



Commissioners

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September 7, 2021

Mr. John Hairston
Administrator & Chief Executive Officer
Bonneville Power Administration
via email to jlhairston@bpa.gov

RE: Change in Dedicated Amount of River Road under §5(b)(1)

Dear Administrator Hairston:

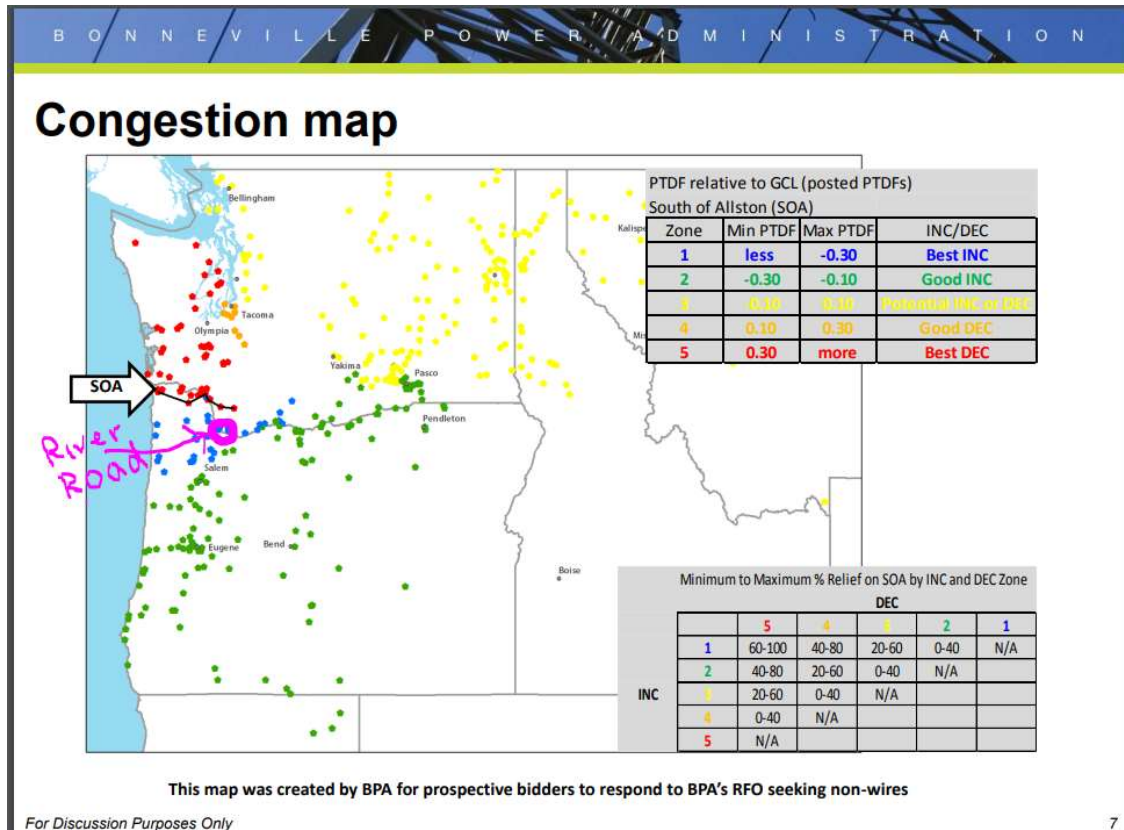
Beginning in 2030, Clark Public Utilities' ("Clark") dedication of the River Road Generating Plant ("River Road") under §5(b)(1) of the Northwest Power Act to serve its total retail load will come into direct conflict with Clark's new obligations under Washington's Clean Energy Transformation Act ("CETA") to meet at least 80 percent of its retail load using renewable resources and/or non-emitting electric generation. For this reason, and as more fully described below, Clark respectfully requests that the Bonneville Power Administration ("BPA") revise River Road's §5(b)(1) dedicated amounts in accordance with the proposal identified below.

