



NW Energy Coalition
for a clean and affordable energy future

CITIZENS ENERGY PLAN

NW Energy Coalition
July 2004

I INTRODUCTION

The four Northwest states boast abundant supplies of competitively priced clean energy -- more than enough to meet all new demand for electricity through 2020. A clean and affordable energy future can be ours, just by delivering the energy efficiency, wind power and other clean, renewable resources at our disposal. This energy future has more family-wage jobs and competitive businesses and a healthier rural economy than any alternative.

This Citizens Energy Plan is a roadmap to that future. Only citizens from diverse backgrounds working together can move the region farther along this road.

The energy crisis of 2000-01 was a wake-up call for the Northwest. We were confronted with painful realities about our power system: It's not efficient enough, it's not diverse, and it's falling behind. Energy use overwhelmed the Northwest's drought-stricken hydroelectric dams that year, forcing us into the energy marketplace. Consumers, industry, and utilities are still suffering from the exorbitant electricity prices of that period. Many workers permanently lost their jobs as high energy prices closed plants. Meanwhile, migrating juvenile salmon were slaughtered as the Bonneville Power Administration squeezed dwindling river flows through hydroelectric turbines.

These harsh realities underscore what we have known for years: The Northwest needs a more diverse mix of energy resources to shield us from wild fluctuations in the price of fossil fuels, to strengthen domestic security, and to protect our environment. And we must consistently capture the benefits of saving electricity through energy efficiency.

We also know that electric demand will continue to grow, requiring us to find additional power sources.

What are our choices?

- Increase hydropower? Not likely. The region already relies too heavily on hydroelectric dams, which are vulnerable to drought. Plus, our over-dependence on renewable hydropower already has pushed Columbia Basin salmon and steelhead to the brink of extinction, violating tribal commitments and threatening the thousands of jobs associated with the fishing, tourism and recreation industries.
- More natural gas-fired power plants? Quite likely, but not a good idea. In 2001, more than 22,000 megawatts of new fossil-fuel plants were proposed. About half of those proposed facilities went to the back burner when wholesale electricity prices nose-dived, but they'll be back when the economy picks up again. Though they spew climate-wrecking greenhouse gases (especially carbon dioxide), consume large amounts of water and contribute to air pollution, gas-fired plants remain the conventional choice for cheap generation. Yet, with natural gas prices as high as they have been in decades and predicted to remain high, depending on gas to produce our electricity introduces a whole new level of cost and price uncertainty, something our economy cannot afford. Without a proactive search for clean and affordable alternatives, nearly a third of the Northwest's power supply (double the current proportion) could be generated by this non-renewable, volatile priced, environmentally harmful resource.
- Move to "clean" coal and "next-generation" nuclear? No amount of smokestack scrubbing will turn coal into a renewable resource -- let alone a truly "clean" one -- or reduce the amount of carbon dioxide emitted from the plant. New "clean" coal technologies are highly speculative and very costly. Coal plants always will be susceptible to the high risk of future environmental regulation. Nuclear-power advocates have seized on the recent fuel-cell fervor to paint new plants as the most "cost-effective" means of producing hydrogen. The doubtful validity of those claims aside, nuclear

power production always comes up against the intractable quandary of waste management. The eternal costs of dealing with radioactive garbage – almost entirely borne by the public -- are incalculable.

- Increase energy efficiency and develop new renewable energy resources? The clear winner!

Two studies released in 2002, detail the region's abundance of clean energy resources and establish that they are affordable -- now.

In a study commissioned by the NW Energy Coalition, the Tellus Institute finds that the Northwest can meet its new energy needs many times over through cost-effective energy efficiency and clean renewable energy. Tellus identified 16,000 average megawatts (aMW) of potential clean energy from efficiency and renewables, 13,000 aMW of which can be tapped as cheaply as gas. (For a sense of scale, the entire regional load for Washington, Oregon, Idaho and Western Montana is only 20,000 aMW.) That gives us enough potential clean, affordable power to meet twice the new demand through 2020 – or to meet all the load growth AND replace 35 percent of existing generating resources --even after we forego the power produced by the four lower Snake River dams.

Furthermore, a recent report from RAND Corporation says the Northwest can replace the power it receives from the four lower Snake River dams through energy efficiency and renewable resources without harming the regional economy. RAND outlines the regional benefits, such as boosting employment, diversifying the resource base and increasing the stocks of clean energy. Local dislocation and employment impacts must be addressed and managed to reduce undue economic hardship. Renewables and efficiency, RAND reports, make economic sense and improve system reliability by reducing the risks associated with the volatile price and uncertain supply of natural gas. In the past three years, market electricity prices have fluctuated from \$18 per megawatt-hour (MWh) to more than \$300/MWh. Many factors contribute to these price swings, but the lesson is constant: relying on fossil fuel-based resources and wholesale markets is risky and unpredictable.

The Northwest needs a new energy vision in which we meet our power needs with resources that DO NOT extinguish wild salmon or devastate our climate and DO retain family-wage jobs, diversify our energy resources and strengthen our local economies.

II NW Clean Energy Vision

A clean and affordable energy future for the Northwest begins with reliable electricity services, ample enough to satisfy our basic human needs, improve our quality of life, protect the environment and create a vital local and regional economy. By concentrating on the long term rather than gambling on the short term, we can meet the region's growing demand for electricity without mortgaging our grandchildren's future, driving wild salmon to extinction or increasing global warming.

A clean and affordable energy future is no "feel-good" dream – it is both necessary and attainable. With our high-tech industry, nascent solar, wind and efficiency industries, and skilled workforce, the Northwest can become a world leader in clean energy technologies. But we must build our energy policy on the foundations of long-term economic health and environmental stewardship. That means reducing our reliance on hydropower and fossil fuels, expanding our clean energy industry, and making our buildings, appliances and industrial facilities more energy efficient. It means growing our clean energy industries and the numbers of family-wage jobs those industries provide, and it means furthering efforts by utilities and the Bonneville Power Administration to deliver clean and affordable energy services, and encouraging consumers and businesses to invest in clean energy.

So how do we make it happen? Clean energy faces real and formidable barriers, including financial market structure, consumer and business decision horizons, tax breaks and subsidies for fossil fuel and nuclear energy, limited valuation of environmental costs, regulatory structures which tilt against clean energy, lack of understanding of new technologies, and politics.

Another challenge is the Northwest's complex electric utility structure. The area has a high percentage of locally controlled public utilities, along with a significant federal presence: the Bonneville Power Administration provides about 40 percent of the region's power and controls over 70 percent of the transmission system.

The Citizens Energy Plan articulates practical, affordable steps that surmount these barriers and deliver the vision. By presenting the policies and actions needed to deliver energy efficiency and clean renewable energy, the Plan empowers citizens to push for a clean and affordable energy future.

III Regional Electricity Future

Regional Snapshot

Two decades of strong investments have made energy efficiency¹ the region's third-largest source of electricity. The 2,500 average megawatts (aMW) in energy savings -- enough to power two-and-a-half cities the size of Seattle -- satisfied nearly one-quarter of the region's load growth between 1980 and 2001. In the last five years, the Northwest has developed 780 megawatts of wind power, with another 1,000 megawatts either approved or in the permitting process.

The tremendous economic value of conserved energy and locally generated wind power became dramatically apparent during the energy crisis of 2000/01. The reduced demand and the availability of a local resource saved the region hundreds of millions of dollars that would have been spent on high-priced electricity.

Past clean-energy accomplishments indicate the robust potential for developing renewable resources and energy efficiency. Both the Tellus Institute study, mentioned earlier, and the Northwest Power and Conservation Council identify 2,800-3,500 aMW of additional cost-effective energy savings that can be realized over the next 20 years. Tellus also identifies more than 8,000 MW of new cost-competitive renewable energy.

