We’ll Get There Together

2017 PNUCC Annual Report
This year’s annual meeting theme is “Navigating Change.” Change has always been part of our industry, but perhaps it is the rate of change that is accelerating. Historically, when we think of navigation, we’ve thought of maps, compasses and sextants. Today, we just think about GPS and the map app on our smartphones. However, when I think of navigating change, one of my favorite quotations from Abraham Lincoln comes to mind:

“A compass might point you true north from where you’re standing, but it’s got no advice about the swamps, deserts and chasms that you’ll encounter along the way. If in pursuit of your destination, you plunge ahead heedless of obstacles, and achieve nothing more than to sink in a swamp... what’s the use of knowing true north?”

PNUCC is a way for all of us to share information and data, but perhaps more importantly, our organization is a valuable gathering spot to share our collective experience, judgment, wisdom and innovative ideas as we navigate the change before us. Hopefully, we will avoid the swamps. But at least if we fall in, we’ll be there with others to help pull us out.

My sincere thanks to the PNUCC Team—Shauna, Valarie and Tomás—for your continued excellent and high-quality work as well as to the PNUCC Board for your service and wisdom. Finally, thank you to all the PNUCC members who make this wonderful organization possible through your support.

Onward to True North... no swamps!

Roger Gray
Board Chair
Executive Director’s Message

The future of the power industry has been a constant theme for PNUCC. And this year is no different. Except, it’s no longer “are we there yet?” Instead, it may be “which way do we turn?” Whether it is policy changes driving future power supply decisions or a utility shifting gears to meet their customers’ changing needs today and down the road, the one constant as we look ahead will be change.

In our rearview mirror are a series of conversations, analyses and reports on how we navigate the ever-changing landscape and keep the lights on. We’ve compared notes on new business practices, looked under the hood at the latest integrated resource plans, tracked down emerging policies throughout the region and traveled through California to learn how their roadmap will impact Northwest utilities and their customers.

It is exciting to consider what might be around the next corner. Looking around any one of our PNUCC meetings you will see a new generation of utility leaders taking the wheel. In our forums, PNUCC members are strengthening their connections and paving the way for carrying on the tradition of bringing the power of good ideas together.

Yes, it is a new era. And I’m thrilled to be along for the ride. I look forward to all of you joining us for the next adventure, wherever the road leads us. We will navigate this changing industry together.

Shauna McReynolds
Executive Director

“Oh the places you’ll go.” – Dr. Seuss
For more than 70 years, the Pacific Northwest Utilities Conference Committee has successfully navigated a long and winding road as the Northwest was developing a robust hydropower system, growing in population, enjoying some of the lowest electric rates in the nation, and embracing energy conservation and renewables.

Founded in 1946 as an informal group of public and private utilities to assess power supplies and provide support for federal hydroelectric projects, PNUCC has expanded its role over the decades. We're now a destination where member utilities get accurate information, discuss issues of common interest and share thoughtful ideas that inform decision-making.

The value of PNUCC is acutely demonstrated during times—such as now—when our journey is buffeted by the crosswinds of change. Through the collaborative sharing of ideas and information, utility leaders are creating a new road map for success as the Northwest’s power supply, customer preferences, state and federal energy policies, and industry business models are undergoing enormous change and uncertainty. Our destination may remain unclear, but PNUCC members are firmly buckled into the driver’s seat as we navigate these changes.

In this annual report, we peek in the rearview mirror to highlight our 2017 activities and look out the windshield at the road before us.

**Power Supply and Demand: Congestion Ahead**

Every road trip has a starting and end point: Where are you headed and how long will it take you to get there? PNUCC is there to help guide our way. Each year, PNUCC’s *Northwest Regional Forecast* provides the only utility perspective on the future supply and demand for power in the Northwest. This forecast is foundational for ensuring the region has safe, reliable and affordable electricity.

The 2017 *Forecast* looked at supply and demand over the next 10 years through the lens of an industry undergoing transformation. Changing customer preferences and government energy policies make traditional approaches to modeling energy supply and demand less predictable than in the past.
The 2017 Forecast highlighted a potential gap of about 3,200 average megawatts during peak wintertime months by 2021, the result of modest growth in demand for electricity and the closure of a key coal-fired power plant near Boardman, Oregon. Other legacy coal-powered plants are expected to go offline in ensuing years, adding to the gap in the next decade.

In the next year, PNUCC will build on and enhance the integrated resource planning process by providing an easy-to-read dashboard. It will offer an interactive snapshot of key statistics and data points, helping utilities gain insight into integrated resource plans to better understand what is driving changes in power supply and demand.

The 2017 Forecast noted that while the Northwest has ample supplies of electricity now, demand for power could outstrip supply during peak winter months within the next several years.

Collaboration Zone

Going on a road trip isn’t always about the destination. Often, the journey itself is the best part of the trip. Who’s along for the ride and what will be talked about along the way? For most utility leaders, the journey provides the highest value to them.

This year, the region’s utility leaders dove into a wide range of issues: carbon policies and their implications, the various energy markets, the interdependence of electricity and natural gas, implementation of the Seventh Power Plan, and the changing utility business model. Working to identify common issues, sharing different perspectives, and having frank, valuable discussions to ensure that all members understand where their interests intersect—and where they diverge—is a key mission of PNUCC.

