and 2007. Price gains in those cities were modest in 2005 and 2006.

Have prices stopped falling in the Northwest? Probably not, and sharper declines may be ahead. Looking at Los Angeles and San Francisco, one can see that after cresting, prices formed a plateau late in the first year of decline. A year after its index peaked, San Diego prices had fallen 7.1 percent. Not quite a year from its peak, Seattle's index is down 7.3 percent. Similar comparisons show Los Angeles down 4.8 percent after 12 months and Portland now down 6.2 percent. After the first 12 to 15 months prices fell rapidly in those California cities. If similar patterns prevail in the Northwest, things would look pretty grim by the fall of 2009.



The Northwest MLS shows an 11-month inventory of unsold homes in July, close to the national level, with monthly new listings twice or more the volume of closings in most areas. There are likely those who would like to sell who do not want to do so now. That latent supply will keep prices in check and will impede some new construction, as will tighter mortgage terms and additional foreclosed houses coming to the market.

A bottom in housing is likely a prerequisite to broader economic recovery. It could be near, but if so it remains well hidden **[Alan Mountjoy-Venning]**.



*Continued from page 4*

approval in another two to three years, Landrey said. OSU's testing facility should facilitate that process, he added; it can perform extensive NRC-required computer-modeling scenarios.

In addition to design approval, the NRC would need to endorse any specific proposal to build and operate a NuScale plant or plants.

What's the market for mini-nukes? Landrey said the company has found "substantial interest . . . from a wide range of prospective customers," including remote communities with expensive power and diesel-oil reliance, and electric utilities. NuScale hopes to begin working with potential customers as early as 2009 and start feasibility studies on particular locations.

Asked specifically about Northwest utility interest, he said, "I would say there are utilities across the country that are watching our progress, of all sizes and all makes . . . investor-owned, cooperatives and publics."

Landrey touted NuScale in particular and nuclear in general as a reliable baseload resource, now sporting capacity factors in the 90-percentile range--he recalled the

Trojan days when "we were happy if we had a 75-percent capacity factor." Shorter refueling outages and improved plant operations have helped make a difference.

One of the most tantalizing questions, of course, is where NuScale technology would be located.

Siting a 45-MW nuke would be inherently more complex, and likely more contentious, than siting any comparable-sized other resource.

Having lived and worked through the Northwest's checkered nuclear history, Landrey takes an optimistic view.

"I think it's a new day, and a different world. I think there is . . . a greater willingness to consider new nuclear technologies . . . that look is now taking place in a much more informed context," he said

One thing I do know for certain--we will need an array of energy answers.

It remains to be seen, of course, whether NuScale and its mini-nuke are among them. But this represents the spirit of ingenuity that promises to move us in the right direction **[Mark Ohrensall]**.

## Supply & Demand

### [12] FERC Issues Draft EIS for Jordan Cove LNG Terminal, Pipeline Project ■ *from [1]*

A draft study FERC issued Aug. 29 recommended 141 measures addressing "limited adverse environmental impacts" caused by the Jordan Cove LNG terminal proposed for Coos Bay, Ore., and its associated pipeline project. The impacts include the potential for 45-foot-high tsunami waves and terrorist attacks.

The major issues also include other geologic hazards, dredging-related impacts, potential impacts on water bodies and wetlands, forest clearing, federally listed endangered and threatened species, and safety.

The study stated that it would rely on market forces to sort out which of the other pipeline and LNG terminal projects proposed or constructed in the West would best serve the goal of providing a new source of natural gas for the Pacific Northwest.

The Jordan Cove LNG project calls for two 160,000 cubic-meter storage tanks, regasification facilities, and a daily send-out capacity of 1 billion cubic feet.

The associated Pacific Connector is a proposed 230-mile, 36-inch diameter pipeline able to carry up to 1 billion cubic feet per day from the Jordan Cove terminal to markets in the Pacific Northwest, northern California and northern Nevada.

Release of the draft environmental impact statement comes a year after the project developers asked FERC staff to start the process (CU No. 1304 [6]).

In the study, the staff concluded that measures it had recommended, along with those planned by the

developers, "would substantially reduce the environmental impact of the proposed project."