Description and Associated Benefits of River Road

River Road is a 248 MW nameplate combined-cycle natural gas-fired combustion turbine ("CCCT") located west of downtown Vancouver, Washington and just north of the Columbia River across from the metropolitan area of Portland, Oregon. Clark has owned and operated River Road since the plant was first brought on-line in 1997. Clark has made §5(b)(1) dedications of approximately 225 aMW of annual energy and 248 MW of capacity from River Road to serve its total retail load.

As currently configured, Clark operates River Road in a purely binary form, *i.e.*, it is either off-line entirely or on-line operating to full capacity as designed for maximum efficiency. When Clark changes River Road generation from on-line to off-line, or vice-versa, it typically remains in its new state for at least 30 days. Typically, the timeframe is much longer with run-times often stretching from June over the fall and winter into April the following year. River Road is one of the most efficient gas burning units in the Pacific Northwest. This, together with River Road's location, means it is usually the first CCCT in the region to come on-line and the last to go off-line when market conditions change due to changes in run-off or seasonal loads.

River Road interconnects with BPA and PacifiCorp on the south side of the Allston cut plane. The following slide is from BPA's Non-Wires SOA Pilot Summary Results December 10, 2018¹ with River Road's location roughly highlighted in fuchsia. River Road's location is an important component of the "Non-Wires" approach to managing important summer constraints faced by Bonneville Transmission.

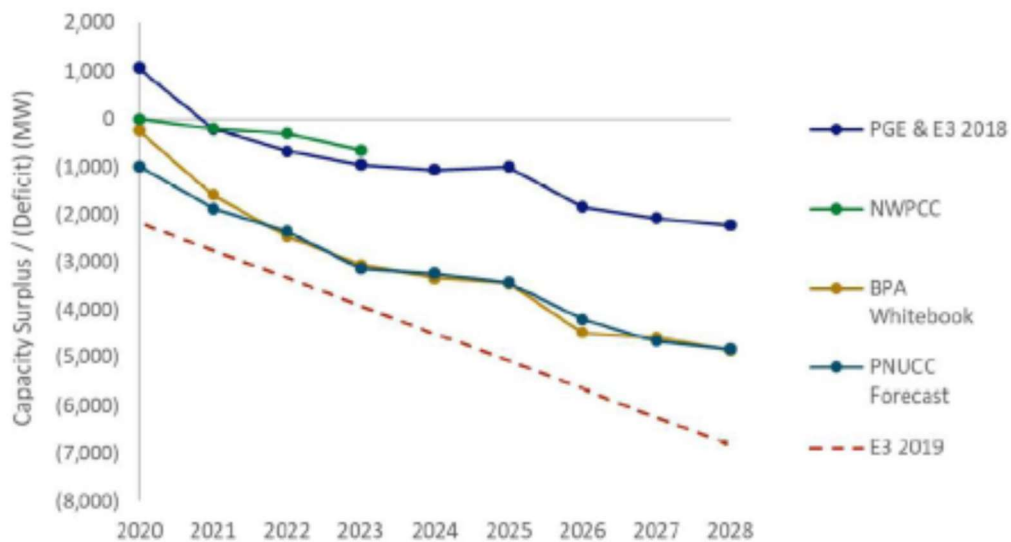


The plant's proximity to the Portland/Vancouver metro area also provides critical voltage support to the region and the local area that is difficult and expensive to replace. Its location further removes or, at the very least, delays the need to build additional costly transmission projects in other locations and routed to the metropolitan area, including such projects that could become necessary to serve Clark's load if River Road ceased operations.

From a power supply perspective, River Road's importance to Clark, BPA, and the region is likely to only increase in the future—even under CETA. The Northwest Power Pool and others have concluded that

¹ <https://www.bpa.gov/transmission/CustomerInvolvement/Non-Wire-SOA/Documents/SOA-Pilot-Customer-Workshop-120518.pdf>

the Pacific Northwest could experience very slim reserve margins in meeting load in the future with an increase likelihood of widespread power outages. The chart below illustrates the consensus.²



In addition, every responsible study performed that envisions a path to GHG-free electricity indicates that natural gas-fired generation, like River Road, will be needed at times for reliability.³ For example, in its 2019 study on Resource Adequacy in the Pacific Northwest, E3 determined that 14 GW of gas capacity would be needed in the Greater Northwest even in a 98 percent GHG reduction scenario.⁴

For the above reasons, River Road's size, dispatchability, and strategic location make it uniquely situated to help Clark, BPA, and the greater region meet the above power supply challenges, as well as emerging Resource Adequacy requirements.

