

# **Energy Resources Quarterly Board Update 2022 Q3**

November 21, 2022

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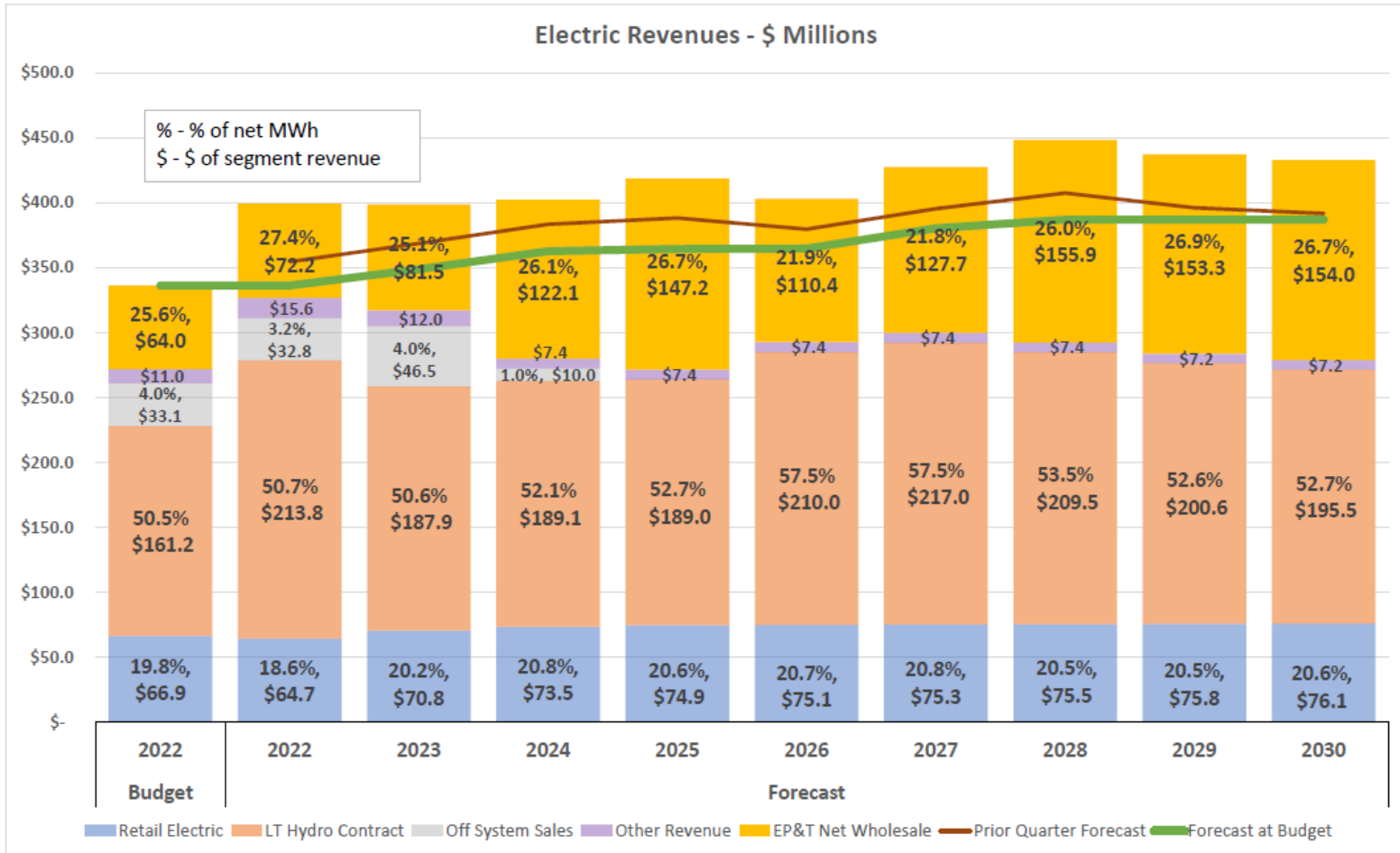
# Why We're Here

- 2022 net wholesale revenue forecast update
- Western Power Markets update
- Operations and planning
  - Portfolio overview
  - Pricing update