The Bonneville Power Administration is the biggest player in the Northwest electricity game and has been the region's primary driver of energy-efficiency and renewable-energy development. BPA provides about 45 percent of the electricity for Washington, Oregon, Idaho and Western Montana, drawing on 31 federally owned dams, one nuclear plant and several wind-energy projects. BPA also owns and operates about three-quarters of the region's high-voltage electric grid, comprising 15,000 miles of power lines.

But BPA is facing significant challenges, both financial and power related. Since the energy crisis of 2000-01, BPA has raised power rates nearly 50 percent. BPA faces continued revenue and reserve fluctuations depending on uncertain surplus power sales and market prices. Rate hikes have eased Bonneville's financial situation but they have not created financial stability. Bonneville has failed to secure enough revenue to meet the agency's salmon restoration responsibilities. The agency's energy conservation and renewable energy development obligations are at risk. Overcoming this crisis while preserving BPA's long-term benefits is a key element of the Citizens Energy Plan.

One of Bonneville's challenges presents a unique opportunity to supporters of a clean energy future. BPA is conferring with utilities and other regional stakeholders about a new system for allocating federal power post-2006, while preparing for power contract negotiations with its utility customers. The Citizens Energy Plan calls for contract commitments to and dedicated funds for salmon restoration and development of energy efficiency and renewable energy. Besides reducing our over-reliance on the hydrosystem, these programs are vital to BPA's long-term health.

The Northwest Power and Conservation Council provides a second major opportunity to work for a clean and affordable energy future. The 1980 Northwest Electric Power Planning and Conservation Act

¹ "Energy Efficiency" and "Conservation" are used interchangeably in this paper. However, the term conservation has occasionally carried a connotation of "doing without." We do not believe energy efficiency means huddling in a dark, unheated house for the sake of the environment; instead, it means getting the same or more useful benefit with less energy use.

requires the Council to forecast regional loads and the means of meeting demand for 20 years in a series of regional power plans. As the Council prepares the 5th Power and Conservation Plan, the Energy Matters Campaign must make sure it identifies clean, reliable and affordable electricity and energy efficiency to serve our communities, businesses and industries.

Meanwhile, endangered salmon and steelhead in the Columbia and Snake river basin have reached a critical point. Federal efforts have not brought wild stocks from the brink of extinction (let alone to harvestable levels). The 2000 Biological Opinion has been neither fully funded nor adequately implemented; a federal district court judge declared the BiOp insufficient to protect wild salmon. The Energy Matters campaign calls for immediate, effective action to stop the slide toward extinction. Clean-energy alternatives to hydroelectricity will take the pressure off the Columbia and Snake rivers, bring back wild salmon and save the fishing and recreation industries that depend on them.

Priority Opportunities

Bonneville Power Administration – Power Issues

Dedicated Revenue for Public Purposes - Establish a dedicated revenue stream through specified tariff(s) for investments in energy efficiency, low-income weatherization, renewable energy resources and restoration of salmon runs in the Columbia and Snake river basins.

Power Contract Guarantees for Efficiency and Renewables – Ensure that federal power allocation contracts guarantee acquisition of all cost-effective energy efficiency and sustained, orderly development of new renewable resources by both BPA and its customers.

Adequate Financial and Supply Reserves - BPA must maintain adequate financial reserves to ensure timely U.S. Treasury payments, prevent using river operations as a fiscal relief valve, and protect funding for fish and wildlife restoration, efficiency and renewables development. The region needs enforceable power supply adequacy standards to assure development of new resources as necessary.

Northwest Power and Conservation Council

Accurate Efficiency and Renewable Energy Analysis in the Fifth Power and Conservation Plan – Ensure that the Fifth Power and Conservation Plan identifies all the opportunities for cost-effective energy savings in the region and accurately characterizes and values the costs and benefits of new renewable resource development.

Model Conservation Standards for Appliances and Equipment - Work with the Council to establish a Model Conservation Standard for 11 appliances and other types of equipment not covered by federal efficiency standards, and to encourage state adoption of such standards.

Transmission

Remove Barriers to Clean Energy Development with Equitable Transmission Policies - The rules governing the BPA transmission system and those covering any new Regional Transmission Organization must support development of intermittent resources. Transmission rights must not discriminate against these resources, nor unduly favor existing generation. RTO governing principles must include evaluation of non-wires alternatives when addressing transmission constraints and system

needs. In addition, the RTO must provide accurate price signals and a robust short-term market to facilitate demand-side management, local ("distributed") generation and intermittent renewables. Finally, any RTO governance structure must be responsive to the public interest.

Transmission Providers Must Charge Fair Rates – Transmission providers should not penalize renewable resource-based generators for differences between estimated and actual production.

Include Appropriate Integration Costs in Utilities' Integrated Resource Plans – Utilities purchasing renewable resources with variable output must accurately evaluate the costs of incorporating the new resource into their system.

Least-Cost Planning for BPA Transmission Business Line - Incorporate least-cost planning principles, including full and fair evaluation of non-wires alternatives, into Transmission Business Line decisions regarding transmission constraints and needs.

Policies to Deliver Regional Electricity Goals

BONNEVILLE POWER ADMINISTRATION – Power Issues

Dedicated Revenues for Public Purposes

***Current Status:** BPA invests up to \$22 million annually in new renewable resources through a revolving fund and the conservation and renewables discount (C&RD). BPA invests \$4 million annually in low-income weatherization programs administered at the local level by community action agencies. BPA invests approximately \$120 million in energy efficiency programs through a variety of programs including the Northwest Energy Efficiency Alliance, C&RD and Conservation Augmentation. The Independent Scientific Advisory Board has approved \$250 million in specific fish and wildlife restoration projects, though BPA has budgeted only \$139 million. The 2000 Biological Opinion calls for even greater investments in order to restore salmon populations. Current rates do not generate enough revenue to allow BPA to fund these programs.*

Recommendation: Establish a specific tariff that collects funds from BPA power and transmission customers. Revenue must be sufficient to administer comprehensive regional and local efficiency programs designed to capture all cost-effective conservation, low-income weatherization and market transformation opportunities from Bonneville's customers as well as to support sustained orderly development of new renewable resources. The tariff portion dedicated to salmon recovery should be governed by fish managers and tribes. The purpose of this tariff is to insulate these long-term investments from the financial exigencies of the power market.

Power Contract Guarantee for Efficiency and Renewables

***Current Status:** BPA investments in energy efficiency programs and development of renewable resources have been on a roller coaster of commitment. Some years the investments are high and in other years they are low. And now BPA is considering limiting its role in acquiring new generating resources for its customer utilities. Stable and sustainable long-term investment levels will allow BPA and the region to capture the full economic and environmental benefits of these investments.*

Recommendation: Power sales contracts should specifically obligate BPA and its customers to meet all regional load growth with efficiency and renewable resources. Regional targets for conservation (175 aMW) and renewables (175 aMW) should be established and included in power sales contracts, divided proportionately by total utility load. BPA must be responsible for achieving the aMW targets for their portion of the obligation and the aMWs necessary to make up for any unmet utility obligations. Each

utility should be held accountable for the aMW goals for the portion of the obligation for which they are responsible.

Adequate Financial Reserves

Current Status: *Currently BPA sets its rates high enough to have adequate reserves only for average conditions. If the region suffers a drought or gets poor power prices for the agency's surplus power sales, BPA faces the threat of missing its annual US Treasury payment. Missing a payment is considered political suicide, so BPA instead reduces funding for what it considers its "discretionary" obligations such as conservation and renewables and stops salmon-friendly hydro operations such as spilling water over the dams to help out-migrating smolts.*

Recommendation: It is critical that funding for fish, renewables and energy efficiency not continue to be the "shock absorber" for BPA's financial problems. A separate tariff that produces dedicated revenues for public purposes is the best solution. To protect spill and flow needed for salmon, the region needs to have an enforceable agreement with tribal and state/federal fish managers that guarantees flow and spill mandates of the Biological Opinion (whose targets have almost never been met).

