



MEMORANDUM

TO: IEDA Board
RE: Power Committee Report
DATE: September 7, 2024

Capacity, Demand, Pricing & Resource Adequacy

Despite concerns of load growth and increased demand from AI, prices have been lower than expected this summer thanks to new additions, the return of California hydropower and especially from low natural gas prices.

However, there have been indicators of things to come with the PJM capacity price hitting \$293-MW/Day and projections that it could jump up to the cap of \$695-MW/Day in upcoming auctions. The Northeast is also dealing with imminent issues, especially with the planned closure of the LNG import terminal.

The feds are taking steps to help increase the green transition by funding \$7.3B for the New ERA grant. AEPCO is set to receive an award for their solar project, with the award announcement planned for September 12th in Marana. BLM also recently released a plan to expand solar development in the West by up to 31M acres.

While solar has taken a dominant role in the new generation (428 GW installed last year), there are forays into new versions of traditional sources. Meta is installing a next-generation geothermal plant east of the Rockies. Fracking technology is assisting in the cost effectiveness of geothermal as well. The TVA Board recently approved \$150M in SMR nuclear funding.

Natural gas continues to serve as the base fuel, replacing coal's role of old. While we have once again enjoyed cheap natural gas, the demand due to increased electrification is impacting forecasts.

Enbridge CEO sees ‘colossal’ AI power use and expects US LNG consumption doubling. Others have forecasted that global natural gas demand could far outpace supply by 2030. Continued pressure to restrict LNG development in the US could impact pricing. As geopolitical complications continue to mount in and around Europe, expect natural gas prices to not remain so cheap for long.

California

As the adage goes, things that happen in California move east. Therefore, I wanted to highlight some issues that are occurring with our neighbor to the west.

Legislators are breaking with the Governor over the \$400M loan to Diablo Canyon. This is due to cost expectations for extending the life of the plant having doubled from \$6B to now nearly \$12B. If the plant, that accounts for @ 8% of California's total energy supply, isn't extended, the pressure on the grid could be significant.

While the lawmakers are taking a stand on Diablo Canyon, they have punted on dealing with budget and utility bill impacts of transmission projects/upgrades needed for the green transition.

Despite recent issues with controlled burns getting out of hand, California is experimenting with using robots to start fires for vegetation management. They are also experimenting with the first electric train.

Glen Canyon Dam

Smallmouth Bass “Cool Mix” flows are ongoing, with the experiment costing \$5M-\$7M/month in replacement power. WAPA was able to acquire a block of energy to offset the lost generation. Thankfully, summer prices have been 1/3 to 1/2 cheaper than anticipated. It is expected to cost \$15M-\$25M for 2024. Since this is an experiment, it is non-reimbursable but does impact the Basin Fund.

While there hasn't been any young of year SMB detected downstream of the dam, this could be due to the increased elevation of Powell and not the “Cool Mix”.

Future years could include any of the other alternatives, which could mean more costly options. It is likely that future costs won't see the summer prices that we saw this summer.

CREDA is encouraging WAPA to apply for funding from the IRA Bucket 2BE. This would be for a thermal curtain, which would provide a barrier to the SMB going through the penstocks and assist in cooling the water due to pulling cold water under the curtain.