# Key points

- Higher wholesale electricity prices and retained surplus proceeds from long-term power contracts are the primary contributors to the strong energy-related revenues
  - Net wholesale revenue is forecasted to top \$72 million which is \$8 million above budget due to higher electricity prices and production
  - Other energy related revenue is forecasted to total \$68 million, \$57 million better than budget, primarily due to \$52.5 million of retained surplus proceeds from cost-based contract
- Climate Commitment Act (CCA)
  - Becomes effective January 1, 2023
  - Trading at Mid-C hub impacted, two products trading, carbon price unknown
  - Potential carbon cost uncertainty is influencing higher 2023 Mid-C forward wholesale electricity prices

# Electric Revenues Forecast - \$ Millions



Other Revenue includes Real Time, LT Contract admin fees, frequency response and load shedding, renewables, and scheduling.

# 2022 NWR and Other Energy-Related Revenue

(amounts in millions)				
	Budget	Forecast [1]	Variance	
<b>EP&amp;T Net Wholesale Revenue (NWR)</b>				
Energy Sales/Purchases	\$ 54.4	\$ 62.4	\$ 8.0	
Specified Source Premium	\$ 9.6	\$ 9.8	\$ 0.2	
Renewables - Bundled	\$ -	\$ 0.0	\$ 0.0	
<b>NWR Sub-total [2]</b>	<b>\$ 64.0</b>	<b>\$ 72.2</b>	<b>\$ 8.2</b>	
<b>Off System Sales</b>				
Off System end use sales	\$ 33.1	\$ 32.8	\$ (0.3)	
<b>Other Energy-Related Revenue</b>				
LT Power Contract- Retained Surplus	\$ -	\$ 52.5	\$ 52.5	
LT Power Contract- Admin Fees	\$ 2.8	\$ 2.8	\$ -	
Frequency Response & Load Shedding	\$ 1.0	\$ 1.0	\$ -	
Other [3]	\$ 0.2	\$ 0.2	\$ -	
Renewables - Unbundled	\$ 0.1	\$ 0.5	\$ 0.4	
Real-Time Revenue	\$ 7.0	\$ 10.9	\$ 3.9	
<b>Other Energy-Related Sub-total</b>	<b>\$ 11.1</b>	<b>\$ 67.8</b>	<b>\$ 56.8</b>	
<b>NWR and Other Energy-Related Revenue</b>	<b>\$ 108.1</b>	<b>\$ 172.8</b>	<b>\$ 64.7</b>	