Among the developer measures is enclosing portions of the terminal site by a protective barrier with a top elevation of 55 feet, setting foundations for all critical process equipment and structures within the barrier at an elevation of 20 feet, and foundations for all others at a nominal grade of 55 feet.

Current models predict tsunami wave heights of up to 45 feet at the site caused by an earthquake on the offshore Cascadia Subduction Zone, although some commentators felt these could be higher. The developers will conduct additional studies with state agencies and researchers to provide updated estimates of tsunami run-up where the LNG terminal is located at the North Spit.

FERC staff also recommended that developers provide a tsunami impact analysis that accounts for the proposed topographic modifications at the site, and

that an independent board of consultants provide oversight on seismic design and construction of both the LNG terminal and sendout pipeline.

In addition to tsunami risk to the LNG terminal, the study considered hazards the pipeline might encounter. While the pipeline route was selected to avoid areas with high geological risk, the staff said supplemental site-specific studies of landslide hazards, potential soil liquefaction and lateral spreading, and potentially active fault crossing must be completed prior to construction.

**Evaluating safety issues hinges on** determining the "acceptability of risk," the study noted.

Given planned measures, the risk to the public of accidental spills from LNG carriers was deemed

**Current models predict tsunami wave heights of up to 45 feet.**

"negligible," the study said, and risks from terrorist attacks could be managed.

In particular, the Coast Guard recommended measures that would render an LNG release "highly unlikely," so that "the potential impact on resources would be less than significant." The Coast Guard recommendations included a 500-yard moving safety and security zone around LNG carriers in transit, and a 150-yard fixed security zone around the LNG carriers moored at the proposed LNG terminal.

The Coast Guard also said its safety guidelines would be most effective if the capacity of LNG carriers transiting the Port of Coos Bay were no more than 148,000 cubic meters.

**The Draft EIS stated it would** rely on market forces to sort out which of the other comparable pipeline and LNG terminal projects proposed or constructed in the West would best provide a new source of natural gas for the Pacific Northwest, northern California, and northern Nevada.

However, the study noted, none of these other projects would exactly meet the goals of the Jordan Cove LNG terminal or the Pacific Connector pipeline.

Rejected as viable alternatives to the Pacific Connector pipeline were the Palomar, Sunstone, Blue Bridge, Ruby, and Bronco pipeline projects.

The Palomar project was rejected because it didn't serve the targeted regions--southern Oregon, northern California, and northern Nevada--as the Pacific Connector. The other pipelines were rejected

because they would be substantially longer than the Pacific Connector.

Similarly rejected as alternatives to the Jordan Cove LNG terminal were the existing Costa Azul LNG terminal in Baja California, the planned Kitimat terminal in British Columbia, and two proposed for the lower Columbia River.

The Costa Azul terminal site "is too far away from the target market in southern Oregon, and is committed to servicing customers in northern Mexico and southern California," the study said, and the Kitimat project would serve customers in Alberta and eastern Canada.

The Bradwood Landing LNG Project on the Columbia River, which includes a 36.3-mile sendout pipeline in Oregon and Washington, and the Oregon LNG Project in Warrenton, Ore., and its associated 121-mile-long sendout pipeline--both navigating FERC's approval process--were rejected in the study as alternatives to the

Jordan Cove and Pacific Connector projects because they didn't target the same markets.

**In addition to addressing mitigations**, the draft EIS also included an estimation, developed for the South Coast Development Council, concluding that operation of the proposed LNG terminal, the Pacific Connector pipeline, and LNG vessel operations would generate annual net tax revenues of approximately \$34.4 million by 2016, with \$13.6 million generated in Coos County and \$20.8 million generated elsewhere in Oregon.

Comments on the study will be gathered through Dec. 4 **[Rick Adair]**.

**None of these other projects would exactly meet the goals of the Jordan Cove LNG terminal.**

## Clearing It Up

### [13] Montana Wind May Find a Way West ■ *from [2]*

The four owners of the Colstrip Transmission System have agreed to study the potential of upgrading the twin 500-KV lines to export wind from Montana to the Pacific Northwest.