Not only were we testing innovative approaches to traditional business practices in an environment of change as the industry transitions from a past to a future state, the industry’s leadership continued to evolve. The momentum of retiring utility leaders has slowed to some degree in 2017. Still the new generation of utility leaders are gaining a great deal of mileage out of the getting-to-know-you time at PNUCC.
Carbon Emissions: Getting Better Mileage

Perhaps there’s no better example of the growing spirit of collaboration among utility leaders than PNUCC’s adopted Carbon Principles. Among other things, these principles call for a broad approach that ensures economic stability, keeps costs low for customers, and recognizes the region’s low carbon footprint and past accomplishments in energy efficiency, renewables and demand response.

These principles support creation of a road map for collaboration and success as the region—as well as California and other states—look at adopting carbon-reduction laws, policies and actions.

Adopting our new set of carbon principles reflects the growing collaboration among member utilities that have differing power generation profiles and don’t always agree. These principles showcase the positive ways in which we can agree.

—Roger Gray, PNUCC Board Chair

Embracing Uncertainty: Mapping the Future

Ever take off on a side road or pick a new route to your destination? You didn’t get lost and made it to your journey’s end—but you may have felt some uncertainty on the trip. That is true for the future of our industry, as well. More and more members embrace and accept the idea of uncertainty coming at us, especially in our predictions about power supply and demand.

This year, utilities continued to share how they incorporate an uncertain future into their strategic planning, whether it is using different or unique approaches to engaging customers with new services or changing their business models. And at PNUCC’s System Planning level, long-term planners are adding new uncertainties into their modeling for future supply and demand calculations.
Test-Driving New Ideas

Kicking the tires is an adage about making sure you do your homework before buying a new car. But taking that vehicle out on a test-drive is a more important task for every buyer. PNUCC provides a forum for members to road test ideas as they develop strategies for change.

Individual utilities are sharing far-ranging plans on rate restructuring, electric vehicles and net-metering, proposals for customer-facing services, and they are even comparing notes on best practices for customer engagement on vital utility policies. This sharing provides members with valuable information about what is working—or not working—for their peers.

Public Policy: Detours Ahead

PNUCC remains active in monitoring numerous state and federal energy policy issues that impact the industry. Bringing members together to share key policy concerns showed regional disparity in public policy among individual Northwest states, especially around renewable resource mandates and emissions. And the future of the Columbia River Treaty, which has implications on the hydroelectric system and cost of power, all create its own set of detours for utilities to navigate.

Looking at national energy markets took PNUCC down another road to explore and contrast existing market models. The Western Energy Imbalance Market reveals both opportunities and challenges to utilities. Some generating utilities are already enjoying economic value and lower carbon emissions through participation. While others are just beginning their journey into the emerging market.

California stayed on our radar as we looked at the impact of developing policy on Northwest utilities. Their carbon-reduction efforts are continuing to evolve with proposals for higher state mandates just around the corner. Northwest utilities are watching carefully and remain steadfast in highlighting the value of hydropower as clean, renewable energy that can help California or other states in meeting their goals.
Customers: Sharing the Road

For decades, the utility industry operated under a business model that was simple: provide safe, reliable power to customers at affordable prices. But today, customer preferences and wants are changing as fast as a Tesla on a straight stretch of Interstate 5. Customers are taking ahold of the wheel, or at the very least, are demanding that the driver follow their directions to the next destination.

This year, members focused on recognizing and learning more about how customer preferences are changing, what various utilities in the region are doing to meet those expectations, and what it takes to be valued, strategic partners to their customers.

Taking a road less traveled, industry partners were invited to the PNUCC forum to share their experiences and expectations of utilities as rapid expansion and economic development continues in the Northwest. These opportunities were illuminating and fueled our interest in creating stronger relationships with industry partners.

Thinking differently about how we deal with the future is perhaps the most important change we have to face.

—Scott Bolton, PNUCC Vice-Chair

The Journey Continues

A hallmark of PNUCC is that members can learn a great deal from each other through the sharing of information—whether it is about innovative rate design, public policy implications, net-metering and green-power options, or how utilities are better communicating with their customers. Through this sharing and discussion, Northwest utility leaders will continue bringing the power of good ideas together.
About PNUCC

PNUCC has played a pivotal role in the region’s electric utility industry for over 70 years. As a voluntary, nonprofit organization, PNUCC is a forum for bringing the power of good ideas to bear on a range of issues that affect electricity providers and large industrial users in the Northwest.

Today’s PNUCC members are consumer-owned and investor-owned utilities in Washington, Oregon, Idaho and Montana—west of the Continental Divide. Through PNUCC, members listen and learn from each other and help shape evolving regional policies.

Our Mission

Bringing the power of good ideas together to assist PNUCC members in fulfilling their company missions in this ever-changing electric industry.

PNUCC’s mission is accomplished by providing the:

- **Searchlight for changes** that will have a significant impact on how our industry does business in the future.
- **Catalyst for examining issues** that impact a significant portion of its membership.
- **Forum for dialogue** on policy issues of regional importance.
- **Hub to coordinate** technical analysis and data on vital Northwest power industry issues.
- **Resource for sharing information** on issues of regional importance to the power industry.
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Umatilla Electric Cooperative
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Wells Rural Electric Company
West Oregon Electric Cooperative
Whatcom County PUD

Budget
Staff Expenses $496,000
Overhead Expenses 177,000
Outside Services
General Consultant 13,000
Customer Collaborative 5,000
Council Meeting Report 24,000
TOTAL BUDGET $715,000