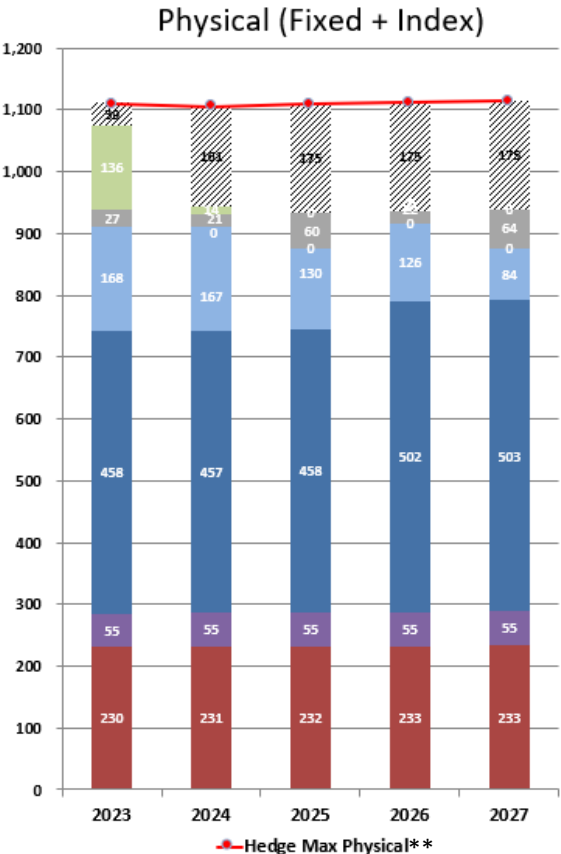
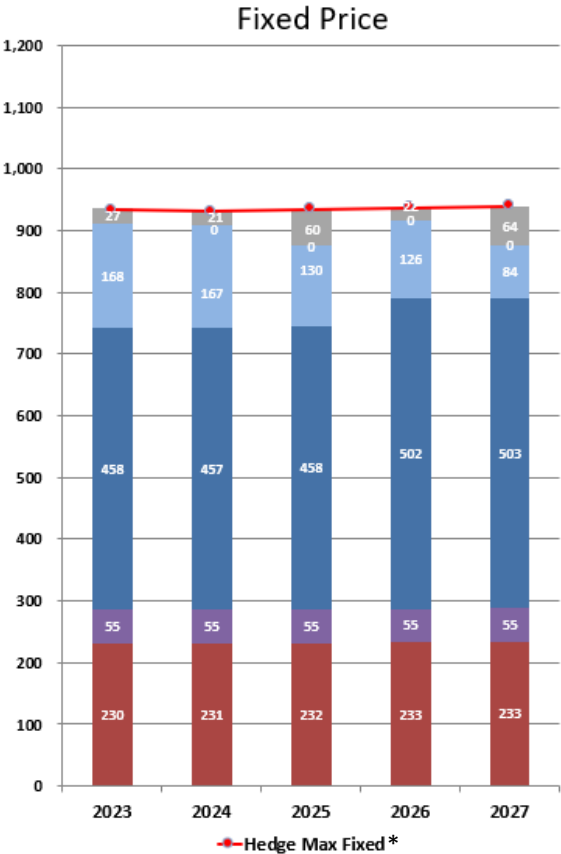
[1] 2022 forecast based Jan - Sep actuals and Oct-Dec estimates (10/11/22 NWR forecast), actual retained surplus and specified source premium through Sep

[2] NWR includes PWX specified source sale/full requirements purchase and transmission pass through costs

[3] Other includes scheduling & admin fees and the sale of reserves

# District's energy commitments

(Average MW)



Note: The graphs represent the limits contained in resolution 20-14439 approved by the Board on March 23, 2020.

- Available to Sell at Fixed Price
- Fixed Price Block Contracts
- Fixed Price Slice
- Long-term Cost Plus Slice
- Canadian Entitlement
- Local Load

- Available to Sell at Index Price
- Available to Sell at Fixed Price
- Index Price Block Contracts (Includes Off-System End-Use)
- Fixed Price Block Contracts
- Fixed Price Slice
- Long-term Cost Plus Slice
- Canadian Entitlement
- Local Load

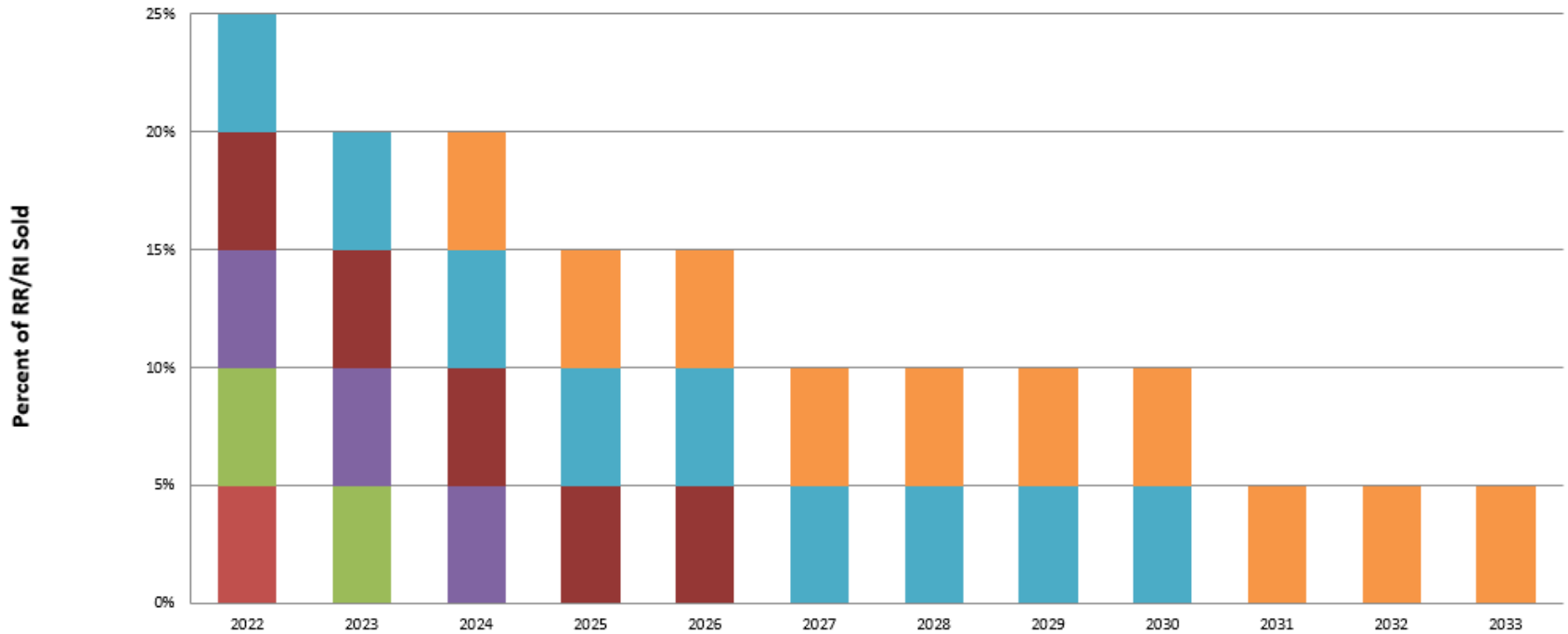
\*Hedge Max Fixed = stress water generation

