



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

FREEDOM OF INFORMATION ACT/PRIVACY PROGRAM

September 17, 2025

In reply refer to: FOIA #BPA-2024-02017-F

**SENT VIA EMAIL ONLY TO:** [omitted]

Tony Schick  
Oregon Public Broadcasting

[omitted]

Dear Mr. Schick,

This communication is the Bonneville Power Administration's (BPA) final response to your request for agency records made under the Freedom of Information Act, 5 U.S.C. § 552 ("FOIA"). Your FOIA request was received on May 31, 2024, and formally acknowledged on June 26, 2024.

### Request

Based upon your original May 31, 2024, request and on subsequent emails exchanged with the agency during the week of June 3, 2024, your request is: 'Any [email and attachment] communications from, Kim Thompson, Vice President for NW Requirements Marketing; and Joel Cook, Chief Operating Officer; and Suzanne Cooper, Senior Vice President of Power Services, and dated from Jan 01, 2024, to May 31, 2024, which were generated regarding the agency's "Provider of Choice" policy, that also mention "competition", "market share", "wind", "solar", or "nonfederal resource" (or alternative spellings such as non-federal).

### Response

BPA has searched for and gathered 629 pages of responsive agency records from the agency's Outlook email system. The records accompany this communication, with the following redactions applied:

- 35 redactions applied under 5 U.S.C. § 552(b)(4) (Exemption 4)
- 120 redactions applied under 5 U.S.C. § 552(b)(5) (Exemption 5)
- 112 redactions applied under 5 U.S.C. § 552(b)(6) (Exemption 6)

### Explanation of Exemptions

The FOIA generally requires the release of all agency records upon request. However, the FOIA permits or requires withholding certain limited information that falls under one or more of nine statutory exemptions (5 U.S.C. §§ 552(b)(1-9)). Further, section (b) of the FOIA, which contains

the FOIA's nine statutory exemptions, also directs agencies to publicly release any reasonably segregable, non-exempt information that is contained in those records.

#### Exemption 4

Exemption 4 protects "trade secrets and commercial or financial information obtained from a person [that is] privileged or confidential." (5 U.S.C. § 552(b)(4)). Information is considered commercial or financial in nature if it relates to business or trade. This exemption is intended to protect the interests of both the agency and third-party submitters of information. Prior to publicly releasing agency records, BPA was required by Exemption 4 to solicit objections to the public release of any third party's confidential commercial information contained in the responsive records set. BPA provided third parties with an opportunity to formally object to the public release of their information contained in BPA records. PNGC and OPALCO submitted their objections to BPA. BPA accepted those objections, based on guidance available from the U.S. Department of Justice, and is withholding PNGC and OPALCO's commercial confidential information from public release. The FOIA does not permit a discretionary release of information otherwise protected by Exemption 4.

#### Exemption 5

Exemption 5 protects "inter-agency or intra-agency memorandums or letters which would not be available by law to a party other than an agency in litigation with the agency" (5 U.S.C. § 552(b)(5)).

The deliberative process privilege protects records showing the deliberative or decision-making processes of government agencies. Records protectable under this privilege must be both pre-decisional and deliberative. A record is pre-decisional if it is generated before the adoption of an agency policy. A record is deliberative if it reflects the give-and-take of the consultative process, either by assessing the merits of a particular viewpoint, or by articulating the process used by the agency to formulate a decision. Here, BPA relies on Exemption 5 to protect deliberative and pre-decisional communications about BPA's Provider of Choice Policy while the policy was being developed. These communications, internal to BPA or between BPA and the Department of Energy, concern decisions around the content, wording, and disclosure of the Provider of Choice policy that were under consideration at the time. Records protected by Exemption 5 may be discretionarily released. BPA has considered and declined a discretionary release of some pre-decisional and deliberative information in the responsive records set because disclosure of that information would harm the interests and protections encouraged by Exemption 5.

The attorney-client privilege protects confidential communications between an attorney and a client relating to a legal matter for which the client has sought professional advice. The privilege encompasses facts provided by the client and opinions provided by the attorney. In this case, BPA asserts Exemption 5 to protect legal analysis and advice provided by the Office of General Counsel in matters related to the Provider of Choice Policy.



### Exemption 6

Exemption 6 serves to protect Personally Identifiable Information (PII) contained in agency records when no overriding public interest in the information exists. BPA does not find an overriding public interest in release of the information redacted under Exemption 6—specifically, personal cell phone numbers, personal email addresses, conference call passcodes, and WebEx passcodes. This information sheds no light on the executive functions of the agency and BPA finds no overriding public interest in its release. BPA cannot waive these redactions, as the protections afforded by Exemption 6 belong to individuals and not to the agency.

Lastly, as required by 5 U.S.C. § 552(a)(8)(A), information has been withheld only in instances where, (1) disclosure is prohibited by statute, or (2) BPA foresees that disclosure would harm an interest protected by the exemption cited for the record. When full disclosure of a record is not possible, the FOIA statute further requires that BPA take reasonable steps to segregate and release nonexempt information. The agency has determined that in certain instances partial disclosure is possible and has accordingly segregated the records into exempt and non-exempt portions.

### **Fees**

There are no fees associated with processing your FOIA request.

### **Certification**

Pursuant to 10 C.F.R. § 1004.7(b)(2), I am the individual responsible for the records search and information release described above. Your FOIA request BPA-2024-02017-F is now closed with responsive agency information provided.

### **Appeal**

Note that the records release certified above is final. Pursuant to 10 C.F.R. § 1004.8, you may appeal the adequacy of the records search, and the completeness of this final records release, within 90 calendar days from the date of this communication. Appeals should be addressed to:

Director, Office of Hearings and Appeals  
HG-1, L'Enfant Plaza  
U.S. Department of Energy  
1000 Independence Avenue, S.W.  
Washington, D.C. 20585-1615

The written appeal, including the envelope, must clearly indicate that a FOIA appeal is being made. You may also submit your appeal by e-mail to [OHA.filings@hq.doe.gov](mailto:OHA.filings@hq.doe.gov), including the phrase “Freedom of Information Appeal” in the subject line. (The Office of Hearings and Appeals prefers to receive appeals by email.) The appeal must contain all the elements required by 10 C.F.R. § 1004.8, including a copy of the determination letter. Thereafter, judicial review will be available to you in the Federal District Court either (1) in the district where you reside,

(2) where you have your principal place of business, (3) where DOE's records are situated, or (4) in the District of Columbia.

Additionally, you may contact the Office of Government Information Services (OGIS) at the National Archives and Records Administration to inquire about the FOIA mediation services they offer. The contact information for OGIS is as follows:

Office of Government Information Services  
National Archives and Records Administration  
8601 Adelphi Road-OGIS  
College Park, Maryland 20740-6001  
E-mail: [ogis@nara.gov](mailto:ogis@nara.gov)  
Phone: 202-741-5770  
Toll-free: 1-877-684-6448  
Fax: 202-741-5769

Questions about this communication may be directed to James King, FOIA Public Liaison, at [jjking@bpa.gov](mailto:jjking@bpa.gov) or 503-230-7621. Questions may also be directed to Thanh Knudson, ACS Staffing, LLP, at [etknudson@bpa.gov](mailto:etknudson@bpa.gov) or 503-230-5221.

Sincerely,

Candice D. Palen  
Freedom of Information/Privacy Act Officer

[Responsive agency records accompany this communication.](#)

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**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Friday, January 5, 2024 5:03 PM  
**To:** Burczak, Sarah E (BPA) - PS-6; Fisher, Daniel H (BPA) - PSR-6; Reed, Scott G W (BPA) - PSR-6  
**Subject:** FW: RP-24 Workshop Comments from the NLSL Group  
**Attachments:** NLSL Group RP24 Comments Final.docx

Hi – we can circulate more... but wanted to start with you. While these comments are coming in as part of the resource program, a lot of the content is relevant to policy/contract/rate for NLSL. Good visibility, context and insight.

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**From:** Egerdahl, Ryan J (BPA) - PGPR-5 <[rjegerdahl@bpa.gov](mailto:rjegerdahl@bpa.gov)>  
**Sent:** Friday, January 5, 2024 4:38 PM  
**To:** Larsen, Nathaniel B (BPA) - LP-7 <[NBLarsen@bpa.gov](mailto:NBLarsen@bpa.gov)>; Johnson, Tim A (BPA) - LP-7 <[tajohnson@bpa.gov](mailto:tajohnson@bpa.gov)>; Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>; Cooper, Suzanne B (BPA) - P-6 <[sbcooper@bpa.gov](mailto:sbcooper@bpa.gov)>; Cathcart, Michelle M (BPA) - PG-5 <[mmcathcart@bpa.gov](mailto:mmcathcart@bpa.gov)>; Dibble, Rachel L (BPA) - PT-5 <[rlibble@bpa.gov](mailto:rlibble@bpa.gov)>; Hilliard Creecy, Jamae (BPA) - PE-6 <[jhilliard@bpa.gov](mailto:jhilliard@bpa.gov)>  
**Subject:** RP-24 Workshop Comments from the NLSL Group

FYI from a familiar source. ☺ We can talk more about this at our January 22<sup>nd</sup> RP Sponsor meeting. Have a good weekend.

Ryan

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**From:** Steve Kerns <[sandpiper@kernsfunk.net](mailto:sandpiper@kernsfunk.net)>  
**Sent:** Tuesday, January 2, 2024 1:42 PM  
**To:** Egerdahl, Ryan J (BPA) - PGPR-5 <[rjegerdahl@bpa.gov](mailto:rjegerdahl@bpa.gov)>; Dombeck, Brian J (BPA) - PGPR-5 <[bjdombeck@bpa.gov](mailto:bjdombeck@bpa.gov)>; BPA Resource Program <[ResourceProgram@bpa.gov](mailto:ResourceProgram@bpa.gov)>  
**Cc:** Miller, Andrew J (BPA) - PSE-6 <[ajmiller@bpa.gov](mailto:ajmiller@bpa.gov)>  
**Subject:** [EXTERNAL] RP-24 Workshop Comments from the NLSL Group

Greeting all and Happy New Year! I have attached formal written comments from the NLSL Group that we would like posted.

Please let me know if you have any questions

**Steve Kerns**  
Sandpiper Solutions, LLC  
503-593-5472  
[sandpiper@kernsfunk.net](mailto:sandpiper@kernsfunk.net)

## **NLSL Group Comments on the November 28<sup>th</sup> RP-24 Workshop**

The NLSL Group<sup>1</sup> is closely following BPA's current Resource Program (RP24) stakeholder process and, given the magnitude of expected load growth, believes that resource acquisition decisions made by BPA and customers over the next several years are the most critical decisions that have faced the region for the past couple decades. Members of the NLSL Group are experiencing unprecedented requests from developers that would like to locate large loads that would qualify as NLSLs within their service territory, but it is unclear how these loads can be served given changes in the energy markets, BPA's post-2028 power products, and BPA's ability to develop transmission solutions for new generating resources. The NLSL Group believes that RP-24 is an opportunity to develop a collaborative process between BPA and customers who will have a need to acquire resources for load that is not met by BPA's post-2028 contracts and offers these comments on NLSL issues related to the November 28<sup>th</sup> RP-24 workshop.

### **Scale of NLSL Load Growth**

The NLSL Group is pleased that BPA worked across business lines to develop a range of potential data center load from 2033. This estimate showed 1.6-5.2 GW of data center load by the time new Provider of Choice (PoC) contracts go into effect in FY29. Even though many potential NLSLs have non-disclosure agreements in place with the prospective utility that make it difficult to share specific estimates with other parties, the NLSL Group has reason to believe that the amount of data center load is more likely to be in the upper portion of the range rather than the lower portion. In other words, the NLSL Group believes that the midpoint of the estimate, 3.4 GWs in FY29, is more likely the minimum amount of data center load that can be expected and that these midpoint estimates should be the base assumption for data center load used for planning purposes. These data center midpoint estimates should then be combined with non-data center NLSL estimates (e.g., food processing facilities) to produce a total NLSL estimate that should be incorporated into RP-24. The NLSL Group would like BPA to provide this data at the next RP-24 workshop.