NORTHWEST POWER AND CONSERVATION COUNCIL

Accurate Efficiency and Renewable Energy Analysis in Fifth Power and Conservation Plan

Current Status: *The 1980 Northwest Power Act requires the Council to develop a regional power plan that forecasts regional loads and the means of meeting demand over a 20 year period. Such a plan is to be adopted every five years. The Council is drafting the Fifth Power and Conservation Plan for finalization by winter 2004. Historically, the Council has conservatively estimated the potential for energy efficiency and development of renewable energy resources. Current draft fifth plan efficiency estimates appear solid; however, the supply side analysis does not accurately value the costs and benefits of renewable resources.*

Recommendation: Ensure that the supply-side scenario analysis includes the following: value of a fixed-price resource with supply reliability, cost for future environmental regulation, value of Renewable Energy Credits and appropriate valuation of integration and transmission costs.

Model Conservation Standards (MCS) for Appliances and Equipment

Current Status: *In 1980's the Power Council established MCS for building energy codes. These standards stimulated the states to adopt state energy codes. The Council has not developed MCS in over ten years.*

Recommendation: Use this important authority as established in the Northwest Power Act to adopt Model Conservation Standards for 11 appliances and equipment not covered under federal law. The MCS can encourage state adoption of such standards, which will most likely stimulate adoption of federal energy efficiency standards for these important appliances and equipment.

TRANSMISSION

Remove Barriers to Clean Energy Development with Equitable Transmission Policies

Current Status: *In 2000, the Federal Energy Regulatory Commission (FERC) called upon the investor-owned utilities (IOUs) to establish independent entities (regional transmission organizations, RTO) to manage wholesale transmission of electricity. In the Northwest, investor-owned utilities, BPA, independent power marketers, public utilities, and two public-interest groups have been working on a proposal for two years. Within the last six months, NWECA helped broker a compromise proposal, called Grid West, that moves the region toward an independent grid management entity.*

Recommendation: The status quo has serious deficiencies, but turning the region's system over to federal FERC control or into a cookie cutter organization with no acknowledgement of the Northwest system is not the right answer. A properly designed grid management entity could provide significant benefits, but a poorly designed one could set back the goal of a clean and affordable energy future. NWECC supports an independent transmission organization with the following characteristics: (1) Governance which reflects the public interest, including meaningful regulatory control to prevent market abuses; (2) planning and expansion process which evaluates non-wires alternatives on an equal basis with transmission upgrades; (3) good price signals to incent new generation and energy efficiency at the right time and in the right locations; (4) fair pricing and interconnection rules for intermittent resources and DSM; and, (5) providing a transparent short-term market in generation and transmission rights so that small generators and DSM can provide benefits to the system.

The Grid West proposal appears to incorporate many of our criteria mentioned above. Effective development and implementation of rules creating Grid West will be a focal point in the next two years.

Transmission Providers Must Have Fair Rates

Current Status: *In July 2002, BPA issued a one-year modification to its transmission rate tariff exempting wind power generators from BPA's generation imbalance charge.*

Recommendation: Solidify a permanent solution in the next BPA General Transmission Rate Case. BPA must adopt a rate tariff that prohibits punitive generation imbalance charges from being assessed against wind and solar generators. Other transmission utilities and eventually RTO West must adopt BPA's solution for deviations between estimated and actual production.

Appropriate Integration Costs Included in Utility Integrated Resource Plans

Current Status: *There are some additional costs to adding intermittent resources into a utility's supply portfolio. Because wind power is a relatively new resource in the Northwest, some utilities are overestimating the cost of integrating the wind resource into their system. BPA and PacifiCorp are currently using costs of 0.6-0.8 cents per kilowatt-hour for integration charges. Other utilities in the region are using much higher cost estimates. In January 2004, BPA developed a wind integration product for public utilities that charges \$4.50/MWh to create a firm flat wind resource. This will significantly advance wind resource development in the region.*

Recommendation: Work with utilities and regulators/governing boards to ensure the true costs of integrating wind into a utility system are properly evaluated and considered. (RTOs in the east say integration is even cheaper, closer to 0.3 cents/kWh.)

Least-Cost Planning for BPA Transmission Business Line

Current Status: *Showing national leadership, BPA agreed to adopt least-cost planning principles for the Transmission Business Line. BPA will evaluate all non-wires alternatives as solutions to transmission system needs. Non-wires alternatives include energy efficiency, load management and distributed generation. BPA has an advisory group evaluating non-wires alternatives.*

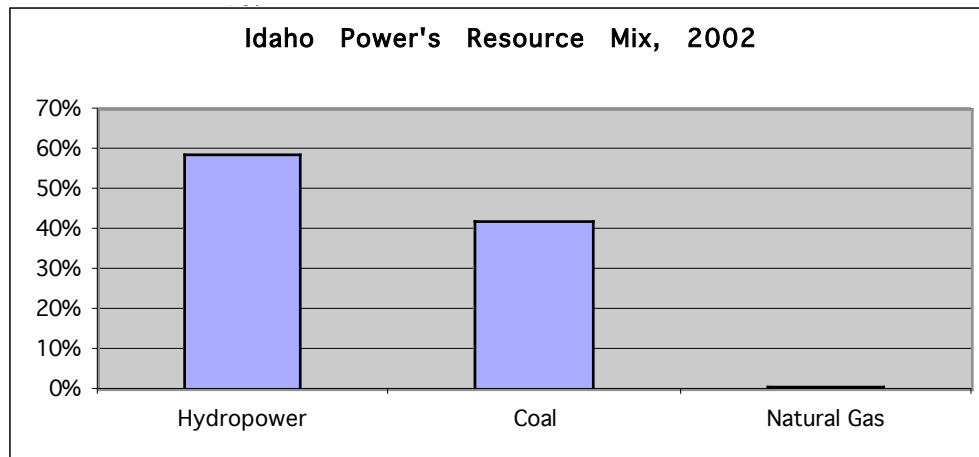
Recommendation: In addition to doing a full and fair evaluation of non-wires options, BPA must implement those measures that provide the least-cost solution to a particular transmission constraint or system need.

IV STATE BY STATE PROPOSALS

Idaho's Electricity Future

State Snapshot

Idaho's power landscape is dominated by Idaho Power Company. Investor-owned utilities (Avista, Utah Power & Light/PacifiCorp and Idaho Power) serve nearly 90 percent of Idaho's electric load, and Idaho Power claims fully three-fifths of that service. Idaho Power's resource mix is dominated by the energy from 17 hydroelectric dams on the Snake River and its tributaries.



Both Idaho Power and Avista collect modest dedicated funds from ratepayers for investments in energy efficiency. These investments mark a return to energy efficiency for Idaho Power, which systematically phased out most of its efficiency programs in the 1990s. With Boise and Coeur d'Alene growing as quickly as any areas in the region, Idaho consumers need an influx of low-cost power; energy efficiency can provide that, in spades. Ensuring that efficiency programs capture all available cost-effective energy savings is a central tenet of the Citizens Energy Plan.

Idaho's Public Utilities Commission has voiced increased support for clean energy of late but still approved utility integrated resource plans that failed to recognize the full value of efficiency and increased renewable energy investment. For example, Idaho Power's 2002 Integrated Resource Plan ignores the 590 aMW of biomass and more than 300 aMW of wind energy potential identified in the Tellus Institute study. Idaho Power's draft 2004 IRP appears to more accurately reflect the risks and benefits from fossil fuels and renewables, respectively.

Some state legislators have expressed interest in a renewable portfolio standard and other incentives for renewable energy development. In 2002, the legislature adopted a statewide commercial and residential building energy code. Bills giving investment and production tax incentives for development of

renewable energy generation passed the legislature in 2004, but were vetoed by Governor Kempthorn as too expensive. The agricultural community's growing interest in renewable energy development could bolster the legislature again next year while also providing pressure on the Governor to support renewables as an economic development tool for the rural economy.