\*\*Hedge Max Physical = stress water generation + 175 aMW



# Fixed Price Slice Contracts

Fixed Price Slice Products



	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Long Term Slice 2 - Avista			5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Long Term Slice - Avista	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%			
Slice Product 35 - Puget Sound Energy	5.0%	5.0%	5.0%	5.0%	5.0%							
Slice Product 34 - Powerex	5.0%	5.0%	5.0%									
Slice Product 30 - Avangrid	5.0%	5.0%										
Slice Product 29 - Morgan	5.0%											

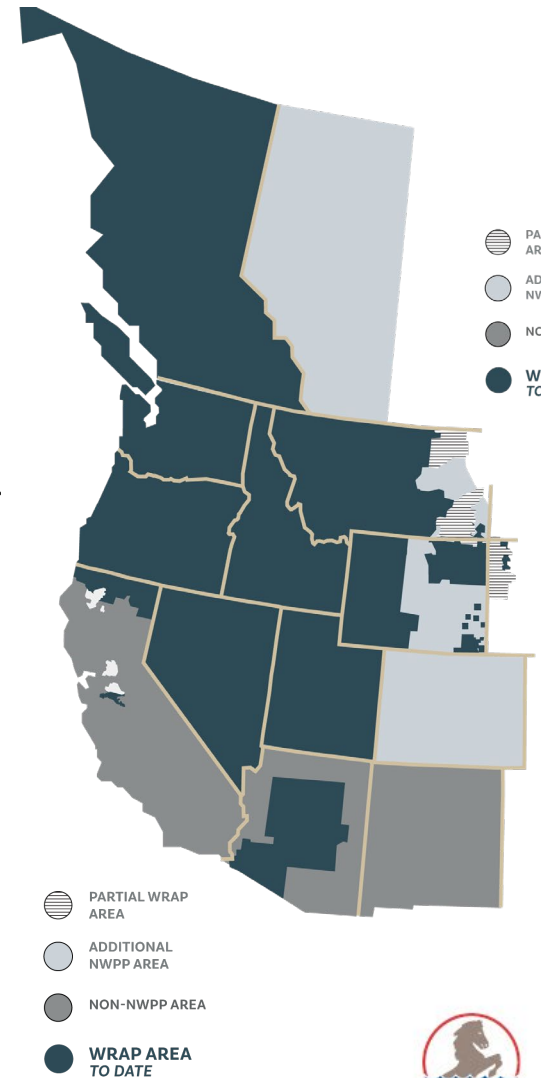
# Changes in the western power market

## Western Resource Adequacy Program (WRAP)

- Look for binding program to start in 2025
- Decision for entities to join WRAP set for mid December 2022.