The Interplay Between CETA and §5(b)(1)

CETA requires Clark, along with all other electric utilities in Washington, to become greenhouse gas ("GHG") neutral beginning in 2030. This will require Clark to meet at least 80 percent of its retail load using renewable resources and/or non-emitting electric generation, provided Clark uses one or more of CETA's alternative compliance options (*e.g.*, the use of unbundled renewable energy credits). CETA's GHG-neutral standard will be replaced beginning January 1, 2045 with a more restrictive GHG-free standard that will require Clark to use renewable resources and/or non-emitting electric generation to serve 100 percent of its retail load. Clark's annual retail load as defined in CETA is currently around 511 aMW.⁵

² Northwest Power Pool Exploring a Resource Adequacy Program for the Pacific Northwest: An Energy System in Transition at 76 (Oct. 2019).

³ *Id.* at 90-91 (discussing the conclusions of E3's study Resource Adequacy in the Pacific Northwest (2019)).

⁴ *Id.* at 91 (discussing the conclusions of E3's study Resource Adequacy in the Pacific Northwest (2019)).

⁵ Note that retail load as defined under CETA is different than the total retail load definition which is used for BPA's net requirements calculations.

Clark's dedication of River Road to serve its total retail load has important statutory implications under §5(b)(1) of the Northwest Power Act. Specifically, pursuant to the statute, the amount of firm power Clark is entitled to purchase from BPA is limited to the difference between Clark's total retail load less the amount of Clark's Dedicated Resources, *i.e.*, River Road and Packwood. The amount of federal power so calculated is referred to as Clark's "Net Requirements."

Because River Road is an identified §5(b)(1)(B) resource dedicated to serve Clark's total retail load prior to October 1, 2006, it is identified as an Existing Resource under BPA's Regional Dialogue Power Sales Agreement and is within the meaning of Existing Resource as used in BPA's Revised 5(b)/9(c) Policy (March 25, 2009). This means that, in its calculation of Clark's Net Requirements, BPA will apply River Road's approximately 225 aMW of output toward serving Clark's retail load for energy and 248 MW of output for peak. The statutory treatment of applying a customer's dedicated non-federal resource allows for its discontinuance if one of the following conditions occurs: obsolescence, retirement, loss of resource, loss of contract rights, or the BPA Administrator's consent.

Beginning in 2030, Clark's obligation under CETA comes into direct conflict with its obligation under §5(b)(1) to serve approximately 42 percent of its retail load using the GHG-emitting River Road. CETA will limit Clark's use of River Road to serve no more than 20 percent of its retail load. As Clark is a winter peaking season utility, this equates to around 45 percent of the energy capability currently declared for River Road for §5(b)(1) purposes, a reduction of approximately 123 aMW from the current dedicated amount of 225 aMW to 102 aMW.

Clark believes that the above reduction beginning January 2030 due to CETA qualifies for a partial reduction of River Road's §5(b)(1) annual energy dedicated amount under either the Revised 5(b)/9(c) Policy's obsolescence or loss standards. As currently stated in the Revised 5(b)/9(c) Policy, both standards would require the amount of River Road so reduced to be permanently discontinued so that it is unable to ever be used to serve load again, whether by Clark or a third party. However, it was not contemplated when the Revised 5(b)/9(c) Policy was developed that a new state law would effectively bifurcate the energy and capacity capabilities of a Dedicated Resource in such a manner that the dedicated amount of the former could be partially lost for purposes of serving a utility's total retail load while the dedicated amount of the latter could remain unchanged, but that is what will happen to River Road under CETA.

Permanently discontinuing River Road's ability to continue to provide reliable, dispatchable capacity (as well as short-term energy above River Road's §5(b)(1) annual energy dedicated amount), as would be required under either the obsolescence or loss standards, is not in the best interest of Clark, BPA, or the region. However, such an outcome is extraneous if the Administrator consents to a partial removal of River Road's §5(b)(1) annual energy dedicated amount as recommended in Clark's proposal.