Last week's announcement was one in a recent string of good news for wind developers in Montana.

Late last month, NorthWestern Energy began the permitting process for its proposed 200-MW Mill Creek Generating Station, a natural gas-fired power plant that the utility says is needed to balance wind in the utility's control area (CU No.1354 [3/11]).

The utility is also working on its Mountain States Transmission Intertie project, a 500-KV line that would link NorthWestern's system with Idaho Power and on to larger markets in the Southwest.

NorthWestern Energy, Puget Sound Energy, PacifiCorp and Portland General Electric will be studying the prospects of upgrading the 30-year-old Colstrip Transmission System, which delivers power from the Colstrip coal-fired power plant in eastern Montana to BPA's system and on to the Northwest.

David Gates, vice president of wholesale operations at NorthWestern Energy, said the growth and development of renewable energy is the basis for the agreement.

"Montana's superior wind-power potential combined with renewable portfolio standards in Washington and Oregon have spurred the renewed interest by the other owners to consider options for moving more of this new generation from Montana to the Northwest," Gates said, in a statement.

This isn't the first time a study has focused on upgrading the Colstrip Transmission System.

The Rocky Mountain Area Transmission Study reviewed the potential of upgrading the system.

And in a study of the potential impacts of wind on its transmission system, NorthWestern Energy concluded that the addition of 150 MW of wind in the Colstrip area would probably require an additional 230-KV line stretching from Colstrip into the Billings/Broadview area.

While it's too early to tell how much, and what, new upgrades CTS owners will make, a new 230-KV line would cost about \$250,000/mile or more, according to NorthWestern's analysis.

The four utilities have agreed to share the cost of studying the power-transmission alternatives and potential ownership structure. No estimates were given for the cost of potentially upgrading the line.

The CTS line runs from the Colstrip power plant to Townsend, Mont., where it connects with BPA's transmission system.

The utility's agreed to begin discussions with BPA about upgrading the Montana intertie between Townsend and Garrison, Mont., and points west.

A spokesman for BPA said the agency would cooperate with the utility's study.

Ann English Gravatt, policy director at Renewable Northwest Project, said the announcement was good news for the Northwest.

"The fact that a new line could go across an existing right of way is good," she said.

Although, upgrading the lines could also allow for more coal power to be exported, she said, noting that environmentalists will be watching closely to make sure that doesn't happen. "But we've got to take them at face value when they say

**'The fact that a new line could go across an existing right of way is good.'**

it's for renewables," she said.

The potential addition of Montana wind to the Northwest renewables menu will add seasonal diversity to the region's portfolio.

Montana's wind energy production peaks in the winter; wind farms in Washington and Oregon produce the most energy in spring and summer.

"Utilities in the Pacific Northwest are going to need more transmission capacity to handle growing loads and to integrate new renewables into the grid--which will also be essential for us to make progress in reducing greenhouse gas emissions," said Joe McArthur, vice president of transmission and customer service at PGE.

"This project is one of several major efforts nationwide that show promise of helping us meet that need," he said.

Earlier this year, NorthWestern Energy had 1344 MW of new wind projects in its transmission queue, although some projects were several years old.

Montana has 167 MW of wind capacity in operation and the 106.5-MW-capacity Glacier Wind (Phase I) project under construction, according to Renewable Northwest Project.

Another 700 MW have been proposed for the state, according to RNP **[Steve Ernst]**.

**[14] Heavier BC Hydro Users Must Dig Deeper Into Pockets ■ from [3]**

BC Hydro electricity users who don't conserve are going to pay extra under a new two-tier residential rate system that the B.C. Utilities Commission has now approved.

Under the new plan, which will be introduced gradually over six months beginning Oct. 1, BC Hydro

customers using more than 1350 KWh during a two-month billing period will be charged the higher of two rates for power use over that threshold.

However, based on historic average consumption, B.C. consumers in single-family homes, duplexes and condominiums will pay at least a portion of their power at the higher rate while apartment owners are expected to remain under the threshold because of their lower consumption.

The BCUC has set BC Hydro's Tier One power at about \$57.40/MWh while Tier Two power will be \$67.30/MWh starting Oct. 1 and will jump to \$77.20/MWh next April.