### **NLSL Load Service**

In Regional Dialogue contracts, there are three options in which an NLSL may be served for load following customers:

- By BPA via the New Resources (NR) rate
- With third-party purchases combined with BPA Power's (BPAP) Energy Shaping Service (ESS) (energy and capacity charges)

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<sup>1</sup> The NLSL Group is comprised of BPA preference customers who serve or expect to serve retail members and customers that the Northwest Power Act categorizes as "New Large Single Loads" (NLSLs). Member utilities include: Umatilla Electric Cooperative, Northern Wasco County PUD, Grant PUD, PNGC Power, Emerald PUD, Klickitat PUD, and Eugene Water and Electric Board.

- With non-Federal resources that may be combined with BPA's NR Resource Flattening Service (NRFS), Resource Shaping Charge (RSC), RSC Adjustment, and ESS as well as Generation Imbalance (GI) charged by BPA Transmission (BPAT).

Decisions on NLSL load service will include the following considerations:

- Economics of the load service options

To date, there have been no NLSLs served by BPA at the NR rate due to the high costs and inability to change contract elections within the 20-year Regional Dialogue contract period. Generally, most NLSLs are served by third-party purchases (many are from unspecified resources) combined with ESS. However, it is not clear whether there will be market liquidity for long-term block purchases as markets evolve in the West. It is also not clear how the costs of acquiring non-Federal resources coupled with the layers of BPA integration costs, an unknown risk of high Unauthorized Increase (UAI) penalties and unknown FCRPS supply for integration services will compare with the NR rate.

- Desire to participate in the Western Resource Adequacy Program (WRAP)

Participation in WRAP requires a load responsible entity (LRE) to specify resources that are required to meet peak demand plus a planning reserve margin (PRM). If an NLSL elects NR service, our understanding is that BPA becomes the LRE for that load, so participation in WRAP will be via BPA. If an NLSL elects either third-party purchases or non-Federal resources, these must be from specified resources and have sufficient qualified capacity to meet expected peak demand plus a PRM. NLSLs that do not elect NR service or acquire sufficient qualified capacity will need to go through a load exclusion process in WRAP, which has not yet been defined.

- Alignment with the evolution of energy markets.

As mentioned above, current NLSL load is generally served by third-party purchases either made annually, monthly or day-ahead. As energy markets evolve from bilaterally traded blocks to organized markets with hourly and sub-hourly dispatches, the conventional wisdom is that the liquidity of bilateral trading of physical blocks of power will diminish. It is also not clear how existing integration services provided by BPAP will function in an organized market. In addition, NLSLs with flexible demand or behind-the-meter generation will be interested in participating in markets that recognize the capacity and energy value of demand response.

- Transmission Availability

Regardless of the method for serving NLSL load, sufficient transmission is required to assure that generation can be delivered to the NLSL. The NLSL Group is hopeful that proposed queue reforms will streamline the development of non-Federal resources that

may be used to serve NLSL load, however the timing of non-Federal resource development and the development of new PoC contracts may not be aligned.

It is also not clear whether there is sufficient NT transmission service available to meet this additional NLSL demand. Discussions at the November 8<sup>th</sup> NITS Roundtable meeting hinted at implications for new network load, which left some attendees requiring more detailed information about NT access for new NLSLs.

### **Incorporating NLSLs into RP-24**

In the November 28<sup>th</sup> workshop, BPA proposed to exclude NLSLs from both the Base and Fast Transition scenarios. Instead, BPA proposed to perform a sensitivity study that would treat some amount of NLSL and IOU load taking NR service as a flat block. Given the magnitude of NLSL growth, the NLSL Group believes that there will be an impact to the Needs Assessment regardless of the method of load service.

In addition, in response to policy mandates for generating resources with zero carbon emissions, many new resources being developed in the region will be variable resources. It is imperative that existing long-term transmission rights be utilized to meet load obligations without having the benefit of dispatchable resources or a liquid firm market that the existing transmission system was designed around. The NLSL Group believes that it is likely that there will be less reliance on third-party block purchases and more uses of BPA NR load service and non-Federal generation and that it is more likely that BPA will be asked to serve NLSL load at the NR Rate if there is not a clear path for non-federal resource development in place by the time new PoC contracts are to be signed or if there is no contract flexibility for NR rate election.

Finally, it is not clear whether there is sufficient FCRPS capacity to supply integration services (ESS, NRFS, RSC, RSC Adjustment, GI) for new non-Federal resources that may be necessary to serve NLSL load. Members of the NLSL Group have raised questions as to whether the 2024 Resource Program has considered scenarios that utilize non-FCRPS resources (such as storage resources) to support transmission services, thereby freeing up flexibility within the FCRPS hydro system to provide BPAP products to either integrate non-federal resources and/or provide load service.

The NLSL Group would like BPA to consider the following as part of the Base and Fast Transition cases:

- At a minimum, BPA should include any NLSL that has requested NR service during the study period
- BPA should develop a methodology for capturing the impacts of integration services (ESS, NRFS, RSC, RSC Adjustment, GI) in Needs Assessment studies
- The studies should include an explicit assumption for how NLSLs are treated (for example, 25% at the NR rate, 50% with non-federal resources plus integration services, 25% block purchases with ESS)



- The resource program should include a specific analysis on the FCRPS capability to provide integration service, which should be a One-BPA approach that considers the needs of BPAP customers and the needs of BPAT to maintain load/resource balance.
- The high load factor nature of many NLSLs and appropriate resources to serve this load should be considered for those electing to be served at the NR Rate.
- BPA needs to consider and discuss with customers how BPAP/BPAT products and services can be studied based on expected shapes of load and non-federal generation acquired to meet that load. For example, BPAP products using a HLH/LLH index may not be appropriate as the region moves to a day-ahead market with hourly granularity. The NLSL Group believes that a collaborative approach to create durable solutions on how NLSL load will be served with the expected mix of future resources is necessary.

### **Resource Program Stakeholder Engagement**

The NLSL Group believes that collaboration between BPAP/BPAT and their customers is critical in order to develop solutions for using non-federal generation to meet loads not met by BPAP. BPA's Resource Program offers a unique opportunity to utilize a modeling framework that uses modern analytical tools to perform not only Needs Assessment for BPAP, but also assess the needs of BPAT for balancing services. The NLSL Group is very open to establishing a process that brings stakeholders together with BPAP/BPAT to better understand the detailed modeling assumptions and methodologies.



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**From:** Cooper,Suzanne B (BPA) - P-6  
**Sent:** Friday, January 5, 2024 5:16 PM  
**To:** Thompson,Kim T (BPA) - PS-6  
**Subject:** FW: [EXTERNAL] Seattle City Light Comments on December 12th, 2023 Provider of Choice Planned Product Design Workshop  
**Attachments:** FINAL 2024-01-05 SCL Comments on December 12, 2024 Provider of Choice Planned Product Design Workshop.pdf

Forwarding in case these didn't make it to you yet...

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**From:** Bach, Alan <[Alan.Bach@seattle.gov](mailto:Alan.Bach@seattle.gov)>  
**Sent:** Friday, January 5, 2024 1:38 PM  
**To:** Post-2028 <[Post2028@bpa.gov](mailto:Post2028@bpa.gov)>  
**Cc:** Cooper,Suzanne B (BPA) - P-6 <[sbcooper@bpa.gov](mailto:sbcooper@bpa.gov)>; Patton,Kathryn B (BPA) - PSW-SEATTLE <[kbpatton@bpa.gov](mailto:kbpatton@bpa.gov)>; Dockery, Paul <[Paul.Dockery@seattle.gov](mailto:Paul.Dockery@seattle.gov)>; Walter, Josh <[Josh.Walter@seattle.gov](mailto:Josh.Walter@seattle.gov)>  
**Subject:** [EXTERNAL] Seattle City Light Comments on December 12th, 2023 Provider of Choice Planned Product Design Workshop

Dear BPA,

Please find attached Seattle City Light's comments on the December 12<sup>th</sup> Provider of Choice Planned Product Design Workshop.

ALAN BACH (he/him/his)  
SEATTLE CITY LIGHT  
Power Analyst | Power Contracts & Regional Affairs  
[Alan.Bach@seattle.gov](mailto:Alan.Bach@seattle.gov) | (206) 615-0941

January 5, 2024

BONNEVILLE POWER ADMINISTRATION  
905 NE 11<sup>TH</sup> AVENUE  
PORTLAND OR 97232

Submitted via email: [post2028@bpa.gov](mailto:post2028@bpa.gov)

### **Comments on December 12, 2023 Provider of Choice Planned Product Design Workshop**

Thank you for the opportunity to comment on BPA's Provider of Choice (POC) Planned Product Design and Market Compatibility Workshop held December 12, 2023. We appreciate that BPA's workshops offer a platform for parties to voice their positions. Below, City Light provides our response to select topics discussed by BPA and other parties during the workshop.

#### *Future Workshops*

City Light appreciates that BPA has expanded the scope of the Provider of Choice workshop to allow more in-depth discussion of product design and policy issues. During the workshop BPA stated that there would be several workshop workstreams for the Provider of Choice process, and in all it may be necessary for parties to meet several times a month. City Light agrees that this volume of workshops may be necessary, and highlights in particular the need for more working sessions to develop contract language. City Light finds BPA's contract language proposal on slides 16-24 to be a good starting point, but BPA must retain flexibility to schedule specific working sessions for key contract language issues as they become apparent.

#### *Calculation of Customer Dedicated Resources*

In 2022, BPA adopted a new methodology to calculate firm federal resource outputs based on 30-year historic P10 resource outputs, rather than outputs in the 1937 critical water outputs.<sup>1</sup> One of the main reasons for BPA's switch to the new P10 methodology is due to changing stream flows as a result of climate change, which makes 1937 stream flows no longer representative of future stream flows.<sup>2</sup> City Light recommends that BPA's Provider of Choice process also give each individual customer the option to recalculate their dedicated resource outputs. Recalculating customer dedicated resource outputs based on the P10 methodology would acknowledge that customer resources may also have different firm outputs in the future due to climate change.

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<sup>1</sup> BPA Climate Change Update to the Long-Term Hydro Generation Forecast letter. <https://www.bpa.gov/-/media/Aep/power/hydropower-data-studies/climate-change-update-to-the-long-term-hydro-generation-forecast-letter.pdf>.

<sup>2</sup> BPA Change Update to the Long-Term Hydro Generation Forecast letter.



Additionally, City Light urges BPA to incorporate in its Provider of Choice policy a means to modify resource forecast methodologies of both BPA and customer resource as our collective understanding of the impacts of climate change on resources evolves. For example, future discussion could include whether a forward-looking forecast that utilized climate models would be more accurate than the backwards looking historic trend of the P10 methodology. Regardless, in the present time customers should at minimum have the option to adjust their methodology to be consistent with the P10 methodology used to calculate the outputs of BPA's resources.

#### *Block with Shaping Capacity Product*

Following evaluation of BPA's Block with Shaping Capacity Tool City Light continues to have concerns of the feasibility of BPA's Block with Shaping Capacity product as proposed, given the product's restrictive ramping rate and max and min hourly capacity delivery constraints. BPA has previously stated that it assumes a customer taking the Block with Shaping Capacity product to meet its P50 peak loads would purchase 10-15% Shaping Capacity to meet 2/3 of its peak need above average load with non-federal resources (i.e., the Block with Shaping Capacity would meet the remaining 1/3 of peak need).<sup>3</sup> This prompted City Light to test the assumption that a 15% Shaping Capacity product would meet 1/3 of City Light's peak needs on City Light's January 2024 P50 load.<sup>4</sup>