Clark's Intentions for River Road

Clark prides itself on the performance history of River Road. River Road has been managed, operated, and maintained solely by Clark since it first came on-line. River Road always ranks at the top in availability, reliability, and time on-line when compared to other units in its class. River Road received

the GE Best O&M Site Award in North America for the second year in a row in 2020. It has received multiple *Combine Cycle Journal* “Best of the Best” awards in recent years. There has been no lost time due to injuries at the plant for the last 10 years. Currently, River Road’s fully allocated 2021 cost of power per MWh is forecast to be under Clark’s cost of BPA’s Slice/Block power per MWh.

For these reasons, and even though the plant’s operation will change in order to comply with CETA, Clark believes that River Road can and will continue to serve as an important energy and capacity resource in Clark’s resource portfolio until such time as state law requires its demise or Clark’s governing board determines that the plant is no longer necessary to meet Clark’s obligations to its customers. Clark has no intention of selling equity positions nor energy nor capacity output from the plant under long-term or even mid-term transactions. River Road has never been sold as a unit contingent resource that identifies River Road as the sole source of supply, and Clark has no plans to change this practice. Clark prefers to hold onto River Road’s output for its own capacity, reliability, and transmission savings reasons to the extent allowed under state law.

Clark sees River Road as an important resource for Clark well into the future, but the mode in which River Road will operate will have to change. Clark is proactively looking to make this transition as smooth and economical as possible while maintaining reliability.

Clark’s §5(b)(1) request for BPA’s Consideration

All of the above potential load service and reliability benefits would be lost to Clark, BPA, and the region if River Road were to be deemed partially obsolete or lost under the Revised 5(b)/9(c) Policy because it would mean the permanent discontinuance of that portion of plant determined to be obsolete or lost.

Clark respectfully asks that BPA consider, and grant, the following request in its entirety for a partial reduction of River Road’s §5(b)(1) annual energy dedicated amounts:

- For purposes of calculating Clark’s Net Requirements, the Administrator would consent to a permanent reduction of River Road’s §5(b)(1) annual energy dedication to 102 aMW⁶ beginning commensurate with the new firm power sales contract offered pursuant to §5(b)(1) to replace Clark’s current Regional Dialogue Power Sales Agreement (the “Post-2028 Contract”);
- Following expiration of Clark’s existing Regional Dialogue Power Sales Agreement with BPA, and if requested by Clark pursuant to §5(b)(1), BPA would serve Clark with firm power in replacement of River Road’s undedicated amount;
- Clark’s River Road §5(b)(1) dedicated capacity amount for meeting monthly peak requirements remains 248 MW under the Post-2028 Contract;
- After ensuring that its own needs are met, and to the extent permitted by applicable law, Clark would be able to offer to sell surplus power that may be supported by River Road’s

⁶ 102 aMW is the equivalent of approximately 20 percent of Clark’s total retail load.

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capabilities. These offers will be consistent with the requirements of BPA's Revised 5(b)/9(c) Policy or its replacement if River Road is specifically identified as the resource; and

- BPA and Clark would acknowledge that River Road's dedication as a §5(b)(1) resource will need to be revisited prior to 2045 when CETA's GHG-free standard commences or if, prior to 2045, (i) another applicable law further restricts Clark's ability to use River Road to serve its retail load, or (ii) the remaining dedicated amount of the plant otherwise becomes obsolete, lost, or retired in accordance with BPA's Revised 5(b)/9(c) Policy or its replacement.

This request balances Clark's GHG-neutrality requirements under CETA with the purpose and intent of §5(b)(1) of the Northwest Power Act. The proposal does not seek to place any more load on BPA through the reduction of River Road's §5(b)(1) annual energy dedicated amount or its peak requirement obligations than is statutorily required for Clark to comply with CETA's GHG-neutral requirement.

We are open to all possibilities that would ensure Clark meets its obligations under CETA at the lowest possible cost to its customers. We appreciate your consideration and look forward to further discussions regarding this matter. If you have any further questions, please feel free to contact me.

Sincerely,



Dan Bedbury
Director of Energy Resources
(360) 992-3136

DB:

cc: Lena Wittler