In its application to the BCUC earlier this year, BC Hydro proposed a Tier One threshold of 1600 KWh, which was high enough to include single-family homes and duplexes, but the commission lowered that threshold to 1350 KWh.

For the average BC Hydro customer living in a single-family home, the difference between the two tiers will be about \$4.70 more per month in October and will increase to about \$9.30 per month next spring.

The opposition New Democratic Party slammed the new rate structure, which it says comes on the heels of a new carbon tax on fuels that was recently introduced in B.C.

"With stagnant wages, the gas (carbon) tax, and higher food costs, ordinary British Columbians deserve a break," said NDP Leader Carole James. "Instead (Premier) Gordon Campbell is hitting them again with a new increase."

James also said many families are going to see 20-25 percent increases in their electricity costs in just two years since the new hydro rate hikes come on top of 13-percent increases from the BCUC through 2009.

NDP energy critic John Horgan said the new two-tiered system does not take into account such factors as homeowners who use electricity to heat their homes, and will likely push some consumers away from green energy to emissions-generating alternatives like natural gas or wood.

"At a time when we should be encouraging people who are taking steps towards sustainability, the Campbell government is pushing through a system that will penalize them," he added.

Jim Quail, executive director of the B.C. Public Interest Advocacy Centre, told Vancouver newspapers he's concerned with the speed of the two-tier introduction.

But Ludo Bertsch, a spokesman for Vancouver Island-based Energy Solutions, said BCUC's decision to spread the cost of the program among more people by lowering the Tier One threshold would encourage more people to conserve electricity **[Brian Lewis]**.  
\$1.00 Canadian = \$0.934 U.S.

**[15] BPA Seeks System Balancing Info to Help Handle Wind Growth ■ from [4]**

Facing a surge of new wind power in its balancing-authority area and constrained hydro flexibility, BPA wants to gauge the market for handling near-term variations in system balance.

Bonneville has issued a request for information for third-party generation inputs and/or load interruptions

for load-following and regulation services. The agency wants to know more about prospective availability, structure and prices, with the intent "to initiate a broad conversation about how to best fulfill BPA's potential need for additional load-following and regulation capability," according to an Aug. 21 cover letter accompanying the RFI.

This solicitation stems partly from the settlement reached in March of BPA's wind-integration rate case, in which BPA plans to charge wind generators 68 cents/KW of installed capacity for within-hour balancing services starting in fiscal year 2009 (CU No. 1332 [3/14]).

"Bonneville was realizing we needed to go down this route anyway" and examine third-party balancing resources, said Eric King, BPA wind integration team project manager.

Load following--also known as generation following--responds to changes in scheduled generation every 10 minutes, while regulation balances loads and generation

**'Bonneville was realizing we needed to go down this route anyway.'**

on a second-by-second basis, according to Edison Elizeh, BPA manager of commercial transmission/commercial business development.

BPA's balancing authority area now hosts about 1500 MW of wind capacity, said King. It projects that figure to grow to more than 3000 MW by 2010, 4300 MW by the end of 2011, and in excess of 6600 MW by 2013.

The Federal Columbia River Power System is sufficient to maintain system balance with the current level of wind energy, Elizeh said. However, "At some point the flexibility of the hydro system is going to be taxed out" for that purpose, said King. Bonneville is studying when that point will be reached, and with the RFI is seeking "to get ahead of the curve" and "cast a wide net" for potential options.

BPA is interested in generation resources for load-following and regulation. They must provide dynamic capacity available for BPA deployment within a scheduling hour, and specific capacity amounts, ranging above and below zero, the latter for cases in which the BPA system sheds power. Load interruptions also are welcome, the RFI said.

Collaborative proposals are invited, too, such as from a group of generators, said Elizeh.

BPA also wants an approximate price range or pricing methodology. The agency promises confidentiality for proprietary information, although it plans to aggregate and publicly summarize such information as total third-party megawatts potentially available and "the general potential impact on BPA's costs based on price expectations expressed in responses to this RFI."

Bonneville officials have not yet decided whether the RFI will be followed by a request for proposals, Elizeh said.

