PNUCC REPORT

Northwest Power and Conservation Council

Meeting Notes

November 12-13, 2019

Portland, Oregon

November presented a chance for meeting new friends in their new roles. Scott Simms, formerly Bonneville Power's director of communications, shared his thoughts on BPA's competitiveness in his new role as the Public Power Council's executive director. Lena Wittler, Clark County PUD's new general manager, talked about her utility's high customer satisfaction ranking and how they hope to comply with upcoming decarbonization mandates. In addition, Council staff reviewed impacts of state regulations on wholesale electricity price forecasts.

All Members were in attendance except Vice-Chair Richard Devlin, who joined by phone.
The next Council Meeting will be a webinar on December 10–11 in Portland, Oregon.

In This Issue

The Agenda

PPC members eye ways to improve BPA's competitiveness

Scott Simms, who assumed his new role as Public Power Council executive director last summer, told Council Members that Bonneville Power Administration's competitiveness is a primary concern of his membership. BPA has benefitted from the 20-year contracts and financial markets like that certainty, he said. And as 100-plus utilities look out into their resource future, they are focused on what future contracts will look like.

General managers, boards and commissioners will be making difficult decisions balancing affordability with environmental mandates that are stronger in the Pacific Northwest than elsewhere. They have options Simms continued, and they are exploring them as batteries, storage and other resources mature.

Simms said the challenge surrounding Bonneville's competitiveness is how to ensure investments today will pay dividends tomorrow. Not just for power, but for all the ancillary benefits obtained from the hydro system. There are a variety of socialized costs ascribed to the hydropower customer

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> Scott Simms
> PPC Executive Director

for navigation, flood control and other benefits and Simms said they want to take a closer look at institutional costs and their allocation. "We're talking with Congress, the Army Corp of Engineers, and Department of Interior about those allocations," he said.

BPA's carbon fees — what they pay for third-party entities that conduct transactions in the California marketplace — is another area they are examining. It's not a huge outlay ($5-8 million), but if other states recognize the carbon value of electricity trades, it could grow as a cost for Bonneville.

Simms didn't shy away from addressing fish and wildlife costs, asserting that any expenditure increases should come from reductions in programs that have outlived their usefulness. He questioned salmon restoration goals that simply go beyond what the hydro system can accommodate. "There are more low-income people in public power than in the rest of the Pacific Northwest, and it's an emerging social justice issue," he said. "We have lower incomes and seniors shouldering more of the burden than other ratepayers in the region."

Member Guy Norman asked about the potential surrounding Bonneville's entry into the Energy Imbalance Market (EIM). Simms replied the EIM allows Bonneville to better ascribe and use its power and transmission reserves. And BPA administrator Elliot Mainzer is adamant about getting a price signal for the carbon free and capacity rich resource that hydro brings to the table. Wind and solar are great, but they're not capacity rich, he said.

Clark Public Utilities look ahead to more flexibility with resources

Lena Wittler, CEO and general manager of Clark Public Utilities, couldn't have picked a better time to assume leadership of the Southwest Washington utility. Clark enjoys financial stability and just received its 12th consecutive J.D. Power customer satisfaction award. The utility currently serves 180,000 residential customers, and 20,000 commercial and industrial customers.

Looking forward to 2028, Wittler told Council Members that the utility probably won't lock in 20-year contracts with Bonneville Power, in favor of retaining more flexibility. Things will be changing, she said, and we're looking forward to seeing what renewables and new technologies will be available. And to move toward meeting Washington's decarbonization mandates, Clark will start bringing energy from its wind farm into its own system, previously selling that energy to the California market.

Member Richard Devlin observed that one of Clark's generating facilities is the River Road natural gas-fueled plant, generating 30 percent of the utility's electricity. By 2030 they will have to be 80% carbon free, so he asked how the utility would achieve that. Would they use renewable energy credits, pay penalties or use energy transformation projects?

Wittler responded, "Probably all of the above." She said they get 60% of their power from Bonneville and they are looking at potential electrification plans. It will be interesting looking forward if there are credits to offset, she said. I don't want to lock into credits because we're told there will be more opportunities for affordable clean power. And she is hoping Clark won't have to take the penalty costs. They are similar in portfolio costs to an IOU because of their generating plant and are hopeful new or different technologies will be available so that it runs less.