In the past year, Idaho began to acknowledge the real economic benefits of clean energy development. Turning these baby steps into tangible investments is the primary goal of the Citizens Energy Plan. Opportunities exist in Idaho to secure incentives for renewable energy projects, further improve integrated resource planning analysis, and promote increased utility commitments to energy efficiency and low-income weatherization. The Citizens Energy Plan also recommends establishing a renewable portfolio standard and minimum level of low-income energy assistance, and requiring utilities to disclose their resource mixes.

Idaho citizens who see the benefits of the Citizens Energy Plan to their economy and their environment are the necessary force to deliver on the Plan's opportunities.

Priority Opportunities

Incentives for Renewable Energy Development – Support renewable energy development through incentives for distributed and large-scale renewable energy projects. Incentives include tax credits/exemptions, net metering and supportive siting policies. Establish goals for state government electric load to be met with renewable power. Improve and expand net metering programs.

Reinvigorate Integrated Resource Planning – Heighten the importance of utility biennial integrated resource planning to ensure that the least-cost resource portfolio is developed. Support appropriate corporate incentives and structures that remove barriers to energy efficiency investments.

Capture all Cost-Effective Energy Efficiency – As appropriate, increase investor-owned and large public utility commitments to efficiency investments to fully capture the savings potential. Increase tax incentive for investments in energy efficient equipment, tier incentives to reward greater efficiency.

Establish Clean Energy Portfolio Standard – Establish a statewide standard for utilities to meet a percent of their loads with renewables and energy efficiency resources.

Improve Low Income Energy Services - Revise utility weatherization programs to incorporate current state-of-the-art practices and comprehensive delivery approaches. Adopt a standard for a statewide affordable energy payment level as a percent of annual income to reduce the energy bill burden on limited income customers. Establish statewide or utility specific requirements so that every eligible customer has access to energy assistance in some form.

Collect Data on Utility Arrearages and Service Terminations for Non-Payment – Encourage utility regulators and governing boards to track residential customer statistics from electric and natural gas utilities.

Adopt Utility Supply Mix Disclosure - Establish statewide disclosure requirement for all utilities to provide customers with information about resource supply and environmental impacts.

Policies to Deliver Idaho's Electricity Goals

Incentives for Renewable Energy Development

Current Status: Idaho's state energy loan program offers up to \$100,000 (depending on the sector) at 4% interest for five years for commercial and residential installations. Tax deductions are available for clean energy investments. Idaho Power, Avista and a couple of public utilities offer net metering for systems 25 kilowatts or less (100 kilowatts or less under Idaho Power tariff and PacifiCorp proposal). No statewide law.

Recommendations: Upgrade loan amounts and loan guarantees to support larger project specific bond sales. Create business energy tax credits up to 35% of project costs on projects up to \$10 million. Exempt purchases of clean energy generators and equipment from sales tax. Adopt production and investment tax incentives for qualifying renewable energy projects.

Encourage state and local siting and zoning policies to facilitate development of appropriately sited renewable energy projects.

Public Utilities Commission should expand and improve billing and interconnection methods for each utility.

Adopt a statewide standard for all utilities that allows net metering for residential and small commercial systems up to 25 kilowatts and up to 250 kilowatts for agricultural applications.

Reinvigorate Integrated Resource Planning

Current Status: Biennial integrated resource plans are supposed to be filed by each investor-owned utility. Public utilities have no specific IRP obligation.

Recommendation: Short-term, increase advocacy during IRP development and review processes and ensure utility resource acquisitions are consistent with IRPs. Long-term, petition PUC to establish agency rules to guide IRP processes and resource acquisition.

Capture all Cost-Effective Energy Efficiency

Current Status: Idaho Power has a tariff rider to collect 0.5% of retail revenues for demand side management programs. In addition, Idaho Power makes a contribution to the Northwest Energy Efficiency Alliance (NEEA). Avista Utilities has a tariff rider to collect 1.95% of retail revenues for local demand side management and NEEA. PacifiCorp has no dedicated funding mechanism in Idaho. Public utilities purchasing from BPA may be participating in the Conservation and Renewable Energy Discount. Idaho's state energy loan program offers up to \$100,000 (depending on the sector) at 4% interest for five years for energy efficiency investments by individuals, businesses, non-profits, schools and local governments.

Recommendations: Create a level playing field among all utilities in the state such that investment levels are equivalent and sufficient to capture all cost effective resources, either through individual tariffs or legislative standard.

Adopt a business tax credit that allows businesses a credit for 35%- 50% of project costs for measures beyond code. Adopt a residential tax credit for energy efficient appliances and equipment that go beyond code and standards up to \$1,000 per year. All credits and benefits should be tiered to encourage consumers to utilize the most energy efficient design practices and technologies.

Establish Clean Energy Portfolio Standard

Current Status: Idaho has no statewide program to systematically encourage the development of new clean energy resources.

Recommendation: Establish a performance standard for electric utilities to ensure the development of new renewable and efficiency resources. Given the level of energy savings and non-hydro renewable resources in the supply mix currently, an appropriate goal would be to meet 15% of their load with clean resources by 2023.

Improve Low Income Energy Services

Current Status: All Idaho utilities offer weatherization services to low income customers. Some programs have upgraded measures and practices, and delivery mechanisms. Many have not. There are NO utility funded bill assistance programs. State law prohibits differential rates within a particular rate class. Therefore there are no utility rate discounts for low-income customers.

Recommendations: Work with the Public Utilities Commission to allow utility programs to increase funding and incorporate current state-of-the-art practices and comprehensive delivery approaches. These include use of base load efficiency and indoor air quality measures, adoption of best practices where practical, link to distributed renewables when appropriate, and use of new diagnostic tools and payment of 100% of administrative costs.

Establish a statewide requirement to offer some form of energy assistance to eligible customers. Work with individual investor-owned utilities and the PUC to establish energy assistance programs similar to ones offered in Washington and Oregon.

Collect Data on Utility Arrearages and Service Terminations for Non-Payment

Current Status: Few utilities collect detailed information in one place on a regular basis on the cost and impact of utility arrearages and disconnections.

Recommendation: State regulators and public utility governing boards should gather information on an annual basis from electric and natural gas utilities on key residential customer statistics that relate to monthly energy assistance customers, disconnections, and past due accounts, among other items.

Adopt Utility Supply Mix Disclosure

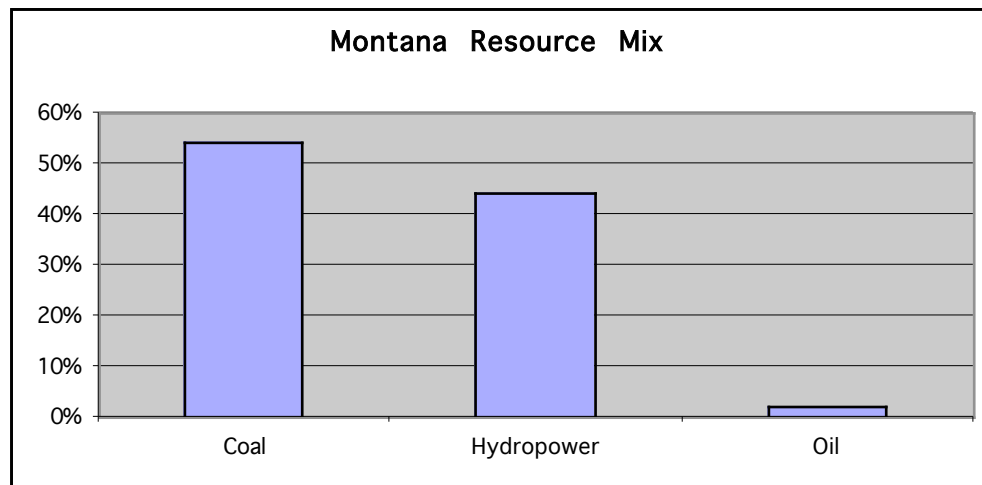
Current Status: No disclosure requirement of any kind.

