

Franklin PUD Staff RECOMMENDATIONS on PURPA Standards Related to Fuel Source Diversity and Fossil Fuel Generation Efficiency

DATE : June 3, 2008

Section 111(d) of the Public Utility Regulatory Policies Act was amended in the Energy Policy Act of 2005 to require, among other things, that utilities with greater than 500,000 MWh of annual retail sales consider standards for fuel source diversity and fossil fuel generation efficiency.

Section 111(d)(12) of PURPA states: “FUEL SOURCES – Each electric utility shall develop a plan to minimize dependence on one fuel source and to ensure that the electric energy it sells to consumers is generated using a diverse range of fuels and technologies, including renewable technologies.”

Section 111(d)(13) of PURPA states: “FOSSIL FUEL GENERATION EFFICIENCY – Each electric utility shall develop and implement a 10-year plan to increase the efficiency of its fossil fuel generation.”

By law, electric utilities must begin considering these standards by August 8, 2007 and determine by August 8, 2008 whether it is appropriate to adopt the standards in whole or in part. The District’s board, by passage of Resolution Nos. 1078 and 1079 on July 24, 2007, established a process for consideration of adopting fuel source diversity and fossil fuel generation efficiency standards. That process included:

- a) Giving proper notice of considering establishing both standards.
- b) Inviting written comments on the proposals or submittal of alternate proposals by the end of business on September 30, 2007. No written comments were received by that date.
- c) Stating its intent to post all comments and proposals received on the District’s website. As none were received by the September 30, 2007 date specified in Resolution Nos. 1078 and 1079, staff extended the invitation for comments on its website through July 14, 2008.
- d) Scheduling a workshop or hearing at a future date.

STAFF RECOMMENDATIONS:

Fuel Source Diversity – PURPA Section 111(d)(12)

Staff’s recommendation is to not adopt a fuel source diversity standard at this time. The District’s owned and contracted resources already include a diverse mix of fuel sources including hydro (BPA and Packwood), natural gas (Frederickson and Pasco CTs), and wind (Nine Canyon and White Creek). The

District's fuel mix also includes nuclear and small amounts of biomass and coal as the Federal Columbia River Power System is not strictly hydro.

The District is developing an integrated resource plan (IRP). The IRP will address the diversity of its power portfolio, including the renewable resource requirements of Initiative 937 and a comparison of BPA's Regional Dialogue power products offered in the post-2011 period. Work on the IRP resumed recently after BPA issued draft contracts and its tiered rate methodology proposal for Regional Dialogue contracts, which will be critical elements of the IRP.

As the IRP will adequately cover fuel source diversity, including economic and legislative constraints surrounding fuel source choices, adoption of a separate fuel source diversity standard is not recommended by staff. Further, there have been no comments received from the public on this matter, although there will be an additional opportunity at a public hearing scheduled for July 22nd at 1:00 pm.

Future Actions on a Fuel Source Diversity Standard:

- This staff recommendation will be posted on the District's website.
- A public hearing will be advertised and held on Tuesday, July 22nd at 1:00 pm, and a resolution will be proposed for Board consideration at that time.

Fossil Fuel Generation Efficiency – PURPA Section 111(d)(13)

The District's Pasco Generating Station (the "CT") is the only fossil fuel (natural gas) generating resource it owns. As a peaking facility, the CT is run very infrequently during extreme winter and summer peaks, and has provided just .1% of the District's power supply in the last three years.

The Board and staff are committed to complying with the requirements of the EPCRA; however, staff does not believe development of a fossil fuel generation efficiency standard is practical at this time. Further, there have been no comments received from the public on this matter, although there will be an additional opportunity at a public hearing scheduled for July 22nd at 1:00 pm.

If operation of the Pasco CT increases substantially in the future, the District should revisit the issue.

Future Actions on a Fossil Fuel Generation Efficiency standard:

- This staff recommendation will be posted on the District's website.
- A public hearing will be advertised and held on Tuesday, July 22nd at 1:00 pm, and a resolution will be proposed for Board consideration at that time.