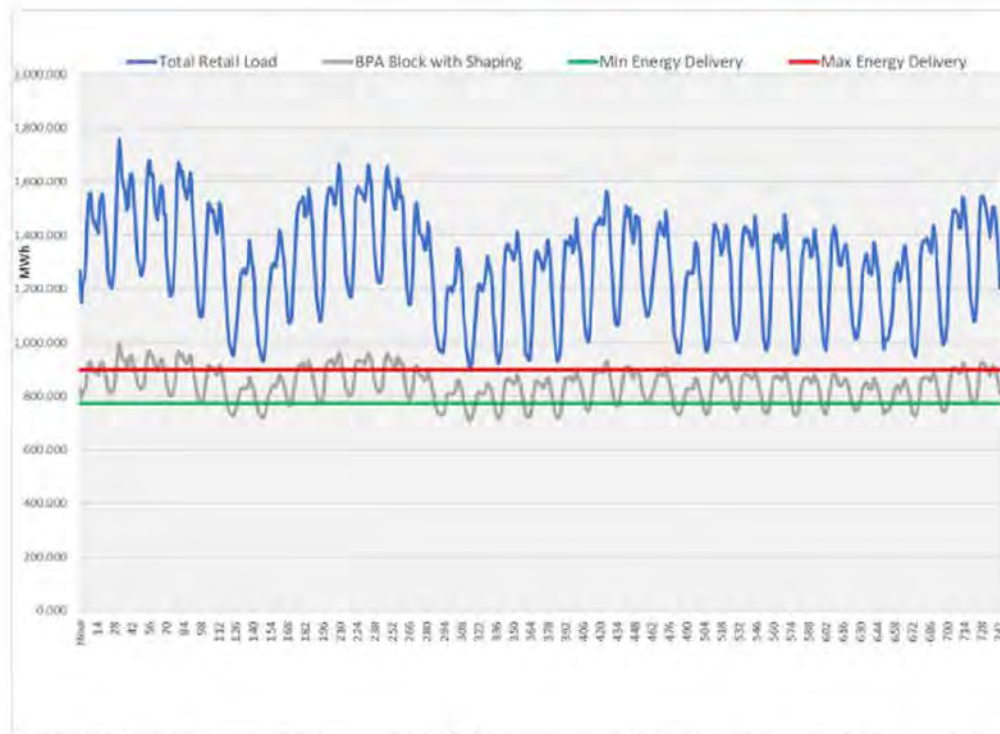
In its analysis, contrary to BPA's assumptions, City Light found that if it shaped the Block with Shaping Capacity product to 1/3 of its hourly load changes City Light would violate the product's maximum and minimum delivery constraints in 287 of the 744 hours and the ramping constraints in 359 of the 744 hours. Even if only maximum delivery violations are considered the product had violations in 150 of the 744 hours, meaning that in 150 of the 744 hours the 15% Shaping Capacity product would not allow City Light to take enough capacity for it to contribute to 1/3 of City Light's peak needs above its P50 load. These violations are depicted in Figures 1 and 2 below. Violations of the maximum and minimum delivery constraints occur when the grey Block with Shaping Capacity line falls outside the red and green maximum and minimum lines in Figure 1 below. Violations of the ramping rate constraint occurs when the hourly ramping rate falls outside of the red maximum and minimum ramping rate lines in Figure 2 below.

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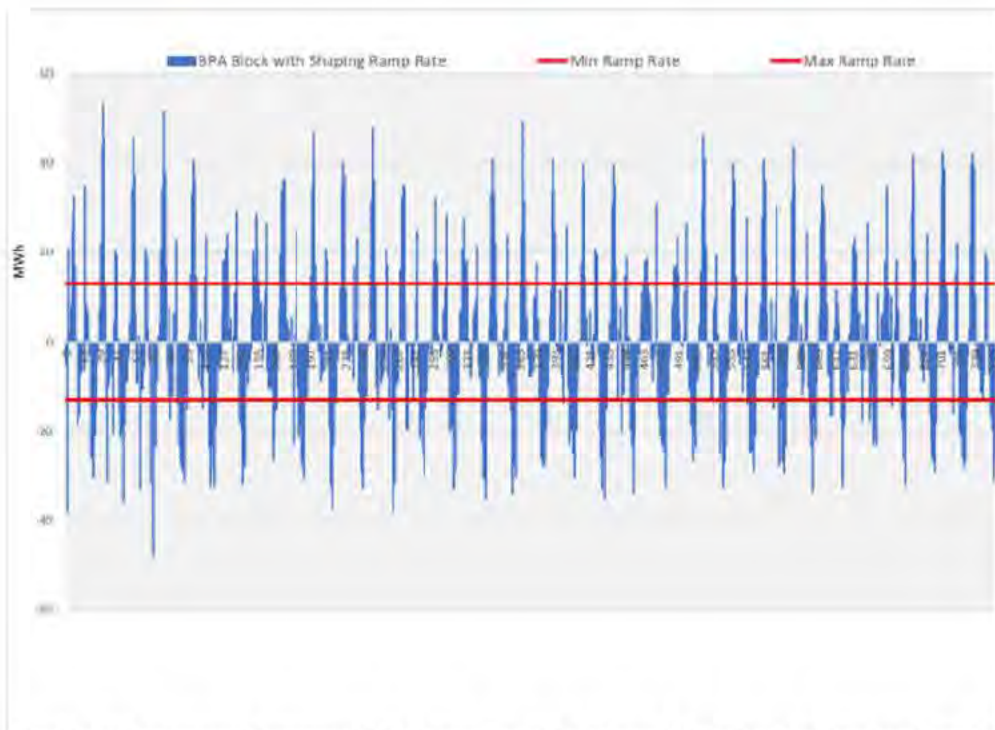
<sup>3</sup> BPA November 14, 2023, Provider of Choice Planned Product Design Workshop, slide 24.

<https://www.bpa.gov/-/media/Aep/power/provider-of-choice/20231114-provider-of-choice-product-workshop.pdf>.

<sup>4</sup> To model this assumption City Light assumed that any load above average for the month would be met 1/3 by the Block with Shaping Capacity product. For example, if City Light's total retail load for January 2024 averages to 1,200 aMW and its non-federal resources average to 400 aMW, the flat January 2024 block is 800 MW. If the load for a given hour is 100 MW greater than the average for the month, it is assumed that the Block with Shaping Capacity would increase by  $100 \text{ MW} / 3 = 33 \text{ MW}$  for a total value of 833 MW, so that 1/3 of load above average is met with the product.



**Figure 1: City Light Forecasted January 2024 Minimum and Maximum Energy Delivery Constraint Violations if Block with Shaping Capacity Product is Shaped to BPA's Assumptions**



**Figure 2: City Light Forecasted January 2024 Ramp Rate Violations if Block with Shaping Capacity Product is Shaped to BPA's Assumptions**

Moreover, even if City Light's forecasted January 2024 load is an outlier (which City Light does not believe is the case) the Block with Shaping Capacity product, constrained as currently envisioned, would fall significantly short of contributing to City Light's peak load at the level BPA has assumed. If City Light attempts to use the product to meet only 1/4 of its peak need above average load rather than BPA's assumption of 1/3, City Light would still violate the max and min delivery constraints in 169 of 744 hours (79 hours of maximum delivery violations) and the ramping rate in 283 of 744 hours.

In order for City Light to meet 1/3 of its hourly load changes with the product while violating the max/min delivery constraints in less than 10% of hours, the product would need to increase from 50% of the shaping capacity to 82%. That is, City Light would need to be able to flex the product above the flat block up to 82% of the purchased shaping capacity, which in the case of a 15% Shaping Capacity purchase would be  $82\% \times 15\% = 12.3\%$ , rather than the current allowed  $50\% \times 15\% = 7.5\%$ .<sup>5</sup> This could be illustrated in Figure 1 by increasing the distance between the red and green constraint lines, which would reduce the number of hours that the grey Shaping Capacity line falls outside of the constraint lines to 10% of hours.

<sup>5</sup> In actuality, a customer would not be able to violate the constraints in any hours. Hours of violation would instead manifest in the customer not fully meeting 1/3 of its hourly load changes with the product.



Additionally, to keep City Light from violating the ramping constraint by no more than 10% of hours, the maximum hourly ramp rate would need to increase from 10% to 26%. That is, a customer that purchased 15% Shaping Capacity could change their hourly delivery by up to  $26\% \times 15\% = 3.9\%$  of their flat block each hour, rather than  $10\% \times 15\% = 1.5\%$ . This could be illustrated in Figure 2 by increasing the distance between the two red constraint lines, which would reduce the number of hours the ramping rate falls outside of the constraint lines.

As explained above, City Light's analysis indicates that the Block with Shaping Capacity product is not consistent with BPA's assumptions of what the product should be capable of. Arguably, a product designed to help meet peak loads should contribute to a percentage of a customer's peak loads at least in proportion to how much it contributes to meeting a customer's total retail load. Forty-five percent of City Light's load is expected to be met by BPA products in FY 2024, and 64% of City Light's load is expected to be met by BPA products specifically in the month of January 2024, rather than 1/3. City Light is aware that the product does not preclude City Light or other customers from purchasing more than 15% Shaping Capacity to allow the product to meet a higher share of peak load, but the 10-15% Shaping Capacity is what BPA has set forth as the expected purchase range for the product.

In the December workshop, BPA stated its rationale for the 10% ramping rate is because otherwise a customer could take too much energy and have difficulty being "energy neutral" compared to a flat block by the end of the month. However, a low ramping rate can make it more difficult for a customer to be energy neutral, rather than easier. The slow ramping rate forces customers to spend multiple hours ramping up and down with many hours taking energy greater than their flat block amount in order to address peak loads. In total, the current 10% ramping rate and max energy delivery of 50% of Shaping Capacity means a customer must take greater energy than their flat block amount for at least 9 hours for each instance they intend to take energy at their max allowable energy delivery. This is because a customer attempting to ramp up from a flat block amount can at most ramp up by 10% in the first hour per the proposed ramping rate constraint, an additional 10% for a total of 20% in the second hour, and then 30%, 40%, and finally 50% of Shaping Capacity above the flat block in the third to fifth hours respectively. They must then spend at least 4 hours ramping back down taking at least 40%, 30%, 20%, and 10% of Shaping Capacity above the flat block due to the ramping rate constraint preventing the customer from ramping down faster. This makes it difficult for a customer with frequent peaks to be energy neutral, as such a customer could not take energy less than the flat block for many hours each day.

Finally, BPA proposes several additional variations of the Block with Shaping Capacity product that BPA presents as helping a customer meet its P50 and P10 peak loads.<sup>6</sup> BPA proposes to limit the capacity a customer can purchase from these variations based on a customer's peak net requirements (PNR).<sup>7</sup> However, City Light's PNR for the Winter 2023-24 Western Resource Adequacy Program (WRAP) season

<sup>6</sup> BPA November 14, 2023, Provider of Choice Planned Product Design Workshop, slides 17-18.

<sup>7</sup> BPA November 14, 2023, Provider of Choice Planned Product Design Workshop, slides 17-18.

is *below* its flat block amount.<sup>8</sup> This causes these additional variations of the Block with Shaping Capacity product to provide no additional capacity to help City Light meet its P50 and P10 peak loads with the product, and therefore are not working as intended. To resolve the issues City Light has observed and improve the usefulness of this product, City Light suggests that BPA consider redesign of the product to allow customers to access higher shaping capacity levels at faster ramping rates, and to revise BPA's proposed PNR methodology.

Thank you for the opportunity to comment. We look forward to continuing the discussion on product design, policy issues, contract language, customer resource recalculation, and other important topics as BPA continues its POC process.

cc:

Suzanne Cooper, Bonneville Power Administration

Kathryn Patton, Bonneville Power Administration

---

<sup>8</sup> This occurs because the WRAP Qualifying Capacity Contributions of City Light's resources can significantly exceed the difference between City Light's peak load and a flat block purchase.



---

**From:** Cooper,Suzanne B (BPA) - P-6  
**Sent:** Friday, January 5, 2024 5:17 PM  
**To:** Patton,Kathryn B (BPA) - PSW-SEATTLE  
**Cc:** Thompson,Kim T (BPA) - PS-6; Wilson,Scott K (BPA) - PSW-6  
**Subject:** FW: [EXTERNAL] Seattle City Light Comments on December 12th, 2023 Provider of Choice Planned Product Design Workshop  
**Attachments:** FINAL 2024-01-05 SCL Comments on December 12, 2024 Provider of Choice Planned Product Design Workshop.pdf

Hi Kate – Interested in your take on SCL's results...

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**From:** Bach, Alan <[Alan.Bach@seattle.gov](mailto:Alan.Bach@seattle.gov)>  
**Sent:** Friday, January 5, 2024 1:38 PM  
**To:** Post-2028 <[Post2028@bpa.gov](mailto:Post2028@bpa.gov)>  
**Cc:** Cooper,Suzanne B (BPA) - P-6 <[sbcooper@bpa.gov](mailto:sbcooper@bpa.gov)>; Patton,Kathryn B (BPA) - PSW-SEATTLE <[kbpatton@bpa.gov](mailto:kbpatton@bpa.gov)>; Dockery, Paul <[Paul.Dockery@seattle.gov](mailto:Paul.Dockery@seattle.gov)>; Walter, Josh <[Josh.Walter@seattle.gov](mailto:Josh.Walter@seattle.gov)>  
**Subject:** [EXTERNAL] Seattle City Light Comments on December 12th, 2023 Provider of Choice Planned Product Design Workshop

Dear BPA,

Please find attached Seattle City Light's comments on the December 12<sup>th</sup> Provider of Choice Planned Product Design Workshop.