Recommendation: Establish a disclosure requirement for utilities to provide customers with information about the mix and environmental impacts of resources that produce each utility's electricity.

Montana's Electricity Future

State Snapshot

Though approximately three in 10 Montanans are served by rural electric cooperatives, investor-owned NorthWestern Energy looms large in Big Sky Country. Montana-Dakota Utilities serves three cities in the eastern half of the state – about 5 percent of the state's customers; NorthWestern gets nearly everybody else. Despite the fact that the state could use wind power to meet all of its electricity needs, most Montana power comes from coal and Montana lags behind other states in developing clean energy resources. In addition, Montana is a net exporter of electricity, sending approximately one-half of its electricity generation out of state.



NorthWestern is the default supplier for all former customers of Montana Power Co. Montana's 1997 deregulation law established retail competition for all customers of Montana Power Co., and turned the electric industry on its head. In response, Montana Power Co. sold most of its generating facilities to Pennsylvania Power and Light (PPL Montana) and its distribution assets to NorthWestern Energy.

The 2000-01 energy crisis hit Montana industries particularly hard. Many industrial customers were buying power directly from wholesale marketers and faced skyrocketing prices for electricity. Thousands of workers lost their jobs as unaffordable power forced industries to close down.

The evolution of deregulation law in Montana has been a long rough road, but the singularly most positive element has consistently been the universal system benefits charge (USBC), which raises more than \$13 million a year for energy efficiency, renewables and low-income energy services. USBC funds are invested in solar and wind projects for schools, homes, ranches, businesses and even fire stations. The USBC has been authorized through December 2005, but the Citizens Energy Plan calls for the program to operate with no sunset and at a higher funding level.

As part of its oversight responsibility, the PSC must ensure ongoing implementation of cost-effective energy efficiency programs and systematic development of renewable energy projects. The recently adopted default supplier procurement rules include acquisition of clean energy as key components of the default supply resource mix. Establishing a statewide renewable portfolio standard and a carbon dioxide mitigation program for new power plant emissions are important opportunities identified in the Citizens

Energy Plan. Montana citizens can use the CEP to make sure they get the benefits of the enormous potential of clean energy development.

Priority Opportunities

Improve Resource Procurement Process and Default Supply Planning - Make certain that NorthWestern Energy's default supply plan and resource procurement processes forward the goal of a clean and affordable energy future beyond current minimums. Use utility ratecases to advance mechanisms to remove utility disincentives to capture all cost-effective energy efficiency opportunities.

Stop New Coal Plant Development – Present energy efficiency and renewable energy resources as more cost effective and environmentally responsible alternatives to new coal plants. Intervene in permitting and resource procurement proceedings to challenge new coal plants. Educate Montanans that coal is dirty and clean coal is a half-baked idea.

Maintain and Enhance Universal System Benefits Program – Remove sunset provision to permanently authorize Universal System Benefits Charge beyond current sunset (2005). Increase funding level. Consider minimum funding allocation for each funding category.

Establish Renewable Portfolio Standard – Establish a standard for all retail electricity providers to include 20% renewable energy in their supply mixes by 2023. This standard matches the goal for the national renewable portfolio standard.

Improve Efficiency in Buildings and Equipment - Expand and promote existing tax credits to encourage investments in technologies and practices that go beyond codes and standards. Establish tiered credits to encourage consumers to utilize the most energy efficient design practices and technologies. Ensure that the Energy and Telecommunications Committee conducts comprehensive evaluation of energy efficiency opportunities in the state. Reduce state government electric load by 20 percent over the next decade. Improve state building energy code.

Increase Incentives for Renewable Generation – Promote new and established incentives and policies to support distributed renewable generation equipment for residential, commercial and agricultural applications. Expand application of net metering law. Increase marketing and promotion of green power products offered to retail customers.

Improve Low Income Energy Services - All utility weatherization programs should be revised to incorporate current state-of-the-art practices and comprehensive delivery approaches. Establish a statewide requirement for utilities to offer some form of energy bill assistance to eligible customers.

Policies to Deliver Montana's Electricity Goals

Improve Resource Procurement Process and Default Supply Planning

Current Status: In March 2003, the Public Service Commission approved default supply guidelines for NorthWestern Energy to follow as it procures resources for its customers. These guidelines establish minimum requirements for energy efficiency and renewable resource procurement. NorthWestern Energy is in bankruptcy yet is still pursuing development and contracts for new renewable resources. In

2003, the legislature passed SB 247 which gives the PSC authority to give advanced approval of a power supply purchase thereby guaranteeing full cost recovery of prudent investments.

Recommendation: Work with the PSC and NorthWestern to ensure that new renewable energy projects are developed as part of the default supply mix. Participate in all resource procurement proceedings to ensure all cost-effective efficiency is acquired and all identified renewable energy resources are developed or procured.

Stop New Coal Plant Development

Current Status: A half dozen new coal fired power plants are proposed for development in Montana. State siting laws have been eliminated to facilitate faster permitting of new power plants. Multiple challenges exist in both state and federal court against the proposed 780 MW Roundup Power Project. Montana is currently transmission constrained such that new coal plants can not transmit power to the West without additional transmission lines being built.

Recommendation: Present energy efficiency and renewable energy resources as more cost effective and environmentally responsible alternatives to new coal plants. Efficiency and renewables can serve the needs of Montanans and avoid the need for merchant coal plants to sell power out of state. Intervene in permitting and resource procurement proceedings to challenge new coal plants. Support a broad-based multi-medium education effort to raise public awareness of the environmental and economic pitfalls of expanding Montana's coal industry.

Maintain and Enhance Universal System Benefits Program

Current Status: In 1997, Montana implemented a Universal System Benefits program that sets aside 2.4% (over \$13 million/year) of retail revenue for energy efficiency, renewable energy and low income energy services. The original authorization was for four years. It is now authorized through 2005.

Recommendation: Remove the sunset provision in the authorizing language for the Universal System Benefits Charge. Increase funding level from 2.4 to 3% of retail revenue to capture all cost-effective energy efficiency, develop renewable resources and assist more low-income households. Consider specific allocations of funds for each program area.

Renewable Portfolio Standard

Current Status: The USBC's funding level for renewable energy development is insufficient to systematically encourage the development of new renewable energy resources. The Public Service Commission rules for default supply procurement offer an opportunity to increase renewable resource development for NorthWestern Energy.

Recommendation: Establish a statewide portfolio standard for electric utilities to ensure the development of new renewable resources. An appropriate goal would be to meet 20% of their load with renewable resources by 2023. Work with the PSC to ensure the appropriate acquisition of renewable resources to fulfill the default supply obligations.

Improve Efficiency of Buildings and Equipment

Current Status: The 2003 legislature approved a bill to study the options for improving the building energy code and other efficiency measures that can be taken within the state. The state has no specific goal for improving efficiency within state government buildings. The state has adopted both the IEC and ASHRAE 90.1 codes but has no implementation or jurisdiction enforcement. The State has a residential and business energy conservation tax credit - for residential investments beyond code, consumers can get a credit of 25% of the investment up to \$500. The business credit is 5% of the investment up to \$300.

Recommendations: Work with the Environmental Quality Council on thorough evaluation of options for improving building energy codes and other efficiency practices in the state. The Council evaluation report is due to the 2005 legislature. The state can improve both its residential and commercial building codes prior to the next national update. For residential buildings, set the window efficiency value at 0.35

(U-value). Also, add requirements for high efficiency lighting fixtures and bulbs to the state residential code. For commercial buildings, increase the efficiency for mechanical equipment from the Consortium for Energy Efficiency Tier 1 standard to the Tier 2 standard. Establish a commercial building commissioning requirement that ensures all the systems in the building are working as they were designed. At a minimum, establish an energy code enforcement system to ensure the codes are achieving their objective.