RFI submittals are due Sept. 26. For more information, go to [http://www.bpa.gov/corporate/ratecase/2008/2010\\_BPA\\_Rate\\_Case/Docs/RFI%20document\\_082108\\_FINAL%20POSTED.pdf](http://www.bpa.gov/corporate/ratecase/2008/2010_BPA_Rate_Case/Docs/RFI%20document_082108_FINAL%20POSTED.pdf) [Mark Ohrenschall].

**[16] POTOMAC: McCain for Domestic Energy; Reform Act Support Grows ■ from [5]**

Anointed Sept. 4 as the Republican presidential nominee at the party's convention in St. Paul, Minn., Sen. John McCain is promoting an energy plan, named "the 'Lexington Project,' for the town where Americans asserted their independence once before," that he says would achieve national energy independence by 2025.

McCain's broad-based strategy includes a call for spending \$2 billion annually to advance clean-coal technologies. Once they are developed, McCain envisions the United States exporting those technologies to China. He also wants 45 new nuclear plants built by 2030, with an ultimate goal of 100 new operating plants.

The Arizona senator would encourage the use of more flex-fuel vehicles. His plan mandates subsidies focused exclusively on corn-based ethanol should be eliminated because they "prevent the development of market-based solutions, which would provide us with better options for our fuel needs."

The candidate also advocates more offshore oil drilling and expanded domestic natural gas production, but no windfall profits tax on oil companies.

He proposes a \$5,000 tax credit to individuals buying zero-carbon-emission cars, and a \$300-million prize for invention of a battery leading to full commercial development of plug-in hybrids and electric cars.

To encourage the market for wind, hydro and solar power, McCain would urge Congress to "rationalize the current patchwork of temporary tax credits" and adopt "an even-handed system of tax credits that will remain in place until the market transforms sufficiently to the point where renewable energy no longer merits the taxpayers' dollars."

McCain plans to green up the federal government, which he calls "the largest electricity consumer on earth." His plan would require more efficient new federal buildings, as well as retrofits, and "a serious investment" to upgrade the national grid so it has the "capacity to charge the electric cars that will one day fill the roads and highways of America."

McCain favors a cap-and-trade system to address climate change. Last year, he and Sen. Joe Lieberman (I-Conn.) took a shot at the idea when they introduced the "Climate Stewardship Act" to reduce greenhouse-gas emissions. McCain's goal as a presidential candidate is to return emissions to 2005 levels by 2012, and to 1990 levels by 2020. His proposal would cover transportation fuels, as well as electric power and other industries.

For the first time, climate change gains mention in the Republican platform. It calls the issue "a challenge" and says policies to reduce carbon in the atmosphere should be "global in nature, based on sound science and technology and should not harm the economy."

The platform says "a robust economy will be essential to dealing with the risk of climate change, and we will insist on reasonable policies that do not force Americans to sacrifice their way of life or trim their hopes and dreams for their children."

**In late August, six more senators--**John Warner (R-Va.), Tim Johnson (D-S.D.), Norm Coleman

(R-Minn.), Tom Carper (D-Del.), John Sununu (R-N.H.) and Ken Salazar (D-Colo.)--joined the "Gang of 10" working to pass the New Energy Reform Act of 2008, also being called the "New ERA."

The legislation calls for increasing offshore oil drilling, expanding tax incentives for conservation and renewable energy, and dedicating \$20 billion to "transition the American economy," particularly the transportation sector, to run off alternative fuels other than gasoline and diesel, according to a fact sheet.

The bill would establish a National Commission on Comprehensive Energy Policy to make recommendations to Congress on policies to help meet the goals of the legislation and address the issues of carbon capture and storage, nuclear and renewable energy, and upgrading the national transmission grid.

The New ERA proposals would extend the production tax credit for renewable energy through 2012. They would also provide new consumer tax credits of up to \$2,500 for purchasing highly fuel-efficient vehicles, and extend the \$2,500 tax credit for hybrid electric vehicles. The legislation also proposes spending \$7.5 billion for research and development on advanced batteries and other technologies for alternative fuel vehicles.