ALAN BACH (he/him/his)  
SEATTLE CITY LIGHT  
Power Analyst | Power Contracts & Regional Affairs  
[Alan.Bach@seattle.gov](mailto:Alan.Bach@seattle.gov) | (206) 615-0941

January 5, 2024

BONNEVILLE POWER ADMINISTRATION  
905 NE 11<sup>TH</sup> AVENUE  
PORTLAND OR 97232

Submitted via email: [post2028@bpa.gov](mailto:post2028@bpa.gov)

### **Comments on December 12, 2023 Provider of Choice Planned Product Design Workshop**

Thank you for the opportunity to comment on BPA's Provider of Choice (POC) Planned Product Design and Market Compatibility Workshop held December 12, 2023. We appreciate that BPA's workshops offer a platform for parties to voice their positions. Below, City Light provides our response to select topics discussed by BPA and other parties during the workshop.

#### *Future Workshops*

City Light appreciates that BPA has expanded the scope of the Provider of Choice workshop to allow more in-depth discussion of product design and policy issues. During the workshop BPA stated that there would be several workshop workstreams for the Provider of Choice process, and in all it may be necessary for parties to meet several times a month. City Light agrees that this volume of workshops may be necessary, and highlights in particular the need for more working sessions to develop contract language. City Light finds BPA's contract language proposal on slides 16-24 to be a good starting point, but BPA must retain flexibility to schedule specific working sessions for key contract language issues as they become apparent.

#### *Calculation of Customer Dedicated Resources*

In 2022, BPA adopted a new methodology to calculate firm federal resource outputs based on 30-year historic P10 resource outputs, rather than outputs in the 1937 critical water outputs.<sup>1</sup> One of the main reasons for BPA's switch to the new P10 methodology is due to changing stream flows as a result of climate change, which makes 1937 stream flows no longer representative of future stream flows.<sup>2</sup> City Light recommends that BPA's Provider of Choice process also give each individual customer the option to recalculate their dedicated resource outputs. Recalculating customer dedicated resource outputs based on the P10 methodology would acknowledge that customer resources may also have different firm outputs in the future due to climate change.

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<sup>1</sup> BPA Climate Change Update to the Long-Term Hydro Generation Forecast letter. <https://www.bpa.gov/-/media/Aep/power/hydropower-data-studies/climate-change-update-to-the-long-term-hydro-generation-forecast-letter.pdf>.

<sup>2</sup> BPA Change Update to the Long-Term Hydro Generation Forecast letter.



Additionally, City Light urges BPA to incorporate in its Provider of Choice policy a means to modify resource forecast methodologies of both BPA and customer resource as our collective understanding of the impacts of climate change on resources evolves. For example, future discussion could include whether a forward-looking forecast that utilized climate models would be more accurate than the backwards looking historic trend of the P10 methodology. Regardless, in the present time customers should at minimum have the option to adjust their methodology to be consistent with the P10 methodology used to calculate the outputs of BPA's resources.

#### *Block with Shaping Capacity Product*

Following evaluation of BPA's Block with Shaping Capacity Tool City Light continues to have concerns of the feasibility of BPA's Block with Shaping Capacity product as proposed, given the product's restrictive ramping rate and max and min hourly capacity delivery constraints. BPA has previously stated that it assumes a customer taking the Block with Shaping Capacity product to meet its P50 peak loads would purchase 10-15% Shaping Capacity to meet 2/3 of its peak need above average load with non-federal resources (i.e., the Block with Shaping Capacity would meet the remaining 1/3 of peak need).<sup>3</sup> This prompted City Light to test the assumption that a 15% Shaping Capacity product would meet 1/3 of City Light's peak needs on City Light's January 2024 P50 load.<sup>4</sup>

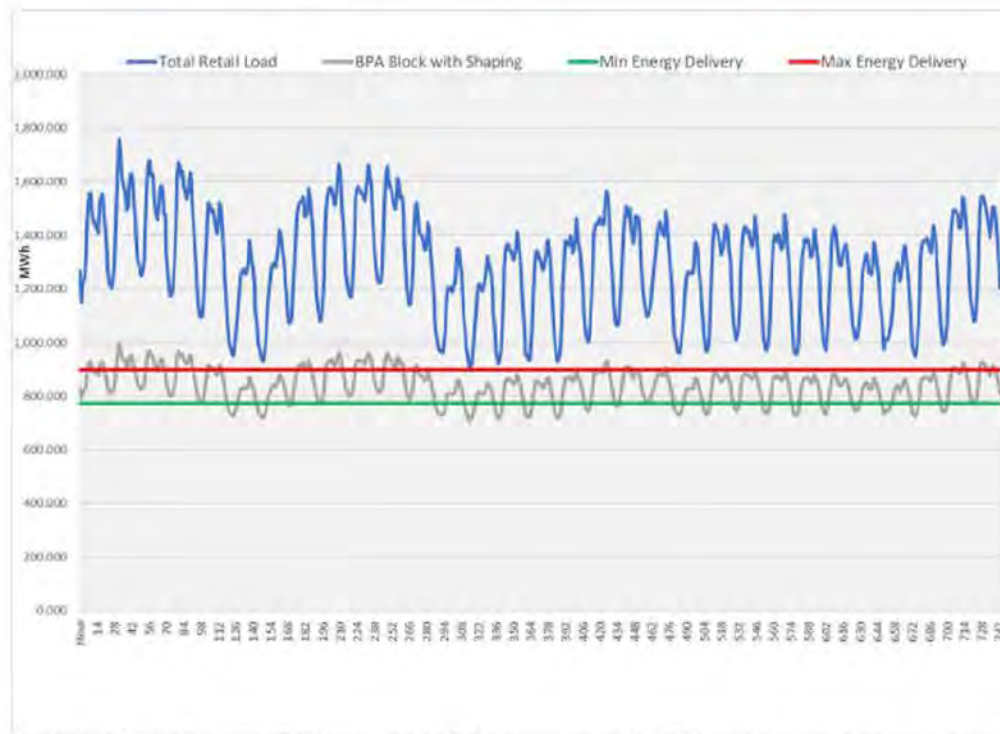
In its analysis, contrary to BPA's assumptions, City Light found that if it shaped the Block with Shaping Capacity product to 1/3 of its hourly load changes City Light would violate the product's maximum and minimum delivery constraints in 287 of the 744 hours and the ramping constraints in 359 of the 744 hours. Even if only maximum delivery violations are considered the product had violations in 150 of the 744 hours, meaning that in 150 of the 744 hours the 15% Shaping Capacity product would not allow City Light to take enough capacity for it to contribute to 1/3 of City Light's peak needs above its P50 load. These violations are depicted in Figures 1 and 2 below. Violations of the maximum and minimum delivery constraints occur when the grey Block with Shaping Capacity line falls outside the red and green maximum and minimum lines in Figure 1 below. Violations of the ramping rate constraint occurs when the hourly ramping rate falls outside of the red maximum and minimum ramping rate lines in Figure 2 below.

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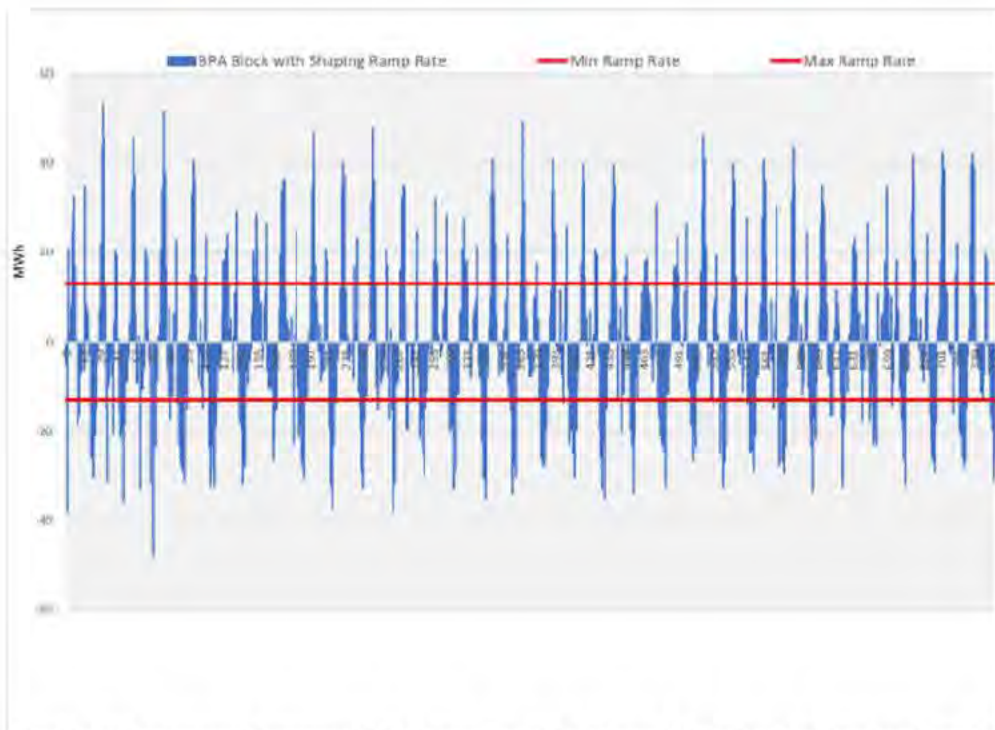
<sup>3</sup> BPA November 14, 2023, Provider of Choice Planned Product Design Workshop, slide 24.

<https://www.bpa.gov/-/media/Aep/power/provider-of-choice/20231114-provider-of-choice-product-workshop.pdf>.

<sup>4</sup> To model this assumption City Light assumed that any load above average for the month would be met 1/3 by the Block with Shaping Capacity product. For example, if City Light's total retail load for January 2024 averages to 1,200 aMW and its non-federal resources average to 400 aMW, the flat January 2024 block is 800 MW. If the load for a given hour is 100 MW greater than the average for the month, it is assumed that the Block with Shaping Capacity would increase by  $100 \text{ MW} / 3 = 33 \text{ MW}$  for a total value of 833 MW, so that 1/3 of load above average is met with the product.



**Figure 1: City Light Forecasted January 2024 Minimum and Maximum Energy Delivery Constraint Violations if Block with Shaping Capacity Product is Shaped to BPA's Assumptions**



**Figure 2: City Light Forecasted January 2024 Ramp Rate Violations if Block with Shaping Capacity Product is Shaped to BPA's Assumptions**

Moreover, even if City Light's forecasted January 2024 load is an outlier (which City Light does not believe is the case) the Block with Shaping Capacity product, constrained as currently envisioned, would fall significantly short of contributing to City Light's peak load at the level BPA has assumed. If City Light attempts to use the product to meet only 1/4 of its peak need above average load rather than BPA's assumption of 1/3, City Light would still violate the max and min delivery constraints in 169 of 744 hours (79 hours of maximum delivery violations) and the ramping rate in 283 of 744 hours.

In order for City Light to meet 1/3 of its hourly load changes with the product while violating the max/min delivery constraints in less than 10% of hours, the product would need to increase from 50% of the shaping capacity to 82%. That is, City Light would need to be able to flex the product above the flat block up to 82% of the purchased shaping capacity, which in the case of a 15% Shaping Capacity purchase would be  $82\% \times 15\% = 12.3\%$ , rather than the current allowed  $50\% \times 15\% = 7.5\%$ .<sup>5</sup> This could be illustrated in Figure 1 by increasing the distance between the red and green constraint lines, which would reduce the number of hours that the grey Shaping Capacity line falls outside of the constraint lines to 10% of hours.

<sup>5</sup> In actuality, a customer would not be able to violate the constraints in any hours. Hours of violation would instead manifest in the customer not fully meeting 1/3 of its hourly load changes with the product.



Additionally, to keep City Light from violating the ramping constraint by no more than 10% of hours, the maximum hourly ramp rate would need to increase from 10% to 26%. That is, a customer that purchased 15% Shaping Capacity could change their hourly delivery by up to  $26\% \times 15\% = 3.9\%$  of their flat block each hour, rather than  $10\% \times 15\% = 1.5\%$ . This could be illustrated in Figure 2 by increasing the distance between the two red constraint lines, which would reduce the number of hours the ramping rate falls outside of the constraint lines.