Government should lead by example. Reduce energy use in government buildings by 20% over the next decade.

Expand the tax credit to encourage investments more aggressively in technologies and practices that go beyond codes and standards. Establish tiered credits to encourage consumers to utilize the most energy efficient design practices and technologies.

Increase Incentives for Renewable Generation

***Current Status:** Net metering requires only NorthWestern Energy and Montana-Dakota Utility to offer net metering to their customers for systems below 50 kilowatts. Montana offers a variety of tax incentives for residential and commercial distributed generation systems.*

Recommendations: Expand net metering law to include all co-operatives and municipal utilities and increase capacity cap from 50 kW to 250 kW for certain applications.

Ensure that utility resource procurement planning includes valuation of the benefits of distributed renewable generation and demand-side management measures to reduce limitations on the local distribution system.

Improve Low Income Energy Services

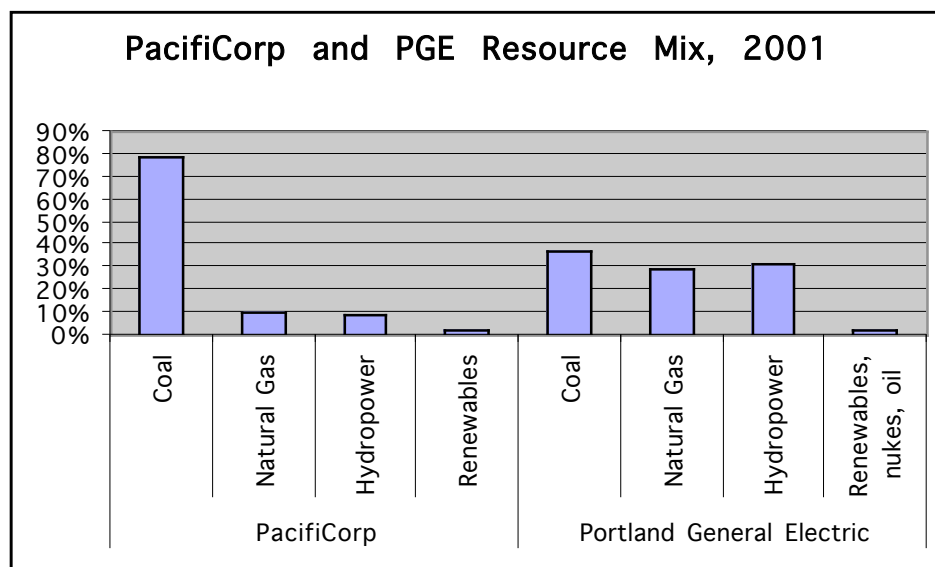
***Current Status:** All Montana utilities offer weatherization services to low income customers, yet few programs have upgraded measures and practices, and delivery mechanisms. NorthWestern Energy has a 15 percent rate discount to customers that also receive federal LIHEAP. No other utilities have energy bill assistance programs.*

Recommendation: Work with the Public Service Commission to allow utility programs to incorporate current state-of-the-art practices and comprehensive delivery approaches. These include use of base load efficiency and indoor air quality measures, adoption of best practices where practical, link to distributed renewables when appropriate, and use of new diagnostic tools. Establish a statewide requirement to offer some form of energy bill assistance to eligible customers.

Oregon's Electricity Future

State Snapshot

Two investor-owned utilities -- PacifiCorp and Portland General Electric -- provide four-fifths of the state's electric load. Publicly owned utilities serve the remaining 20 percent. Oregon's resource mix is far from clean.



Oregon citizens have already brought their diverse strength to the campaign for a clean and affordable energy future. They have achieved a great deal and they have the potential for more. While many states rushed headfirst into deregulation, Oregon took a more cautious approach. Oregon's 1999 law (SB1149) allowed large customers to buy power directly from the wholesale market and offered green power choices to captive customers. It also instituted a system benefits charge -- 3 percent of retail revenue -- through which PacifiCorp and PGE customers fund conservation and renewable programs and low-income weatherization. A separate meter charge raises another \$10 million a year for low-income bill-payment assistance, which, along with low income weatherization funds, are distributed to local community action organizations by the Housing and Community Services Agency.

Remarkably, rather than leave the task of acquiring conservation and renewables to the utilities, the law created a not-for-profit organization, the Energy Trust of Oregon, to invest the funds -- currently more than \$47 million a year -- in projects that benefits consumers in the areas served by PGE and PacifiCorp. The Trust also administers the NW Natural Gas conservation program, which is funded through a small public-purpose charge. The Energy Trust is overseen by the Public Utility Commission.

The state boasts the region's most progressive residential/commercial building energy codes and offers the best incentives for energy efficiency and renewables. In 1997, Oregon law required the state power plant siting council to establish the country's first carbon dioxide mitigation standard, affecting new power plants larger than 25 megawatts.

In Oregon, the Citizens Energy Plan supports effective implementation of Energy Trust projects, reducing barriers to renewable resource development and greater clean-energy incentives.

Priority Opportunities

Effective Implementation of Public Benefits Funds - Ensure benefits of restructuring law (SB 1149) are maintained. Support implementation of programs to acquire energy savings and develop renewable resources by the Energy Trust of Oregon. Highlight and promote the programs and effectiveness of the Energy Trust.

Improve Incentives for Clean Energy - Make certain that utility integrated resource planning (IRP) and resource procurement (RFP) processes forward the goal of a clean and affordable energy future. Use utility ratecases to advance mechanisms to remove utility disincentives to capture all cost-effective energy efficiency opportunities. Increase marketing and promotion of green power products offered to retail customers. Other lower priority opportunities: Increase flexibility of efficiency and renewable energy tax credits to encourage more participation; establish a commercial building commissioning requirement in the state energy code; and establish minimum efficiency standards for appliances and equipment not covered by Federal standards.

Legislative Efforts - Explore the possibility of introducing legislation in a number of areas, for example: (1) Increasing the \$10 million low-income energy assistance funds by adjusting for inflation, population growth, or need; (2) Instituting a Renewable Portfolio Standard that would require utilities to have an increasing amount of renewables; (3) Requiring a deposit on florescent lights to incent and fund responsible recycling.

Reduce Barriers to Rural Renewable Resource Development – Expand net metering to allow for small farm projects using 100-kilowatt systems. Work with local and state siting agencies to improve the permitting process, helping local communities reap the economic benefits from new renewable energy projects.

Collect Data on Utility Arrearages and Service Terminations for Non-Payment – Encourage regulators and public utility governing boards to track select residential class statistics from electric and natural gas utilities.

Portland General Electric Must Continue to Support Clean and Affordable Electricity – PGE will likely be taken over by a new entity. Currently Oregon Electric, backed by the Texas Pacific Group, is before the PUC seeking approval of the sale. There will be a major opportunity to affect PGE's new management and its positions on clean energy and low-income energy services.

Policies to Deliver Oregon's Electricity Goals

Effective Implementation of Public Benefits Funds

Current Status: Oregon implemented a system benefits fund program in March 2002 for ten years. The system benefits charge (3% of retail revenues) applies only to investor-owned utilities in the state. Collected funds go to a third party administrator (Energy Trust of Oregon) which then funds proposals to implement efficiency programs and develop renewable resources. Industrial customers may control some of their own funds. Public utilities may opt into the System Benefits program if they allow their industrial customers direct access to the power market. 11.7% of the public benefits charge goes to weatherization of low-income housing. 4.5% of the total is for construction of low income housing, 17% is for renewable resource development, 10% is for energy programs within schools and the remainder is

for energy efficiency investment. NW Natural also adopted such a program, though at a lower funding level (about 1.3%), which allows the Energy Trust to run programs to conserve natural gas, with a set portion for low-income housing. . The legislation requires a review in 2007.