## Short term markets (within hour → real-time → day ahead)

- Climate Commitment Act (CCA) is causing a lot of uncertainty in MID-C markets.
  - Carbon obligations / tracking starts 1/1/2023
  - WA no-cost Carbon Allowances have not been allocated
  - First WA Carbon Allowance auction in late Feb 2023 so no indication of Allowance pricing.
  - Still many questions on Dept. of Ecology rules for 'true-ups'
  - Affecting liquidity for 2023 at Mid-C hub

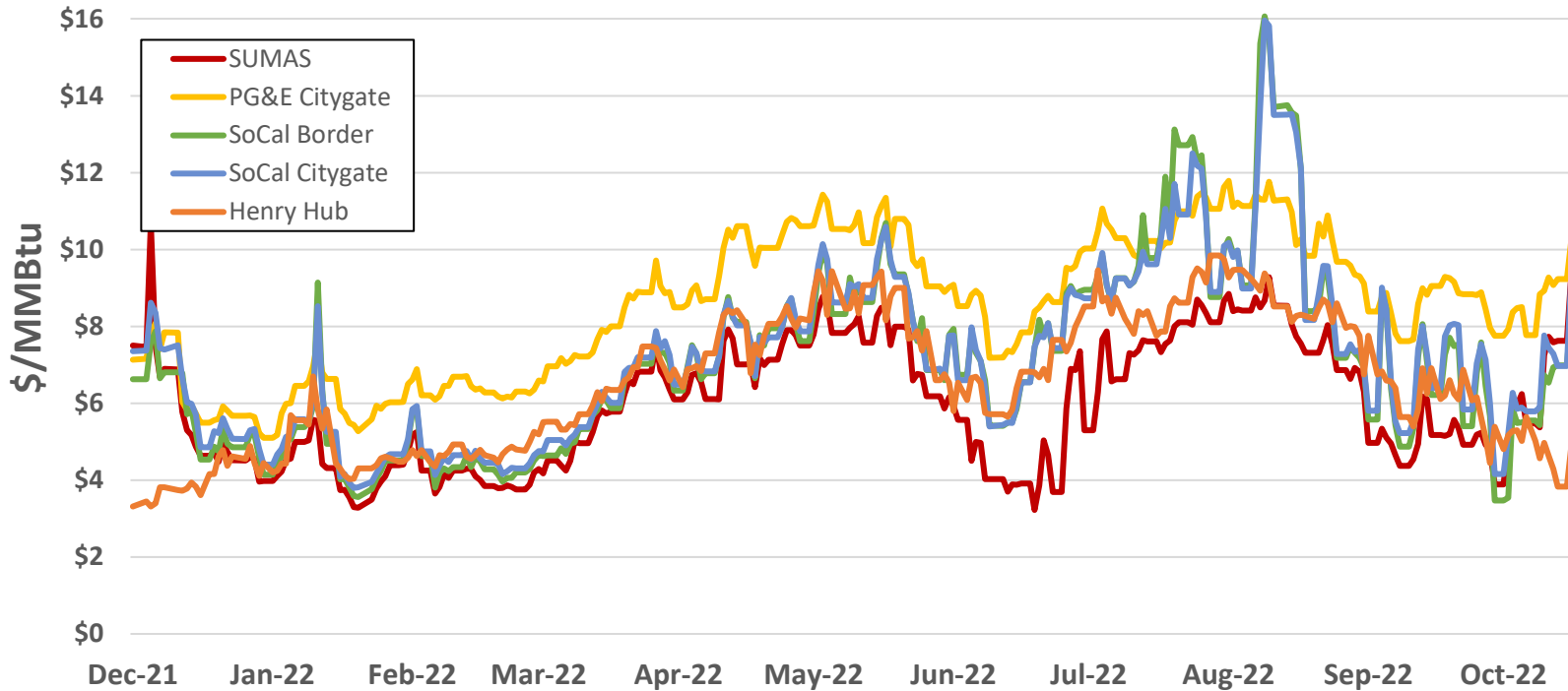




# Daily Natural Gas Prices

Dec 2021 – Oct 2022

## Select Western Natural Gas Hubs Spot Prices



# Dec 2022 Henry Hub natural gas

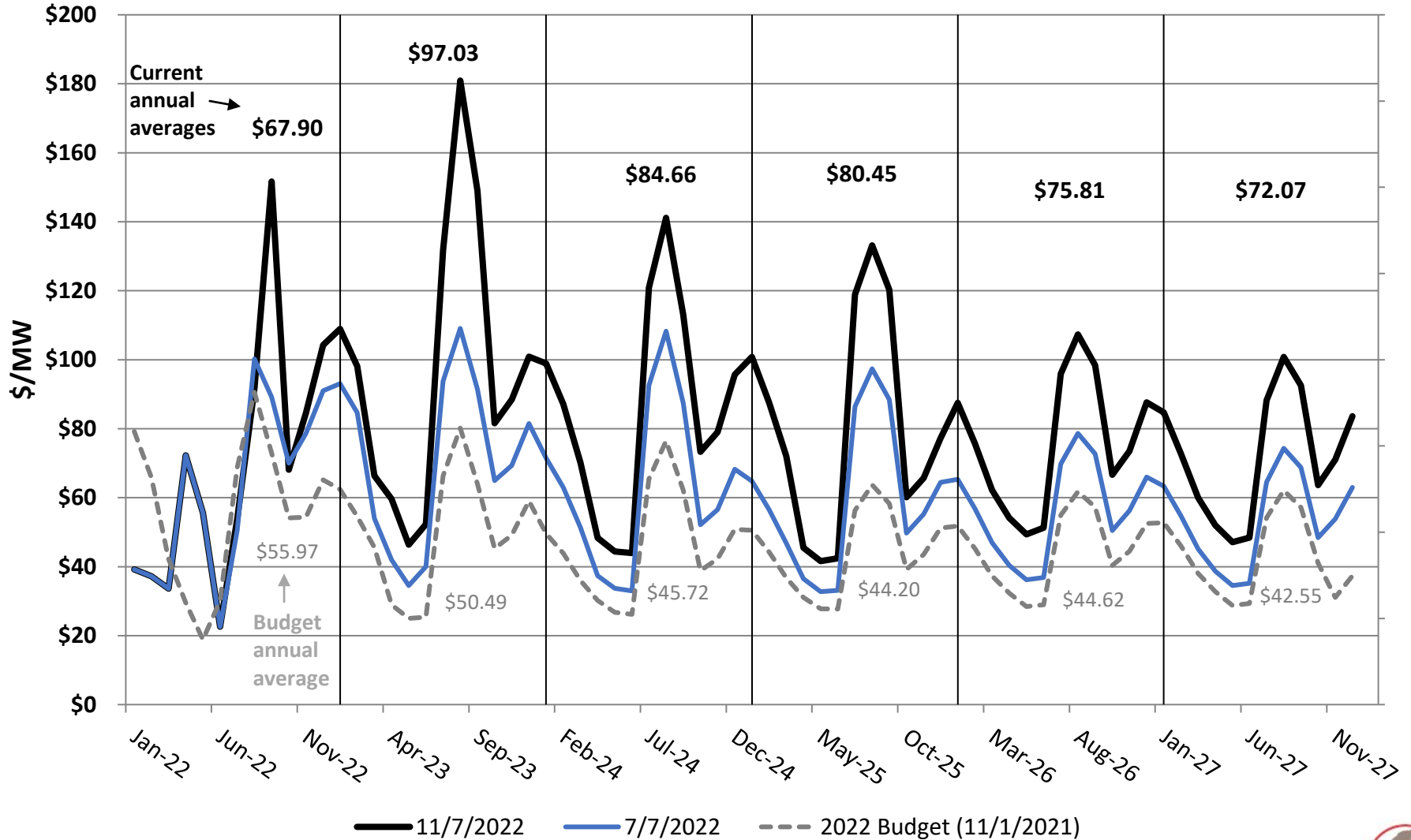


# Dec 2022 Henry Hub natural gas (price history since 2002)

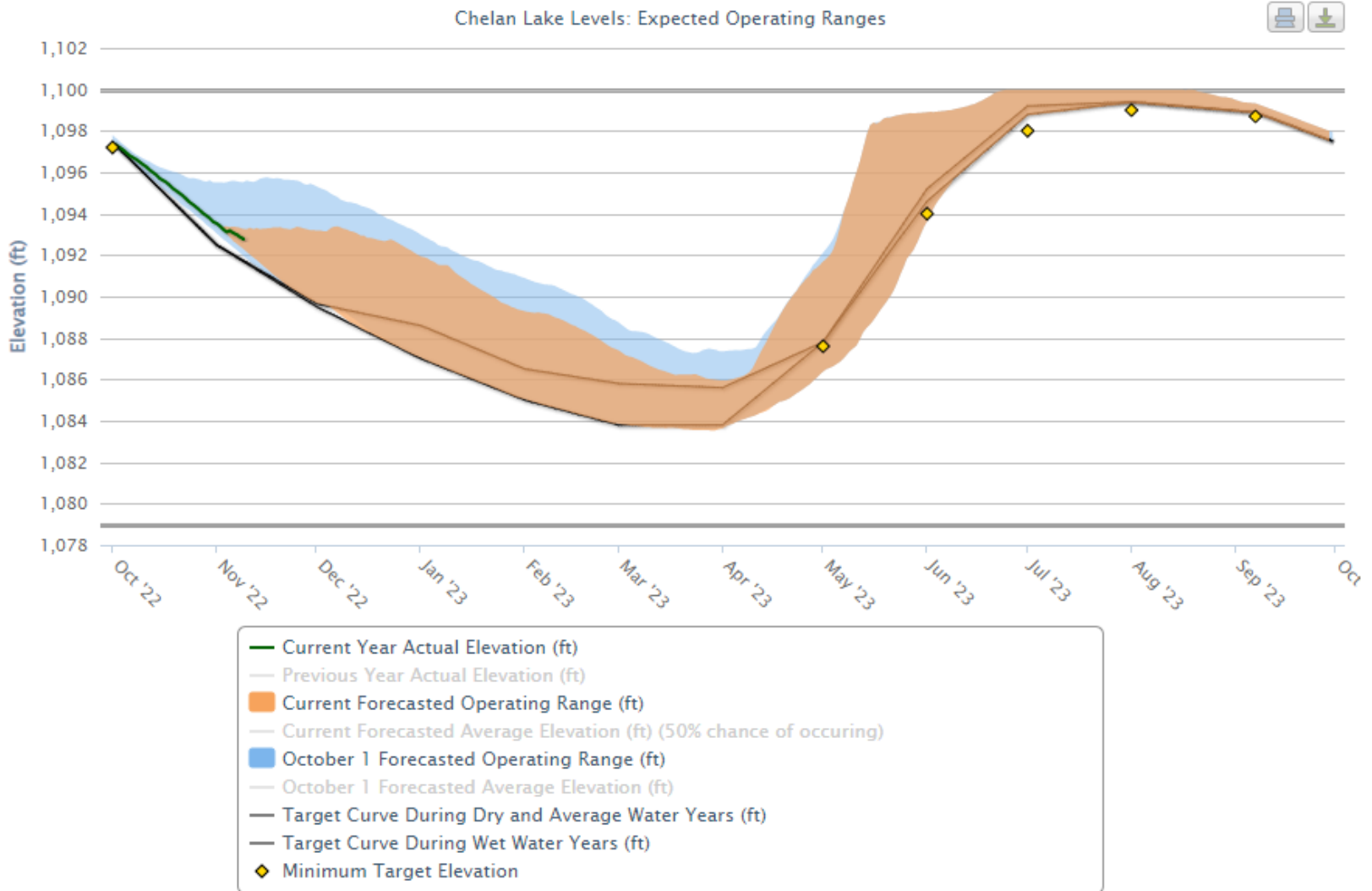


# Mid-C forward price curve

(ICE DA index prices for previous months)



# Lake Chelan level webpage



# Summary

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# Questions?

# U. S. Seasonal Outlooks

November 2022 - January 2023

The seasonal outlooks combine the effects of long-term trends, soil moisture, and, when appropriate, ENSO.