As explained above, City Light's analysis indicates that the Block with Shaping Capacity product is not consistent with BPA's assumptions of what the product should be capable of. Arguably, a product designed to help meet peak loads should contribute to a percentage of a customer's peak loads at least in proportion to how much it contributes to meeting a customer's total retail load. Forty-five percent of City Light's load is expected to be met by BPA products in FY 2024, and 64% of City Light's load is expected to be met by BPA products specifically in the month of January 2024, rather than 1/3. City Light is aware that the product does not preclude City Light or other customers from purchasing more than 15% Shaping Capacity to allow the product to meet a higher share of peak load, but the 10-15% Shaping Capacity is what BPA has set forth as the expected purchase range for the product.

In the December workshop, BPA stated its rationale for the 10% ramping rate is because otherwise a customer could take too much energy and have difficulty being "energy neutral" compared to a flat block by the end of the month. However, a low ramping rate can make it more difficult for a customer to be energy neutral, rather than easier. The slow ramping rate forces customers to spend multiple hours ramping up and down with many hours taking energy greater than their flat block amount in order to address peak loads. In total, the current 10% ramping rate and max energy delivery of 50% of Shaping Capacity means a customer must take greater energy than their flat block amount for at least 9 hours for each instance they intend to take energy at their max allowable energy delivery. This is because a customer attempting to ramp up from a flat block amount can at most ramp up by 10% in the first hour per the proposed ramping rate constraint, an additional 10% for a total of 20% in the second hour, and then 30%, 40%, and finally 50% of Shaping Capacity above the flat block in the third to fifth hours respectively. They must then spend at least 4 hours ramping back down taking at least 40%, 30%, 20%, and 10% of Shaping Capacity above the flat block due to the ramping rate constraint preventing the customer from ramping down faster. This makes it difficult for a customer with frequent peaks to be energy neutral, as such a customer could not take energy less than the flat block for many hours each day.

Finally, BPA proposes several additional variations of the Block with Shaping Capacity product that BPA presents as helping a customer meet its P50 and P10 peak loads.<sup>6</sup> BPA proposes to limit the capacity a customer can purchase from these variations based on a customer's peak net requirements (PNR).<sup>7</sup> However, City Light's PNR for the Winter 2023-24 Western Resource Adequacy Program (WRAP) season

<sup>6</sup> BPA November 14, 2023, Provider of Choice Planned Product Design Workshop, slides 17-18.

<sup>7</sup> BPA November 14, 2023, Provider of Choice Planned Product Design Workshop, slides 17-18.

is *below* its flat block amount.<sup>8</sup> This causes these additional variations of the Block with Shaping Capacity product to provide no additional capacity to help City Light meet its P50 and P10 peak loads with the product, and therefore are not working as intended. To resolve the issues City Light has observed and improve the usefulness of this product, City Light suggests that BPA consider redesign of the product to allow customers to access higher shaping capacity levels at faster ramping rates, and to revise BPA's proposed PNR methodology.

Thank you for the opportunity to comment. We look forward to continuing the discussion on product design, policy issues, contract language, customer resource recalculation, and other important topics as BPA continues its POC process.

cc:

Suzanne Cooper, Bonneville Power Administration

Kathryn Patton, Bonneville Power Administration

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<sup>8</sup> This occurs because the WRAP Qualifying Capacity Contributions of City Light's resources can significantly exceed the difference between City Light's peak load and a flat block purchase.



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**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Monday, January 8, 2024 7:29 AM  
**To:** Wilson, Scott K (BPA) - PSW-6  
**Subject:** FW: [EXTERNAL] Seattle City Light Comments on December 12th, 2023 Provider of Choice Planned Product Design Workshop  
**Attachments:** FINAL 2024-01-05 SCL Comments on December 12, 2024 Provider of Choice Planned Product Design Workshop.pdf

Hi Scott – I'm sure this would make its way to you through normal channels, but wanted to streamline that to ask your reaction. Suzanne asked Kate for her hot take as well.

---

**From:** Cooper, Suzanne B (BPA) - P-6 <[sbcooper@bpa.gov](mailto:sbcooper@bpa.gov)>  
**Sent:** Friday, January 5, 2024 5:16 PM  
**To:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>  
**Subject:** FW: [EXTERNAL] Seattle City Light Comments on December 12th, 2023 Provider of Choice Planned Product Design Workshop

Forwarding in case these didn't make it to you yet...

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**From:** Bach, Alan <[Alan.Bach@seattle.gov](mailto:Alan.Bach@seattle.gov)>  
**Sent:** Friday, January 5, 2024 1:38 PM  
**To:** Post-2028 <[Post2028@bpa.gov](mailto:Post2028@bpa.gov)>  
**Cc:** Cooper, Suzanne B (BPA) - P-6 <[sbcooper@bpa.gov](mailto:sbcooper@bpa.gov)>; Patton, Kathryn B (BPA) - PSW-SEATTLE <[kbpatton@bpa.gov](mailto:kbpatton@bpa.gov)>; Dockery, Paul <[Paul.Dockery@seattle.gov](mailto:Paul.Dockery@seattle.gov)>; Walter, Josh <[Josh.Walter@seattle.gov](mailto:Josh.Walter@seattle.gov)>  
**Subject:** [EXTERNAL] Seattle City Light Comments on December 12th, 2023 Provider of Choice Planned Product Design Workshop

Dear BPA,


Please find attached Seattle City Light's comments on the December 12<sup>th</sup> Provider of Choice Planned Product Design Workshop.

ALAN BACH (he/him/his)  
SEATTLE CITY LIGHT  
Power Analyst | Power Contracts & Regional Affairs  
[Alan.Bach@seattle.gov](mailto:Alan.Bach@seattle.gov) | (206) 615-0941

---

**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Thursday, January 25, 2024 9:17 AM  
**To:** Cooper, Suzanne B (BPA) - P-6  
**Subject:** Thompson Creek Mine load  
**Attachments:** Salmon River and Thompson Creek Mine.docx

(b)(5)



Best Regards,

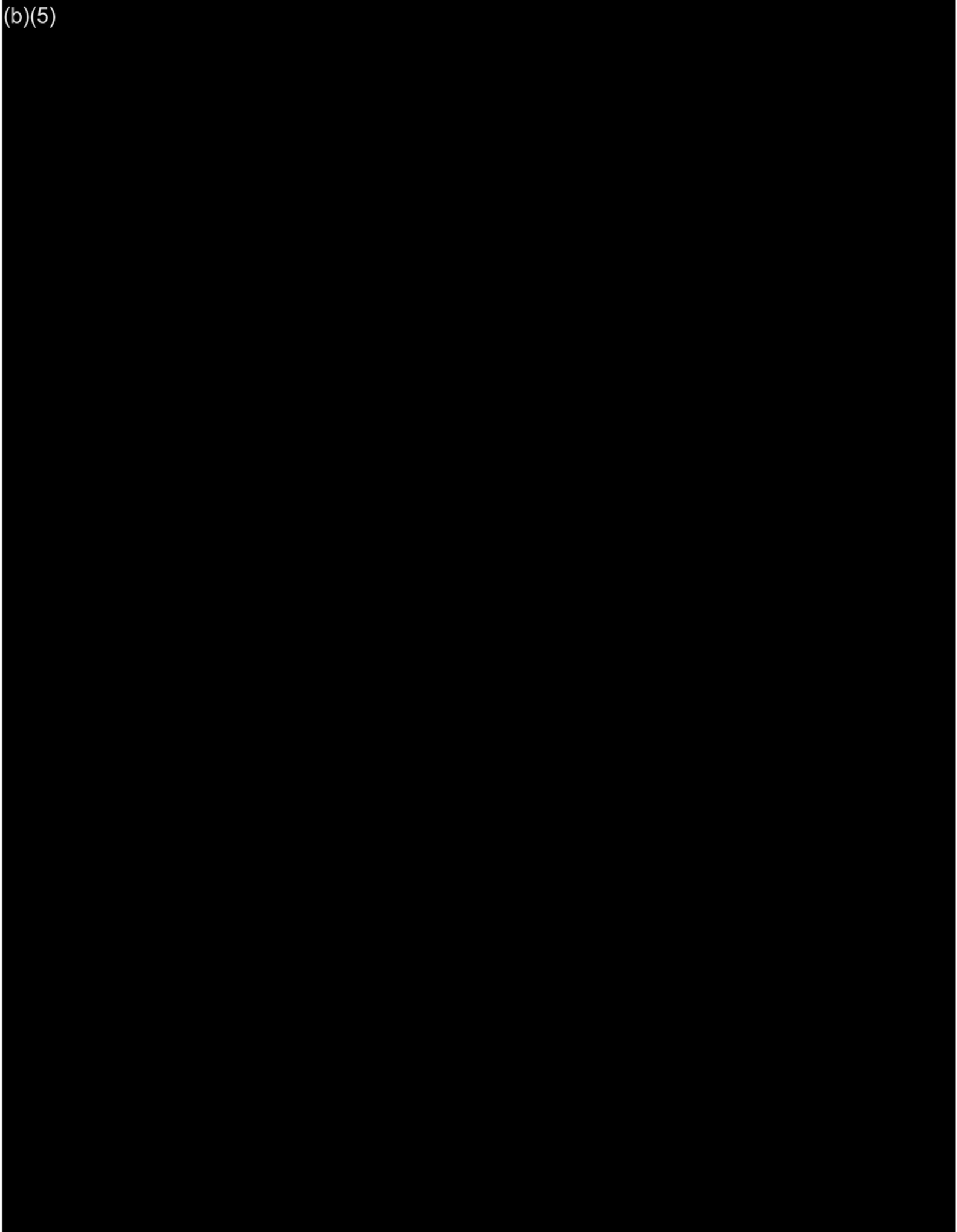
**Kim Thompson** (she/her/hers)

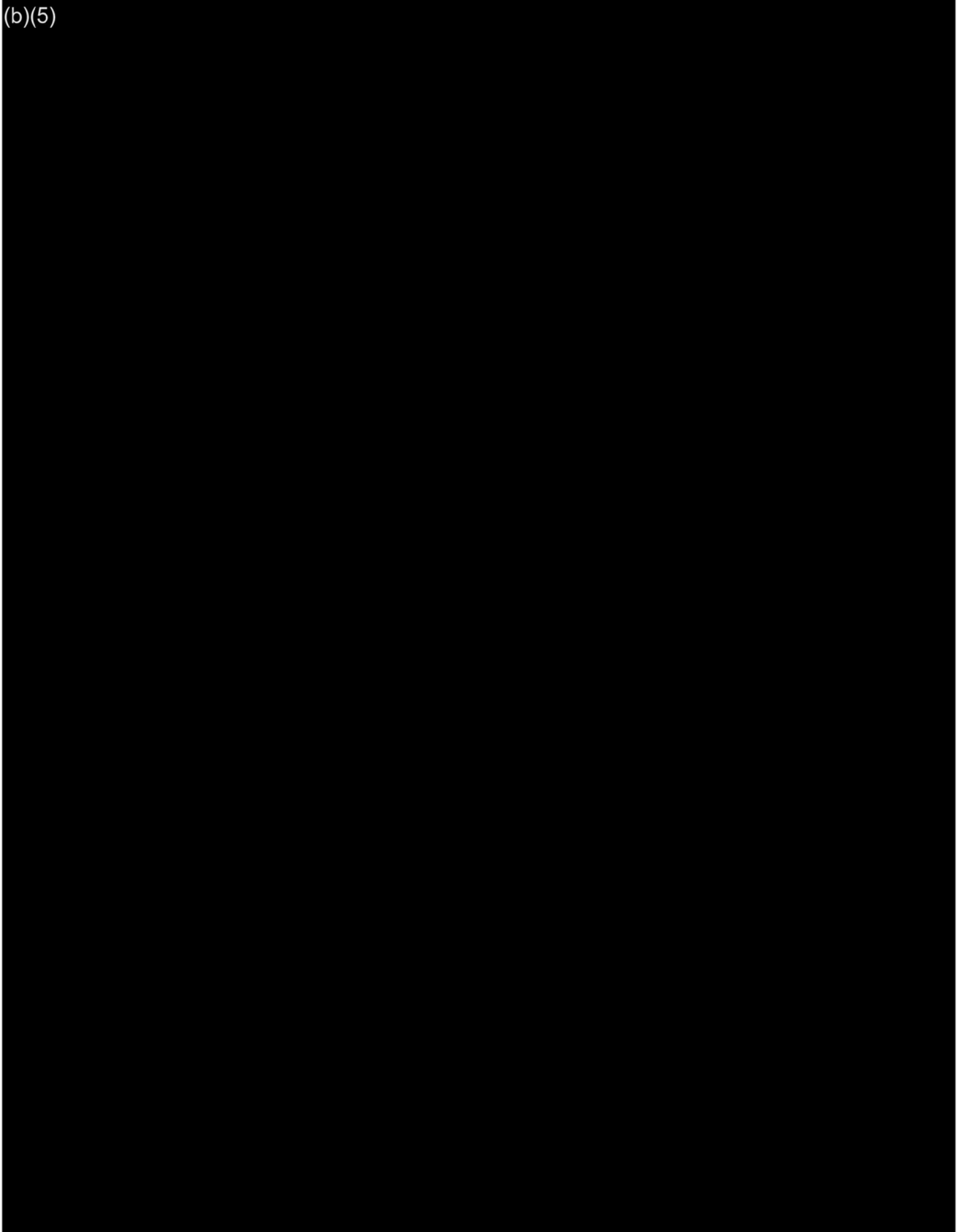
Vice President | Northwest Requirements Marketing