Recommendation: Publicize and promote the benefits of investment of the public benefits funds and the value brought by the Energy Trust. Work with the Energy Trust and related parties, including utilities and BPA, to ensure effective design and implementation of programs. Use the statutory review process to push for improvements.

Improve Incentives for Clean Energy

Current Status: *Oregon's utilities, facing increasing demand, are in the process of making resource choices and procuring those resources. Investor-owned utilities still have incentives to increase demand. Oregon, as a state, has the most generous financial incentives in the region for encouraging investment in energy efficiency and renewable energy. The Business Energy Tax Credit allows businesses a five-year credit for 35% of project costs for efficiency measures beyond code and renewable systems up to \$10 million. The Residential Energy tax credit allows an income tax credit for energy efficient appliances, equipment and small-scale renewable systems. The state energy loan program offers between 5.5% and 6.5% interest loans for energy efficiency and renewable energy investments (loans for renewables up to \$20 million.) States are allowed to adopt appliance and equipment efficiency standards for products not yet covered by federal efficiency standards. The commercial building energy code is one of the best in the country except it has no commercial building commissioning requirement.*

Recommendations: Use utility planning and procurement processes to ensure that resource decisions are made that reflect the goals of this CEP. That includes evaluating demand-side as well as supply side resources; fair treatment of intermittent resources and distributed generation; giving full benefit for environmental costs; and accounting for the risks to consumers of overexposure to volatile fossil fuel and market prices.

Advance utility rate mechanisms that remove utilities' incentives to increase energy use.

Introduce tiered incentives in the tax credit program to encourage investments in the most energy efficient options available. Restructure the tax credit program to allow for customer rebates as well as tax credits.

Establish minimum efficiency standards for appliances and equipment not covered by federal standards, such as torchieres, ceiling fans, standby energy use for electronic equipment and power supplies, unit heaters, dry-type distribution transformers, refrigerated beverage vending machines, commercial refrigerators and freezers, traffic lights, exit signs, commercial clothes washers, automatic commercial ice-makers, and packaged air conditioning and heat pump equipment.

Establish a commercial building commissioning requirement that ensures that all the systems in the building are working as they were designed. Commissioning can be done on both new and existing buildings to improve the operational performance of the building.

Legislative Efforts

Current Status: *The 2005 session starts in 2005. In addition, SB 1149 requires a review to take place by 2007. The Power and Conservation Council's 5th Power Plan will show that the 3% level for conservation and renewables is grossly inadequate to achieve the cost-effective conservation and renewables available. In addition, the needs of low-income Oregonians have skyrocketed since funding levels were established. Florescent lights save tremendous amounts of energy--and the pollution created when fossil fuels are used to generate it. However, those lights contain small amounts of Mercury and other metals. While they last a long time, many are now wearing out and are showing up in landfills.*

Recommendation: Explore the possibility of introducing legislation, for example: (1) Increasing the \$10 million low-income energy assistance funds by adjusting for inflation, population growth, or need; (2) Instituting a Renewable Portfolio Standard that would require utilities to have an increasing amount of renewables; (3) Requiring a deposit on florescent lights to incent and fund responsible recycling.

Reduce Barriers to Rural Renewable Resource Development

Current Status: *Oregon's law requires public and private utilities to offer net metering for systems 25 kilowatts or less. While Oregon has five operating wind projects, local and state permitting agencies still struggle with what they consider the novelty of renewable energy projects. This can slow down and sometimes unduly burden projects during siting.*

Recommendation: Expand application of net metering to allow for small farm projects using up to 100 kilowatt systems. For some small farm systems to be effective at meeting the farm's energy needs, larger distributed renewable energy generating systems are needed. Work with local and state siting agencies to improve the permitting process and help local communities reap the economic development potential from new renewable energy projects.

Collect Data on Utility Arrearages and Service Terminations for Non-Payment

Current Status: *Few utilities collect detailed information in one place on a regular basis on the cost and impact of utility arrearages and disconnections, but some studies have been done.*

Recommendation: State regulators and public utility governing boards should gather information on an annual basis from electric and natural gas utilities on key residential customer statistics that relate to monthly energy assistance customers, disconnections, and past due accounts, among other items, and their relation to low-income weatherization, education and assistance programs. Information that shows the benefits of these programs should then be used in ratecases and other venues to advance widespread use.

Ensure that the Transfer of Ownership of Portland General Electric Results in Progress Towards Clean and Affordable Energy

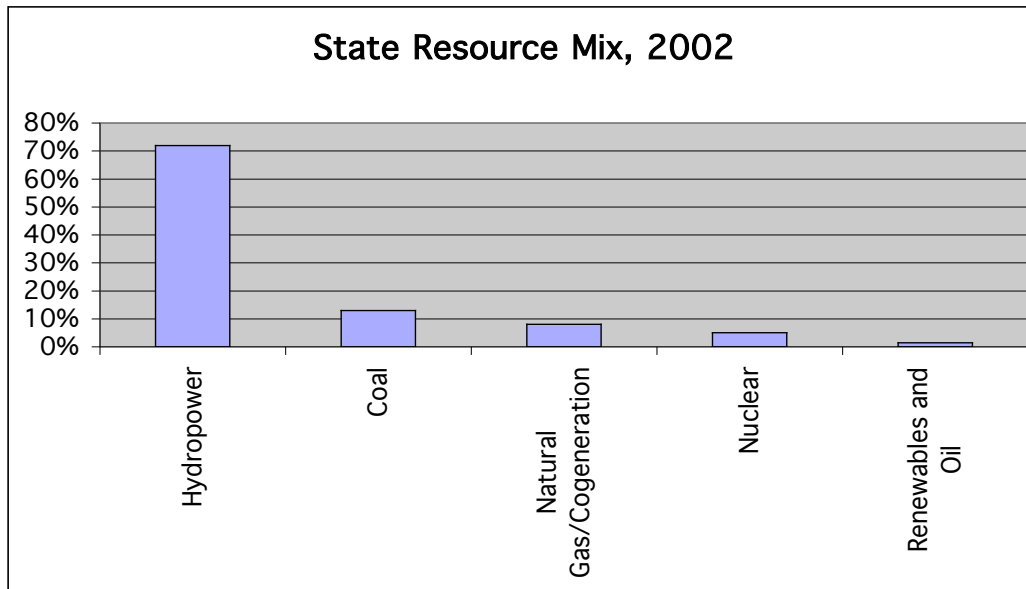
Current Status: *Oregon Electric/Texas Pacific Group is seeking acquisition of PGE in 2004. The Public Utility Commission is reviewing the sale to ensure it is in the public interest.*

Recommendation: Participate proactively in the process in order to ensure that the resulting management adopts strong and clear goals to secure energy efficiency and renewable energy resources and maintain effective low income energy services.

Washington's Electricity Future

State Snapshot

More than half (55 percent) of Washington's residents and two-thirds of its electric demand are served by the state's 63 public utilities, which include municipal utilities, co-ops and public utility districts. Three investor-owned utilities serve 45 percent of customers and one-third of the demand. As shown in the chart, Washington's resource mix is dominated by hydropower.



In a rush to increase energy supplies, local and state siting agencies have issued permits for building seven new natural gas-fired power plants, though recession and uncertain electricity markets have put actual construction on hold. Three of the state Siting Council permits require a modest level of CO₂ mitigation. In 2004, the state established a statewide standard to mitigate 20% of CO₂ emissions from new power plants greater than 25 MW. Governor Locke is working with Oregon and California's Governors in a West Coast Governors Global Warming Initiative to identify specific actions to reduce greenhouse gas emissions.

