

Full Committee Hearing Testimony:

Hearing:	To receive testimony on California's Electricity Crisis and Implications for the West
Date and Time:	January 31, 2001, 9:30 a.m.
Location:	Senate Hart Office Building, Room SH-216
Witness Name and Title:	Tom Karier, Council Member, Northwest Power Planning Council, Spokane, WA
Testimony:	Good morning, Chairman Murkowski and members of the

The Council is an agency of the states of Idaho, Montana, Oregon

In my testimony, I will briefly recount the results of the Council's

To begin, we believe six key events are contributing to the current

The wholesale power market created by California's electricity

Construction of new power plants and new conservation and

Below-average rainfall and snowpack in 2000 contributed to poor

The price of natural gas, the fuel of choice for thermal power plants

Some California power plants had to shut down for unplanned or

The loss of flexibility in the operation of the hydroelectric system

I will explain these in more detail later in my testimony, but for now

In a normal year, the volume of the Columbia River runoff between

Obviously, this is a dry winter in most of the Northwest.

As for hydropower generation, in a normal year the Federal

We can hope for above-average precipitation for the remainder of the

Meanwhile, many electric utilities in the Northwest recently

Briefly, here is what we learned:

Tacoma Public Utilities implemented a 50-percent rate surcharge,

Tillamook Public Utility District in rural western Oregon is facing

Puget Sound Energy of Bellevue, an investor-owned utility with

Clark Public Utilities, which serves about 130,000 customers in the

Last week the Bonneville Power Administration announced that a
There is other bad news, as well. Idaho Power Company recently
Industries are hurting, too. Recent news stories report on smelters,
Not all the news is bad, however. Bonneville has been able to
Mr. Chairman, as I noted earlier in my testimony, there are multiple
The study, which we completed in early 2000, concluded that:
There is an increasing possibility of power supply problems over
The region would need the equivalent of 3,000 megawatts of new
It was unlikely that market prices would be sufficient to stimulate
While this study generated a good deal of interest, it is difficult for
The Council believes that high spot-market prices are a tangible
In the following paragraphs I will summarize the evidence regarding

Demand Growth Without Similar Growth in Supply

As noted above, the Council believes the high prices are
Between 1995 and 1999, peak loads in the Western Systems
When growth in demand outpaces growth in power resources, the

Lack of New Energy Conservation

We also know that efforts to improve the efficiency of electricity use,

Unusual Snowpack and Runoff

An unusual pattern of Columbia River runoff last summer also

Thermal Plant Outages

Outages at thermal plants also contributed to the problems last

Rising Natural Gas Prices

Rising prices for natural gas, a primary fuel for thermal power plants,
Depending on the gas-fired generating technology used, for every \$2

The Lack of a Market for Demand Reduction

Our analysis of the western market also disclosed a systemic

Currently, at any given hour, the amount of electricity demand is

The California Effect

Among the Western states, California's electricity industry is

The problems associated with the California market have been the

Recommendations

Mr. Chairman, based on our analysis of the West Coast market, we

1. Encourage Greater Use of Risk Mitigation Mechanisms

One of the characteristics of a commodity market is the emergence

We believe the same is true of other market participants in the

Had more market participants been able to take steps to protect

2. Monitor the Market for its Ability to Provide Sufficient

The Council's analysis of power supply adequacy indicated that

Since then, however, given the electricity and gas prices

Almost all of these plants are natural-gas-fired combustion turbines,

The degree of developer activity is encouraging. However, if we were

The question this possibility raises is whether we can rely on the

3. Initiate Efforts to Develop the Demand Side of the Market

While the lead time for the development of new combined-cycle

The Northwest has a great deal of successful experience in

As noted earlier, the Council is not advocating retail access as

4. California Should Correct the Incentives In Its Market

Quick implementation of the FERC's order for reforming the

5. Until the Market Stabilizes, Data for Monitoring and

One thing we learned last summer was that it is difficult to obtain

6. Electricity Emergency Processes and Procedures Need to

The Council determined in its October report that getting the

7. Conserve Energy

We all can do our part by conserving energy. In recent months,

In summary, our recommendations amount to a call for the West to

Mr. Chairman, that completes my testimony, and I would be