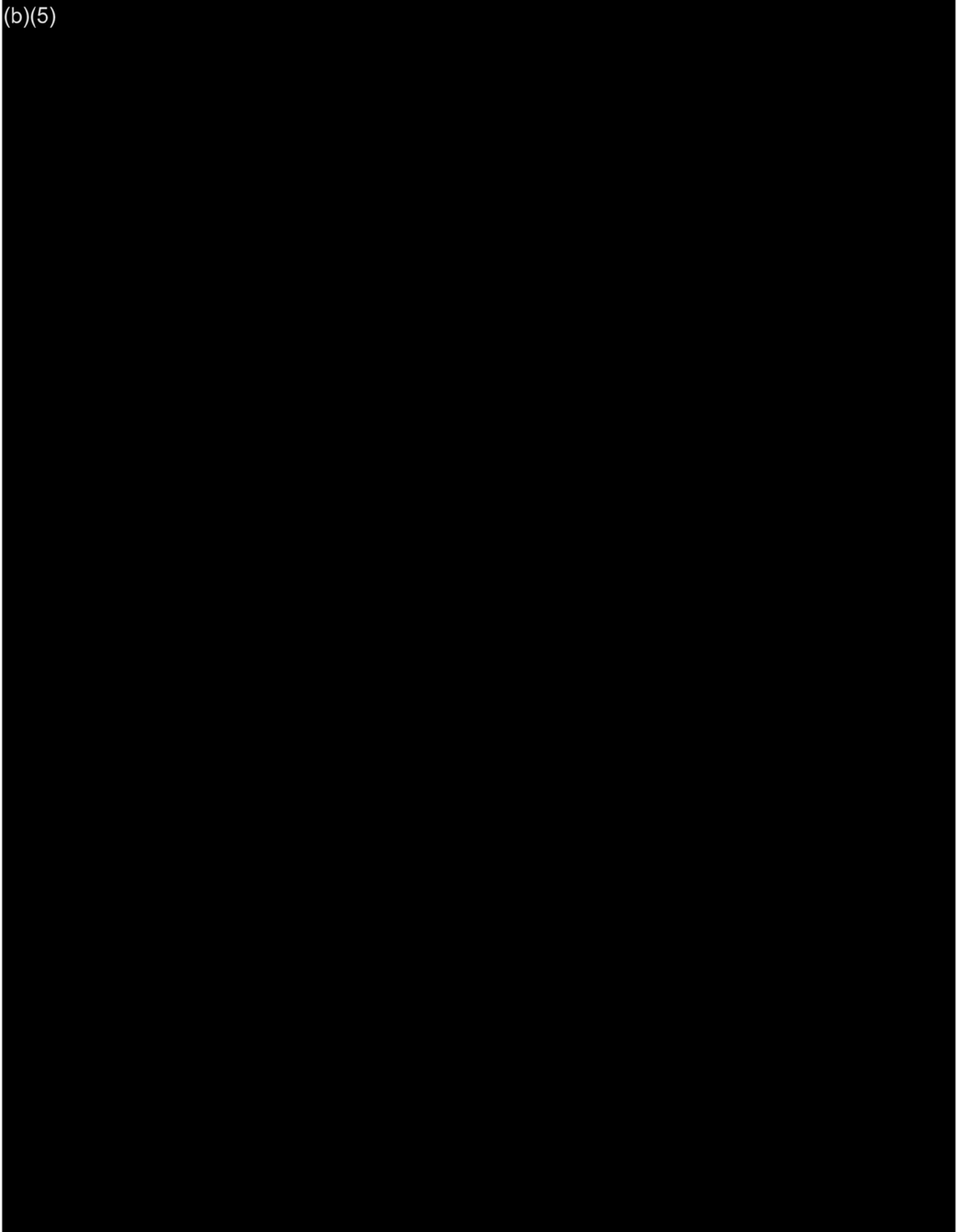
**BONNEVILLE POWER ADMINISTRATION**

[bpa.gov](https://bpa.gov) | P 503-230-3408 | C (b)(6)









---

**From:** Cook,Joel D (BPA) - K-7  
**Sent:** Monday, January 29, 2024 11:18 AM  
**To:** Johnson,Tim A (BPA) - LP-7; Thompson,Kim T (BPA) - PS-6; Lichtenfels,Michelle E (BPA) - PS-6; Cooper,Suzanne B (BPA) - P-6; Bodine-Watts,Mary C (BPA) - LP-7; Burczak,Sarah E (BPA) - PS-6; Burr,Robert A (BPA) - PS-6; Cathcart,Michelle M (BPA) - PG-5; Chong Tim,Marcus H (BPA) - L-7; Dibble,Rachel L (BPA) - PT-5; Doot,Erika A (BPA) - LP-7; EPMO; Furrer,Robin R (BPA) - N-7; Hairston,John L (BPA) - A-7; Harris,Marcus A (BPA) - F-2; Hilliard Creecy,Jamae (BPA) - PE-6; James,Daniel M (BPA) - D-7; Koehler,Birgit G (BPA) - PG-5; Manary,Michelle L (BPA) - TS-DITT-2; McDonald,Thomas A (BPA) - C-7; Olive,Kelly J (BPA) - PSS-6; Scruggs,Joel L (BPA) - DK-7; Shaheen,Richard L (BPA) - T-DITT-2; Spraggins,Melanie (BPA) - P-6; Moody,David F (BPA) - PE-6  
**Cc:** Mace,Allison R (BPA) - PTM-5; Stancliff,Tracey L (BPA) - P-6  
**Subject:** RE: QPMC SS: POC Final Policy Decisions - Question on Thompson Creek Mine

Thank you Tim !  
Your depth of knowledge is impressive.

**Joel D. Cook**  
Chief Operating Officer, K-7  
**BONNEVILLE POWER ADMINISTRATION**  
C: (b)(6) | P: 503-230-7640 | [jdcCook@bpa.gov](mailto:jdcCook@bpa.gov)

---

**From:** Johnson,Tim A (BPA) - LP-7 <[tajohnson@bpa.gov](mailto:tajohnson@bpa.gov)>  
**Sent:** Monday, January 29, 2024 9:55 AM  
**To:** Thompson,Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>; Lichtenfels,Michelle E (BPA) - PS-6 <[melichtenfels@bpa.gov](mailto:melichtenfels@bpa.gov)>; Cooper,Suzanne B (BPA) - P-6 <[sbcooper@bpa.gov](mailto:sbcooper@bpa.gov)>; Bodine-Watts,Mary C (BPA) - LP-7 <[mcbodine@bpa.gov](mailto:mcbodine@bpa.gov)>; Burczak,Sarah E (BPA) - PS-6 <[seburczak@bpa.gov](mailto:seburczak@bpa.gov)>; Burr,Robert A (BPA) - PS-6 <[raburr@bpa.gov](mailto:raburr@bpa.gov)>; Cathcart,Michelle M (BPA) - PG-5 <[mmcathcart@bpa.gov](mailto:mmcathcart@bpa.gov)>; Chong Tim,Marcus H (BPA) - L-7 <[mhchongtim@bpa.gov](mailto:mhchongtim@bpa.gov)>; Cook,Joel D (BPA) - K-7 <[jdcCook@bpa.gov](mailto:jdcCook@bpa.gov)>; Dibble,Rachel L (BPA) - PT-5 <[rdibble@bpa.gov](mailto:rdibble@bpa.gov)>; Doot,Erika A (BPA) - LP-7 <[eadoot@bpa.gov](mailto:eadoot@bpa.gov)>; EPMO <[EPMO@bpa.gov](mailto:EPMO@bpa.gov)>; Furrer,Robin R (BPA) - N-7 <[rrfurrer@bpa.gov](mailto:rrfurrer@bpa.gov)>; Hairston,John L (BPA) - A-7 <[jlhairston@bpa.gov](mailto:jlhairston@bpa.gov)>; Harris,Marcus A (BPA) - F-2 <[maharris@bpa.gov](mailto:maharris@bpa.gov)>; Hilliard Creecy,Jamae (BPA) - PE-6 <[jlhilliard@bpa.gov](mailto:jlhilliard@bpa.gov)>; James,Daniel M (BPA) - D-7 <[dmjames@bpa.gov](mailto:dmjames@bpa.gov)>; Koehler,Birgit G (BPA) - PG-5 <[bgkoehler@bpa.gov](mailto:bgkoehler@bpa.gov)>; Manary,Michelle L (BPA) - TS-DITT-2 <[mlmanary@bpa.gov](mailto:mlmanary@bpa.gov)>; McDonald,Thomas A (BPA) - C-7 <[tamcdonald@bpa.gov](mailto:tamcdonald@bpa.gov)>; Olive,Kelly J (BPA) - PSS-6 <[kjmason@bpa.gov](mailto:kjmason@bpa.gov)>; Scruggs,Joel L (BPA) - DK-7 <[jlsruggs@bpa.gov](mailto:jlsruggs@bpa.gov)>; Shaheen,Richard L (BPA) - T-DITT-2 <[rlshaheen@bpa.gov](mailto:rlshaheen@bpa.gov)>; Spraggins,Melanie (BPA) - P-6 <[mspraggins@bpa.gov](mailto:mspraggins@bpa.gov)>; Moody,David F (BPA) - PE-6 <[dfmoody@bpa.gov](mailto:dfmoody@bpa.gov)>  
**Cc:** Mace,Allison R (BPA) - PTM-5 <[armace@bpa.gov](mailto:armace@bpa.gov)>; Stancliff,Tracey L (BPA) - P-6 <[tlstancliff@bpa.gov](mailto:tlstancliff@bpa.gov)>  
**Subject:** RE: QPMC SS: POC Final Policy Decisions - Question on Thompson Creek Mine

(b)(5)





(b)(5)

**From:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>

**Sent:** Friday, January 26, 2024 8:37 AM

**To:** Lichtenfels, Michelle E (BPA) - PS-6 <[melichtenfels@bpa.gov](mailto:melichtenfels@bpa.gov)>; Cooper, Suzanne B (BPA) - P-6 <[sbcooper@bpa.gov](mailto:sbcooper@bpa.gov)>; Bodine-Watts, Mary C (BPA) - LP-7 <[mcbodine@bpa.gov](mailto:mcbodine@bpa.gov)>; Burczak, Sarah E (BPA) - PS-6 <[seburczak@bpa.gov](mailto:seburczak@bpa.gov)>; Burr, Robert A (BPA) - PS-6 <[raburr@bpa.gov](mailto:raburr@bpa.gov)>; Cathcart, Michelle M (BPA) - PG-5 <[mmcathcart@bpa.gov](mailto:mmcathcart@bpa.gov)>; Chong Tim, Marcus H (BPA) - L-7 <[mhchongtim@bpa.gov](mailto:mhchongtim@bpa.gov)>; Cook, Joel D (BPA) - K-7 <[jdcCook@bpa.gov](mailto:jdcCook@bpa.gov)>; Dibble, Rachel L (BPA) - PT-5 <[rldibble@bpa.gov](mailto:rldibble@bpa.gov)>; Doot, Erika A (BPA) - LP-7 <[eadoot@bpa.gov](mailto:eadoot@bpa.gov)>; EPMO <[EPMO@bpa.gov](mailto:EPMO@bpa.gov)>; Furrer, Robin R (BPA) - N-7 <[rrfurrer@bpa.gov](mailto:rrfurrer@bpa.gov)>; Hairston, John L (BPA) - A-7 <[jlhairston@bpa.gov](mailto:jlhairston@bpa.gov)>; Harris, Marcus A (BPA) - F-2 <[maharris@bpa.gov](mailto:maharris@bpa.gov)>; Hilliard Creecy, Jamae (BPA) - PE-6 <[jhilliard@bpa.gov](mailto:jhilliard@bpa.gov)>; James, Daniel M (BPA) - D-7 <[dmjames@bpa.gov](mailto:dmjames@bpa.gov)>; Johnson, Tim A (BPA) - LP-7 <[tajohnson@bpa.gov](mailto:tajohnson@bpa.gov)>; Koehler, Birgit G (BPA) - PG-5 <[bgkoehler@bpa.gov](mailto:bgkoehler@bpa.gov)>; Manary, Michelle L (BPA) - TS-DITT-2 <[mlmanary@bpa.gov](mailto:mlmanary@bpa.gov)>; McDonald, Thomas A (BPA) - C-7 <[tamcdonald@bpa.gov](mailto:tamcdonald@bpa.gov)>; Olive, Kelly J (BPA) - PSS-6 <[kjmason@bpa.gov](mailto:kjmason@bpa.gov)>; Scruggs, Joel L (BPA) - DK-7 <[jlsCruggs@bpa.gov](mailto:jlsCruggs@bpa.gov)>; Shaheen, Richard L (BPA) - T-DITT-2 <[rlshaheen@bpa.gov](mailto:rlshaheen@bpa.gov)>; Spraggins, Melanie (BPA) - P-6 <[mspraggins@bpa.gov](mailto:mspraggins@bpa.gov)>; Moody, David F (BPA) - PE-6 <[dfmoody@bpa.gov](mailto:dfmoody@bpa.gov)>