"This comprehensive, bipartisan framework is now backed by a Gang of 16 because it puts every option on the table," said Sen. Kent Conrad (D-N.D.), who leads the Gang of 10 with Sen. Saxby Chambliss (R-Ga.). Chambliss said he thinks the "gang members" will increase in number once Congress resumes its session in September and the actual text of the legislation is introduced.

Rep. Mark Udall (D-Colo.), who is running for the Senate this year, issued a statement supporting the Gang of 16 proposal as a "good foundation to build upon." He said he and Salazar would work to add a national renewable energy standard and a "smart approach on oil shale" to the package.

**Sen. Jeff Bingaman (D-N.M.), chair** of the Senate Energy Committee, will convene an Energy Summit Sept. 12 to try to make progress on energy issues now stalled on Capitol Hill.

The session, according to a Bingaman spokesman, stems from an exchange of letters between Senate leaders this summer. Senate Majority Leader Harry

Reid (D-Nev.) wrote to Republican leader Mitch McConnell (R-Ky.) to say the Gang of 10 had asked him to set up a one-day bipartisan summit. Reid endorsed a meeting that would "address all facets of the energy challenges confronting the nation," including economic and national security, global warming and "ending our addiction to oil."

McConnell said a summit could be fruitful, but it shouldn't be "used as an excuse for delaying action" on pending energy legislation. It remains to be seen whether the summit can achieve a breakthrough on energy issues in the three weeks the 110th Congress is expected to stay in session.

**On the appropriations front, don't look** for action on energy and water bills, or any other specific appropriations bills for that matter. Before it adjourns, Congress is expected to pass a continuing resolution to keep the government running at FY 2008 funding levels through early next year. Most observers think lawmakers will decamp around Sept. 26, leaving the heavy lifting to a new president and Congress next year.

**The U.S. Department of Energy announced** Aug. 29 it will award almost \$7 million to accelerate the movement of clean-energy technologies developed at DOE's national laboratories to the commercial marketplace. This "pre-venture capital funding," according to DOE, is to be used for prototype development, demonstration projects and market research.

The Pacific Northwest National Laboratory received \$1.5 million, as did Lawrence Berkeley National Laboratory in California and Oak Ridge National Laboratory in Tennessee. DOE awarded \$500,000 to California's Lawrence Livermore National Laboratory, and \$700,000 to Sandia National Laboratories in New Mexico.

**The U.S. Treasury Department announced** Sept. 2 that Billy Pizer, formerly with Resources for the Future, will fill a new position of deputy assistant secretary for environment and energy.

Pizer will be the department's point man for developing climate change policy options. Treasury said the new position was necessitated by its growing role in domestic and international programs that involve energy and the environment [*Susan Whittington*].

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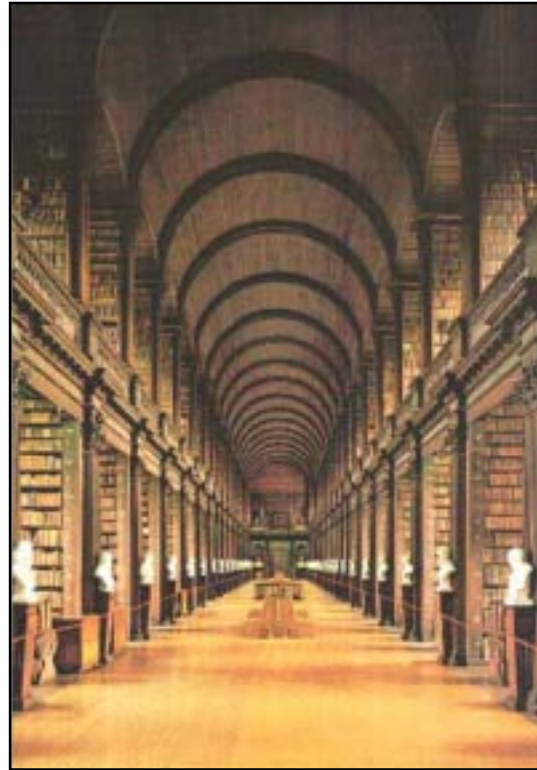
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