Washington, which consumes half the electric demand in the entire four-state region, has nearly 2,000 aMW of potential wind and more than 1,600 aMW of biomass energy just waiting to be tapped, according to the Tellus study. Yet Washington has no statewide commitment to capturing all cost-effective energy savings or to proactively developing renewable energy resources. For the fourth year in a row, the legislature has considered but failed to make those commitments. The Citizens Energy Plan calls on the legislature and the governor to set minimum levels of utility investment in energy efficiency and renewable resources. The legislature will not act to secure these benefits without strong advocacy from the citizens of Washington.

To diversify its resource mix, Seattle City Light signed a contract to purchase 175 MW of wind energy. PacifiCorp's 2002 Integrated Resource Plan supports the acquisition of 1,400 MW of new wind over the next 10 years. Puget Sound Energy's Integrated Resource Plan sees renewables accounting for 5 percent (and possibly 10%) of its power mix. At the same time, PacifiCorp and PSE see important roles for new coal and/or natural gas-fired power plants in their supply mix.

Long-term integrated resource planning is back in vogue, the result of utilities' unpleasant firsthand experience with the volatile and uncertain wholesale electricity market. The Utilities and Transportation Commission is reviewing its rules governing this important planning tool. Updating and improving the way IRPs are developed is a central goal of the Citizens Energy Plan. Good IRPs give the citizens of Washington the information they need to insist on a healthy energy future.

Priority Opportunities

Establish an Energy Portfolio Standard - Secure an energy portfolio standard to promote increased development of renewable energy and energy efficiency.

Improve Incentives for Renewable Resources – Broaden incentives for development of new small- and large-scale renewable resources. Expand net metering to allow for small farm projects.

Mitigation of Carbon Dioxide from Fossil Fuel Power Plants - Ensure effective implementation of the new statewide standards for new power plants. Focus on reducing carbon emissions from existing power plants and industrial sources. Work with West Coast Governors and the Puget Sound Clean Air Agency as they develop and implement specific greenhouse gas mitigation initiatives.

Reinvigorate Least-Cost Planning through UTC Rulemaking - Ensure efficiency and renewables are treated equitably with other resources, and their particular risk/hedge values are accounted for.

Improve Low Income Energy Services for Natural Gas Customers – Work with natural gas utilities to improve weatherization program design and establish energy bill assistance programs.

Data Collection on Utility Arrearages and Service Terminations for Non-Payment Current Status - State regulators and public utility governing boards should gather information on a monthly basis from electric and natural gas utilities on residential customer statistics.

Improve Incentives for Efficient Buildings and Equipment – Broaden the array of incentives to encourage best practices and going beyond the energy code. Update commercial and residential energy codes to capture advances in technology. Establish minimum efficiency standards for appliances and equipment not covered by Federal standards.

Policies to Deliver Washington's Electricity Goals

Establish Energy Portfolio Standard

Current Status: *Washington has no statewide program to ensure that all cost-effective energy saving measures are adopted or to systematically encourage the development of new renewable energy resources.*

Recommendation: Establish a performance standard for electric utilities to ensure the development of new renewable resources and a constant level of investment in energy efficiency programs. Utilities would reduce the load on their systems through stable long-term implementation of energy efficiency measures. For renewables, utilities would meet 15% of their load with renewable resources by 2023.

Improve Incentives for New Renewable Resources

Current Status: Sales tax exemption for purchases of renewable energy generators greater than 200 watts. Net metering applies to renewables and fuel cells smaller than 25 kW.

Recommendation: Reduce Public Utility Excise Tax for public utilities for specific investments in renewable resources. Establish a state loan program for investments in new renewable energy projects. Provide property tax exemptions for small-scale renewable energy generation equipment. Increase public agency use of new renewables. Improve and expand utility marketing of net metering opportunities. Expand application of net metering to allow for small farm projects using 100-kilowatt systems. For some small farm systems to be effective at meeting the farm's energy needs, larger distributed renewable energy generating systems are needed.

Mitigation of Carbon Dioxide from Fossil Fuel Power Plants

Current Status: In 2004, Governor Locke signed a bill requiring new power plants, greater than 25MW to mitigate 20% of CO₂ emissions. New power plant developers can mitigate the emissions directly or pay a third party organization \$1.60/ton to mitigate up to 20% of emissions. There is no mitigation requirement for existing power plants or industrial emitters of greenhouse gas emissions. The Puget Sound Clean Air Agency has a stakeholder process in place to make specific recommendations to reduce greenhouse gas emissions. This process provides local support for the West Coast Governors Global Warming Initiative.

Recommendation: Ensure strong implementation rules for the new statute. Encourage carbon mitigation standards for existing power plants and large industrial facilities. Work with policymakers, organized labor and facility owners to minimize potential adverse impacts on jobs. Work with the West Coast Governors Initiative and PSCAA stakeholder process to gain measurable goals and timetables for specific greenhouse gas reduction efforts.

Reinvigorate Least-Cost Planning Through UTC Rulemaking

Current Status: Washington UTC has initiated a rulemaking to evaluate the current least-cost planning rule.

Recommendation: Ensure rule remains effective. Work with utilities to ensure renewables and efficiency are treated equitably with other traditional resources. Assess appropriate measure of environmental externalities (particularly greenhouse gas and mercury emissions) and the importance of allocating the risk of future environmental regulation.

Improve Low Income Energy Services for Natural Gas Customers

Current Status: Most major electric utilities have upgraded their weatherization measures and practices and offer energy bill assistance programs. Gas only utilities have not made these improvements nor do they offer adequate bill assistance programs.

Recommendation: Work with gas utilities to incorporate current state-of-the-art weatherization practices and comprehensive delivery approaches. These include use of base load efficiency and indoor air quality measures, adoption of best practices, link to distributed renewables when appropriate, and use of new diagnostic tools. Establish energy bill assistance programs for Cascade Natural and Northwest Natural.

Collect Data on Arrearages and Service Terminations for Non-Payment

Current Status: Few utilities collect detailed information in one place on a regular basis on the cost and impact of utility arrearages and disconnections.

Recommendation: State regulators and public utility governing boards should gather information on a monthly basis from electric and natural gas utilities on key residential customer statistics that relate to energy assistance, disconnections, and past due accounts, among other items.

Improve Incentives for Efficient Buildings and Equipment

Current Status: *Washington offers no tax credits or low-interest loans for energy efficiency investments. States are allowed to adopt appliance and equipment efficiency standards for products not yet covered by federal efficiency standards. A revised energy code for residential and commercial buildings went into effect July 1, 2002. The new commercial code is between 3-5 percent more stringent than ASHRAE 90.1 and the revised residential code exceeds the International Energy Code (IEC).*

Recommendations: Offer B&O tax credits for businesses for 35-to-50% of project costs for measures beyond codes and standards. Credit should be available over five years. Eliminate the sales tax for energy efficient appliances, efficient heating and air conditioning equipment and efficient water heaters up to \$1,000 per year. Establish a state energy loan program that offers low-interest loans for energy efficiency investments by individuals, businesses, non-profits, schools, local governments and tribes that go beyond codes and standards. All credit and benefit amounts should be tiered to encourage consumers to utilize the most energy efficient design practices and technologies.

Establish minimum efficiency standards for the following appliances and equipment: Torchieres, ceiling fans, standby energy use for electronic equipment and power supplies, unit heaters, dry-type distribution transformers, refrigerated beverage vending machines, commercial refrigerators and freezers, traffic lights, exit signs, commercial clothes washers, automatic commercial ice-makers, and packaged air conditioning and heat pump equipment.

Continue to update building energy codes in a timely manner to reflect new technologies and innovations. For example, in residential buildings, set the window efficiency value at 0.35 (U-value) and add requirements for high efficiency lighting fixtures and bulbs. For commercial buildings, increase the efficiency for mechanical equipment from the Consortium for Energy Efficiency Tier 1 standard to the Tier 2 standard.