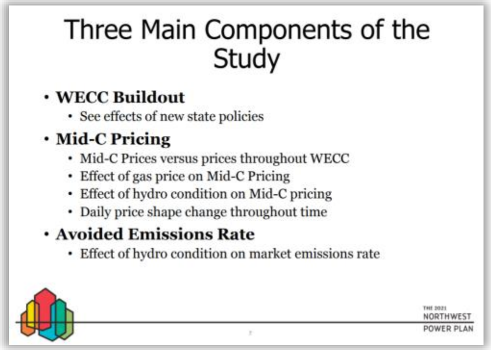
Member Pat Oshie asked what Clark customers are seeking. Wittler said they want choices, especially in how they interact with the utility. She said Clark is learning from other utilities in terms of installing smart meters, wildfire mitigation and system adequacy.

Wholesale electricity price forecast and avoided emissions rate

Through the lens of state policy goals and plant retirements

If there are limits to new gas power plants being built in the next 20 years, we will begin to see significant seasonal changes in intraday pricing throughout the WECC, concluded John Ollis, the Council's planning and analysis manager. He said that clean/renewable portfolio standards and state policies are leading to significant solar builds that continue to depress mid-day pricing and create higher prices in the evening ramp hours.

Ollis provided a wholesale electricity price and avoided CO2 emissions rate forecast update to the Council from a study incorporating more of the state policy goals and announced plant retirements since the Seventh Power Plan's Mid-Term Assessment.



He said that limited gas build scenarios add enough low fuel cost renewables to keep Mid-C prices virtually flat on an annual basis, but they also introduce more daily price variation. He added that limiting gas builds seem to push out price increase to end of the study period.

The cost of future carbon dioxide regulation has been a significant factor in resource planning in the Pacific Northwest. Ollis said clean/renewable state policies seem to lower average CO_2 emissions rates and temporarily lower marginal CO_2 emissions rates over time.

The study shows that massive, renewable buildout in the beginning limits emissions that can be avoided on the margin in some hours due to hydro or efficient gas being on the margin. And load growth means that higher-emitting fossil fuel resources are on the margin, which could have the effect of slightly raising emission rates at the end of the study horizon.

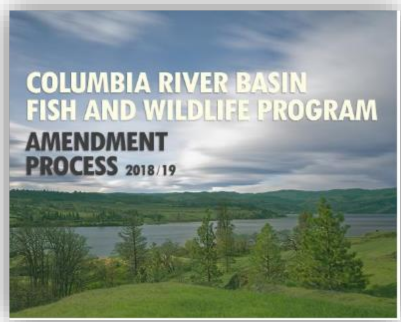
Fish and Wildlife Addendum delayed

After releasing the draft 2020 Fish and Wildlife Addendum last July — which initiated a public comment period that included public hearings throughout the Basin, consultations and 118 written comments — the Council is considering a delay in adopting Part 1 of its Addendum.

"There is a lot of interest in delaying adoption while we work with the region on revising and developing goals and performance indicators," said Member Norman, who is the Fish and Wildlife Committee chair. "We found some merit in that. We want to get this as right as possible and set the stage for having the region onboard and fully engaged."

In short, some fish and wildlife agencies and tribes want to collaborate on how the Council and others will gather, synthesize, report, assess, and use program performance information over time. While a delay of 12-to-24 months was suggested, the Council is leaning toward a six-month process.

Member Richard Devlin said the timeline won't impact the *Power Plan's* development and he supports the extension. Member Jim Yost voiced dissent, saying that the Council could pass this Addendum with minor changes in January, and then it would be the default in the Fish and Wildlife Plan.



The consensus was for members and staff to meet with the managers and tribes about their objections, and to come back with a firm timeline for moving forward at the December Council meeting.

Council Briefs

Short-term gas prices expected to remain low and stable

The Power Committee heard a natural gas price forecast from Steve Simmons, senior economic analyst. Gas prices for the next three-to-five years are expected to be relatively low and stable because of an abundant supply. But there is less certainty in the long term. Coal plant closures may have an influence, but it's unknown at this time, he said.

Wind gets customized by location for *Power Plan*

The Power Committee also looked at another *Power Plan* building block, the onshore wind reference plant. The difficulty with evaluating wind is that they all have the same cost, but the capacity factors and transmission costs are different. Therefore, they prepared three different reference plans for the Columbia Gorge, Southwest Washington and Montana.

THE 2021
NORTHWEST
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New website tool tracks Fish and Wildlife Program performance

The public can trace the Fish and Wildlife Program performance online using a new feature on the Council's website: https://fwprogress.nwcouncil.org. The tool has four main sections: improving dam passage, enhancing habitat, improving populations and reducing predation. Each section has a "learn more" option to connect to other stories, maps and resources.