**Cc:** Mace, Allison R (BPA) - PTM-5 <[armace@bpa.gov](mailto:armace@bpa.gov)>; Stancliff, Tracey L (BPA) - P-6 <[tlstancliff@bpa.gov](mailto:tlstancliff@bpa.gov)>

**Subject:** RE: QPMC SS: POC Final Policy Decisions - Question on Thompson Creek Mine

(b)(5)

Best Regards,

**Kim Thompson** (she/her/hers)

Vice President | Northwest Requirements Marketing

**BONNEVILLE POWER ADMINISTRATION**

[bpa.gov](http://bpa.gov) | P 503-230-3408 | C (b)(6)



**From:** Lichtenfels, Michelle E (BPA) - PS-6 <[melichtenfels@bpa.gov](mailto:melichtenfels@bpa.gov)>

**Sent:** Wednesday, January 24, 2024 1:33 PM

**To:** Cooper, Suzanne B (BPA) - P-6 <[sbcooper@bpa.gov](mailto:sbcooper@bpa.gov)>; Bodine-Watts, Mary C (BPA) - LP-7 <[mcbodine@bpa.gov](mailto:mcbodine@bpa.gov)>; Burczak, Sarah E (BPA) - PS-6 <[seburczak@bpa.gov](mailto:seburczak@bpa.gov)>; Burr, Robert A (BPA) - PS-6 <[raburr@bpa.gov](mailto:raburr@bpa.gov)>; Cathcart, Michelle M (BPA) - PG-5 <[mmcathcart@bpa.gov](mailto:mmcathcart@bpa.gov)>; Chong Tim, Marcus H (BPA) - L-7 <[mhchongtim@bpa.gov](mailto:mhchongtim@bpa.gov)>; Cook, Joel D (BPA) - K-7 <[jdcCook@bpa.gov](mailto:jdcCook@bpa.gov)>; Dibble, Rachel L (BPA) - PT-5 <[rldibble@bpa.gov](mailto:rldibble@bpa.gov)>; Doot, Erika A (BPA) - LP-7 <[eadoot@bpa.gov](mailto:eadoot@bpa.gov)>; EPMO <[EPMO@bpa.gov](mailto:EPMO@bpa.gov)>; Furrer, Robin R (BPA) - N-7 <[rrfurrer@bpa.gov](mailto:rrfurrer@bpa.gov)>; Hairston, John L (BPA) - A-7 <[jlhairston@bpa.gov](mailto:jlhairston@bpa.gov)>; Harris, Marcus A (BPA) - F-2 <[maharris@bpa.gov](mailto:maharris@bpa.gov)>; Hilliard Creecy, Jamae (BPA) - PE-6 <[jhilliard@bpa.gov](mailto:jhilliard@bpa.gov)>; James, Daniel M (BPA) - D-7 <[dmjames@bpa.gov](mailto:dmjames@bpa.gov)>; Johnson, Tim A (BPA) - LP-7



<[tajohnson@bpa.gov](mailto:tajohnson@bpa.gov)>; Koehler, Birgit G (BPA) - PG-5 <[bgkoehler@bpa.gov](mailto:bgkoehler@bpa.gov)>; Manary, Michelle L (BPA) - TS-DITT-2 <[mlmanary@bpa.gov](mailto:mlmanary@bpa.gov)>; McDonald, Thomas A (BPA) - C-7 <[tamcdonald@bpa.gov](mailto:tamcdonald@bpa.gov)>; Olive, Kelly J (BPA) - PSS-6 <[kjmason@bpa.gov](mailto:kjmason@bpa.gov)>; Scruggs, Joel L (BPA) - DK-7 <[jlsruggs@bpa.gov](mailto:jlsruggs@bpa.gov)>; Shaheen, Richard L (BPA) - T-DITT-2 <[rlshaheen@bpa.gov](mailto:rlshaheen@bpa.gov)>; Spraggins, Melanie (BPA) - P-6 <[mspraggins@bpa.gov](mailto:mspraggins@bpa.gov)>; Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>; Moody, David F (BPA) - PE-6 <[dfmoody@bpa.gov](mailto:dfmoody@bpa.gov)>  
**Cc:** Mace, Allison R (BPA) - PTM-5 <[armace@bpa.gov](mailto:armace@bpa.gov)>; Stancliff, Tracey L (BPA) - P-6 <[tlstancliff@bpa.gov](mailto:tlstancliff@bpa.gov)>  
**Subject:** RE: QPMC SS: POC Final Policy Decisions - Links to documents below

Hello QPMC-

We have a special session QPMC tomorrow afternoon. Please note there is a room reserved (HQ 670) and we will also have the Webex open.

The discussion will focus on Provider of Choice contract duration. Recent customer feedback has suggested that some customers may like to see shorter contracts or explore contract off-ramps. The goal of the meeting will be to provide a better understanding of the risks and concerns around different contract approaches including: shorter duration contracts, contracts with renewals, and contracts with off-ramps.

To support the discussion, staff and legal have pulled together two documents, linked below. **Please note these documents are marked as privileged attorney client communications.**

- **Contract term options:** Timeline to demonstrate contract length and high-level risks.
- **Contract alternatives and risks:** Table weighing four alternative contract durations against a variety of criteria

Please take a moment to review the documents, and they will be discussed in detail during the meeting.

Thank you,  
Michelle

**Michelle Lichtenfels** (she/her)  
Program Manager, Provider of Choice | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
[melichtenfels@bpa.gov](mailto:melichtenfels@bpa.gov) | O: 503-230-5453 | C: (b)(6)

-----Original Appointment-----

**From:** Cooper, Suzanne B (BPA) - P-6 <[sbcooper@bpa.gov](mailto:sbcooper@bpa.gov)>

**Sent:** Friday, January 5, 2024 10:13 AM

**To:** Cooper, Suzanne B (BPA) - P-6; Bodine-Watts, Mary C (BPA) - LP-7; Burczak, Sarah E (BPA) - PS-6; Burr, Robert A (BPA) - PS-6; Cathcart, Michelle M (BPA) - PG-5; Chong Tim, Marcus H (BPA) - L-7; Cook, Joel D (BPA) - K-7; Dibble, Rachel L (BPA) - PT-5; Doot, Erika A (BPA) - LP-7; EPMO; Furrer, Robin R (BPA) - N-7; Hairston, John L (BPA) - A-7; Harris, Marcus A (BPA) - F-2; Hilliard Creecy, Jamae (BPA) - PE-6; James, Daniel M (BPA) - D-7; Johnson, Tim A (BPA) - LP-7; Koehler, Birgit G (BPA) - PG-5; Lichtenfels, Michelle E (BPA) - PS-6; Manary, Michelle L (BPA) - TS-DITT-2; McDonald, Thomas A (BPA) - C-7; Olive, Kelly J (BPA) - PSS-6; Scruggs, Joel L (BPA) - DK-7; Shaheen, Richard L (BPA) - T-DITT-2; Spraggins, Melanie (BPA) - P-6; Thompson, Kim T (BPA) - PS-6; Moody, David F (BPA) - PE-6

**Cc:** Mace, Allison R (BPA) - PTM-5

**Subject:** QPMC SS: POC Final Policy Decisions

**When:** Thursday, January 25, 2024 1:00 PM-2:30 PM (UTC-08:00) Pacific Time (US & Canada).

**Where:** Webex; HQ 670 Exec VTC (36)

**Meeting link:**

(b)(6)

**Join by phone:**

+1-415-527-5035 US Toll

+1-929-251-9612 USA Toll 2

Access code (b)(6)



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**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Tuesday, January 30, 2024 8:52 AM  
**To:** brian.harkins@rl.doe.gov  
**Cc:** Rimmer, William T (BPA) - PSE-MEAD-GOB; Normandeau, Mike (BPA) - PSE-RONAN  
**Subject:** RE: BPA's Provider of Choice - policy connection with DOE Richland  
**Attachments:** AWEC Comments on Draft Policy (10.13.23 final).pdf; Clatskanie PUD - Post 2028 PoC Policy Comments.pdf; NRU Comments on PoC Draft Policy\_10132023.pdf; OPALCO Memo\_BPA Policy ROD comments 10-12-23 (1).pdf; PNGC\_Comments\_on\_BPA\_Draft\_Policy\_ROD\_10-13-2023.pdf; WPAG - Provider of Choice Draft Policy Comments FINAL 101323.pdf; AWEC Comments on Draft Policy (10.13.23 final).pdf; Clatskanie PUD - Post 2028 PoC Policy Comments.pdf; NRU Comments on PoC Draft Policy\_10132023.pdf; OPALCO Memo\_BPA Policy ROD comments 10-12-23 (1).pdf; PNGC\_Comments\_on\_BPA\_Draft\_Policy\_ROD\_10-13-2023.pdf; WPAG - Provider of Choice Draft Policy Comments FINAL 101323.pdf

Hi Brian – Thank you for the conversation this morning. In follow-up, I am attaching a few references for you. First are the comments which include inputs on DOE Richland and the CHWM adjustment. There isn't an easy way for me to point you to specific comments on BPA's website, so I have attached the relevant set as PDFs. The documents include broad inputs on BPA's draft policy, but you could search for references to DOE Richland.

I also thought you may appreciate a link to the [Provider of Choice website](#), which includes all workshop materials and the draft policy. This is also the site to which the final policy and record of decision will be published, once complete.

Best Regards,  
**Kim Thompson** (she/her/hers)  
Vice President | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
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**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Monday, January 29, 2024 4:33 PM  
**To:** [brian.harkins@rl.doe.gov](mailto:brian.harkins@rl.doe.gov)  
**Cc:** Rimmer, William T (BPA) - PSE-MEAD-GOB <[wtrimmer@bpa.gov](mailto:wtrimmer@bpa.gov)>; Normandeau, Mike (BPA) - PSE-RONAN <[mrnormandeau@bpa.gov](mailto:mrnormandeau@bpa.gov)>  
**Subject:** BPA's Provider of Choice - policy connection with DOE Richland

Hi Brian – We haven't had an opportunity to meet yet. I am accountable for BPA's Provider of Choice effort, developing BPA's next long-term power sale agreements. In advance of issuing BPA's Provider of Choice power sale policy and associated Record of Decision, I am writing to apprise you of a policy decision that impacts DOE Richland.

I would be happy to discuss this live with you – and thought an email summary would be an appropriate first step so you have an opportunity to reflect in advance of a call.

Today, DOE Richland is eligible for a Contract High Water Mark (CHWM) adjustment when its forecasted defense materials production and waste processing/disposal loads grow. Its CHWM may be adjusted by up to 70 aMW above its initial CHWM amount. This ensured load up to the adjusted CHWM amounts were eligible for power priced at BPA's PF Tier 1 rate under the Regional Dialogue contract.

