WRAP
POWERED BY WPP

Monday, April 22, 2024

To our Western Stakeholders,

More than five years ago, we came together as a region and as an industry to address the growing concerns of resource adequacy in the West. We partnered with the Western Power Pool to begin work on a program to help ensure reliable energy service for our customers to operate in tandem with our individual resource adequacy efforts and decision-making processes.

Since then, three things have happened.

First, the Western Resource Adequacy Program (WRAP) was born. With input from stakeholders around the region, we developed a forward showing framework to consistently assess the region's resource needs and available supply, as well as an operational framework to pool resources. The authors of this letter signed on as participants in late 2022 and early 2023. In February 2023, FERC approved the WRAP tariff.

Second, many of us have pursued the addition of new resources, whether through ownership or power purchase agreements, while also increasing our efforts on transmission development.

Third, we have encountered significant new headwinds in addressing resource adequacy challenges. Supply chain issues and other challenges have slowed our ability to deliver and interconnect new resources. Regional peak load is now growing faster than previously expected, driven primarily by electrification and data center expansion. Extreme weather events have further challenged our assumptions and expectations of the quantity of resources needed to maintain reliable operations.

As a result, the WRAP is more important than ever, but its future value will require a critical mass of participants who are committed to fully binding operations.

The WRAP remains a critical regional tool available to address the current challenges together. It has already shown its value by helping quantify where we stand and where we need to go. We plan to continue our best efforts to acquire and interconnect sufficient new resources to meet load growth as we strive to meet WRAP's regional resource adequacy metrics. We have been actively engaged in conversations with each other and Western Power Pool about when a critical mass of participants can enter binding operations of WRAP together.

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Some WRAP participants have expressed concerns about their ability to meet WRAP forward showing requirements in the next few years. They are understandably concerned, due to the reasons outlined above, about moving into binding operations given the potential magnitude of deficiency charges currently included in the tariff. Together, we have recently concluded that we will not have a critical mass committing to binding operations for Summer 2026.

The WRAP tariff currently includes a transition plan to phase in deficiency charges. In its approval of the tariff, FERC recognized the importance of such a transition process. In the upcoming weeks, we will develop a proposal for a revised transition plan to better address the above challenges that we hope will enable binding operations to begin in 2027. Once the revised transition plan is ready, we will submit the plan for consideration by stakeholders and the WRAP Board of Directors, following the WRAP governance process.

We remain unwavering in our support for WRAP and achieving the benefits of binding operations as soon as is practical. Our goal now is to work toward having a critical mass of participants elect binding operations in 2027.

Sincerely,
Members of the Resource Adequacy Participant Committee (RAPC)

Arizona Public Service Company
Avista Corp
Bonneville Power Administration
Calpine Energy Solutions
PUD No. 1 of Chelan County
Clatskanie People's Utility District
Eugene Water & Electric Board
PUD #2 of Grant County
Idaho Power
NorthWestern Energy
NV Energy
PacifiCorp
Portland General Electric Company
Powerex Corp.
Public Service Company of New Mexico
Puget Sound Energy
Salt River Project Agricultural Improvement and Power District
Seattle City Light
Shell Energy North America
PUD No. 1 of Snohomish County
Tacoma Power
The Energy Authority, Inc.