In the draft Provider of Choice policy, BPA proposed preserving the CHWM adjustment category for DOE Richland. We received no comments supporting and six comments opposing continuation of the DOE Richland CHWM adjustment. The commenting organizations represent the majority of BPA's customers. The commenters' concern was that the proposed DOE Richland CHWM adjustment provides a single customer with superior terms compared to those available to all other customers.

(b)(5)



I did not want BPA's policy decision to surprise you upon publication. If you would like to connect live, please let me know and we can coordinate a time.

I am copying William Rimmer, BPA's Power Account Executive for DOE Richland, as well as Mike Normandeau, who is backing up William while he is briefly out of the office.

Best Regards,

**Kim Thompson** (she/her/hers)

Vice President | Northwest Requirements Marketing

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**AWEC**

Alliance of Western Energy Consumers • 818 SW 3rd Avenue, #266 • Portland, OR 97204 • 971-544-7169 • awec.solutions

October 13, 2023

Mr. John Hairston  
Administrator  
Bonneville Power Administration  
904 NE 11th Avenue  
Portland, OR 97232

***Via Electronic Submission***

**Re: Provider of Choice Draft Policy**

The Alliance of Western Energy Consumers (“AWEC”) appreciates the opportunity to provide comments on Bonneville Power Administration’s (“BPA” or “Agency”) Draft Provider of Choice Policy (the “Draft Policy”). AWEC is a trade organization representing the interests of its members that include large energy consumers located within the Region. AWEC members represent industries such as agriculture, aeronautics, air products, pulp and paper, food processing, information technology, healthcare, technology, and more. AWEC’s members are directly affected by BPA’s rates, terms, and conditions of service in a manner similar to the Agency’s preference customers. Moreover, AWEC’s members’ loads are diverse – including but not limited to some contracted for, committed to (“CFCT”) load, New Large Single Loads (“NLSL”), and some served by non-federal resources. The utilities serving AWEC’s members are also diverse both in terms of the products they take from BPA and in their unique circumstances with regard to load growth, headroom and conservation.

As a participant in the multi-year process that has led to the release of the Draft Policy, AWEC appreciates the hard work and the collaborative spirit with which BPA Staff has approached this process. AWEC is generally pleased with, and supportive of, the majority of BPA’s proposed resolutions of the issues addressed in the Draft Policy and recognizes that BPA has worked to balance the interests of a wide range of stakeholders. Below, we address a range of issues, both offering support for many of the proposed decisions, and recommending improvements in some areas that will make the Provider of Choice Policy an even more effective guide to the contracting process to come. For ease of BPA review, these comments are organized in the same manner as the Draft Policy, though several issues and recommendations are interrelated.

**Framework Comments**

**1.1.1 Principles**

BPA has consistently held out four principles as guidelines for the development of its Provider of Choice policy. AWEC continues to agree with these principles. It is noteworthy that the first of these principles, offering Tier-1 rates set at the lowest possible cost consistent with sound business principles, is a statutory requirement that is foundational to BPA’s approach in



developing the next set of long-term power contracts. While BPA could, as it has in the past, offer power at the lowest possible cost without a tiered rate construct, adopting this principle identifies Tiered rates, and Tier-1 power specifically, as the mechanism BPA will use to carry out this statutory mandate. AWEC continues to agree with this approach and believes that it follows that the final policy must be designed with the goal of delivering the best possible value through Tier-1 rates. This principle drives many of the positions that AWEC has taken throughout this process, as well as the recommendations presented in these comments.

## **1.2 Emerging Landscape**

BPA notes that during the term of the Provider of Choice contracts, the energy landscape is shifting. AWEC agrees with this assessment but notes that this evolution is already well underway. There have been significant changes to date, during the latter half of the Regional Dialogue Contracts, which serve to demonstrate the importance of flexibility during the next set of long-term contracts. Dealing with known and unknown changes will continue to be a key issue for the next nineteen years, and the success of the Provider of Choice contracts will hinge on their ability to adapt to an evolving environment, while keeping costs at the lowest possible level. AWEC supports the development of durable contracts – contracts that can withstand both the known and unknown changes facing the Region in the decades to come. In addition to the list of developments that BPA has set forth, which include organized markets and state policies, the large, end-use consumers that are critical employers and economic cornerstones of many communities served by BPA power are also beginning to change the ways in which they purchase power. These changes are sometimes driven by state policy and regulation, but they may also be in response to federal or SEC regulation, or in response to corporate initiatives and policy. Some AWEC members are undertaking electrification projects, attempting to access renewables, or are decarbonizing their electrical supply independent of, and perhaps on a faster timeline than, state or federal regulation. As a result, these consumers and their host utilities – or utilities looking to support economic development of new industry within their service territories – have needs that may not be met by the same products or on the same timeline as state regulation. Flexibility to meet these needs, as well as, at a minimum, helping customers comply with state regulation, will contribute to the success of Provider of Choice contracts during the next contract period.

### **1.2.2 Day ahead Markets**

AWEC understands that BPA is engaged in a separate workstream to determine its leaning as to whether it will join a day-ahead market, and if so, which market. Given the timing of BPA's decision and the timing of finalizing its Provider of Choice Policy, it is imperative that the BPA Provider of Choice team and Markets team work closely together in order to both ensure that Provider of Choice contracts are flexible enough to accommodate Day-Ahead Market unknowns and that they deliver value to customers. This may require BPA to take a more active role in market development matters in order to ensure that it is able to offer attractive long-term contracts to its customers.





Clear identification of the costs, benefits and risks of BPA's three potential options – to join CAISO's Extended Day-Ahead Market ("EDAM"), to join SPP's Markets+, or to do neither – must be clearly evaluated in conjunction with products BPA intends to offer to customers. Additionally, it is important that the final Provider of Choice Policy identify how BPA will meet its statutory, regulatory and contractual obligations in the event that it chooses to participate in a Day-Ahead Market. This includes preference customers' rights to being served at cost from the Federal Base System to meet their net peak loads, as well as preference access to federal surplus. Clarity on how market mechanics will impact products is needed. Also of critical importance is ensuring that BPA's participation in a Day-Ahead Market does not leave its customers with a dirtier emissions mix than would otherwise be the case if BPA chose not to join a Day-Ahead Market. As discussed in the Carbon section below, BPA should be making progress towards offering carbon-free energy options for customers as opposed to creating an emissions problem that would require additional solutions.

AWEC also shares the concern raised by the Planned Products Group that BPA's Peak Net Requirements proposal will inhibit planned product customers from participating in future day-ahead markets. This is further addressed in Section 2.1.2.

#### **1.2.4 Decarbonization**

Grid decarbonization is contributing to the evolution of the electric industry in the Region, and is also the centerpiece of some state, local, customer, and consumer policies. For these reasons, BPA has a critical role to play because of its uniquely low-carbon dispatchable resources. AWEC believes that thoughtful management of BPA's resources can: 1) support decarbonization efforts, and 2) reduce the cost of decarbonization within the Region, which could otherwise be debilitating to customers of all sizes, including industrial consumers. As discussed further in Section 7 of these comments, AWEC believes that BPA should ensure that its Provider of Choice Policy supports development of contracts with flexibility and options to meet customers' needs in this area, and more substantively, to accelerate its engagement with customers to understand what products are desirable and to ensure they are offered as soon as possible.

### **Serving Load**

#### **2.1.2 Peak Net Requirements**

While we are appreciative of the outreach and engagement BPA has done regarding its proposal to develop a Peak Net Requirements ("PNR") methodology, AWEC continues to believe that BPA has not yet offered a proposal that is regionally accepted. AWEC supports the comments of the Planned Products Group, which will be submitted concurrently with these comments. Many AWEC members are end-use consumers of utilities taking BPA's planned products (e.g., Slice, Slice/Block) and we believe that continued viability of the Slice product is extremely important because it has created tremendous value to BPA, customers, and the Region as a whole (see Section 3.0, below).



As such, AWEC is extremely interested in ensuring that application of a new PNR methodology does not reduce the value of BPA power or harm planned products customers. As in our informal comments, AWEC again requests that BPA defer adoption of a PNR methodology until a mechanism is reached that is not opposed by such a diverse set of BPA's customers and end-use customers. Given that customers representing nearly half of BPA's expected Priority Firm-eligible load are unable to agree to the current proposal, it would be prudent to continue work on this issue alongside the development of planned products that may be disproportionately and negatively affected by its implementation.

If BPA includes a PNR calculation in the Final Policy, AWEC supports adopting the modifications, including both the substantive revisions and process recommendations, set forth in the comments of the Planned Product Group.

### **2.3.1 Power at Priority Firm Tier-1 Rates**

AWEC supports fixing the total amount of power available at Priority Firm Tier-1 Rates ("Tier-1") because doing so best protects the value of the federal system for all customers. As discussed above, tiered rates, and the ability of all preference customers to purchase an allocation of Tier 1 power, is central to BPA's mission of offering power at the lowest possible rates, as required by statute. Critically, while fulfilling BPA's obligation to serve, tiered rates permit customers to make their own resource choices to serve load in excess of their Tier-1 share. This provides benefits by permitting customers to pursue their own policy priorities, while reducing cross-subsidization amongst utilities within the region that operate and invest differently from one another to meet the needs of their consumers and communities while insulating other utilities from those choices (and costs). AWEC also believes that fixing the size of the system will provide customers with greater certainty and reduce complexity. As discussed below, there are certain proposed exceptions to the fixed system size that require additional clarity on BPA's part.

### **2.3.2 Augmentation**

One consequence of a fixed-system size is that if BPA's firm load obligations outstrip its system capability, it will need to augment the system. This is relevant both at the beginning of the contract term when BPA will need resources to serve its fixed system size, and then for the duration of the contract, when BPA must continue to serve its Tier-1 customers in changing circumstances. AWEC believes that it is important to generally minimize the need for augmentation – both at the outset of the contract and during the contract term – in order to properly align price signals and incentives related to resource acquisition for above-high water mark load, and to avoid embedding inter-utility subsidies in the cost of Tier-1 power. Going into Provider of Choice contracts, as further discussed in the Contract High Water Mark ("CHWM") section to follow, it appears that even if the CHWM produces a fixed system size of 7250 aMWs, it is not likely to require BPA to significantly augment the federal system at the beginning of the contract. Rather, we understand the fixed system size is likely to be within the range of





operation that BPA engages in during the normal operation of its system, or achieved with relatively low-cost changes such as a Columbia Generating Station uprate.

It is to be expected, during the operational portion of the Provider of Choice contracts, that there will be some variability from the base federal system year-to-year, as there is now. However, a significant change to the base federal system and its capacity could significantly alter the value of Tier-1 rates under Provider of Choice contracts and should be dealt with outside of BPA's resource acquisition strategy and Section 6(C) process. For example, if the significant low-cost resources of the Snake River dams were lost, BPA would not be able to meet its fixed system size without significant augmentation at an unknown, though likely much greater, cost than the embedded cost of the removed dams. Augmentation at that scale could, and likely would, undermine the value of Tier-1 rates from the perspective of those who support the compromise of a 7250 aMW Tier-1 system size. In these sorts of drastic circumstances, BPA should not have a policy that directs it to replace such resources through augmentation prior to engaging in a public process with customers to determine whether, in light of circumstances, as they are at that time, it is in the best interests of BPA and its customers to augment in order to maintain the fixed system size determined at the beginning of the Provider of Choice contracts. BPA notes that acquisition of a "major resource" is a significant commitment of time and resources, and states that "long term commitments" would need to be made regarding which party will take on the contractual obligation to service load if there is significant load growth in the Region. AWEC fully supports this statement but notes that significant loss of resources should warrant even more serious concern because such an event will not only incur additional costs, but could fundamentally change the value of the Tier-1 product.

### **2.3.2.1 Billing Credits**

As in Regional Dialogue, BPA proposes a waiver of billing credits. AWEC agrees with this approach.

### **2.3.3.1 PF Tier 1 Non-federal Resource Allowance**

Throughout this process, AWEC advocated for much more flexibility for customers to develop and operate their own resources. AWEC believes that BPA should continue, as a policy matter, to encourage the development and efficient operation of non-federal resources by customers. The inclusion of the Resource Allowance is a positive step in this direction, and it should be paired with a revision of BPA's Resource Shaping Charge ("RSS") to fully recognize both the costs and the benefits of customer-operated non-federal resources. As pertains to the Resource Allowance, AWEC understands the intent of BPA's Draft Policy to be that a customer that takes advantage of the Resource Allowance exception may install an eligible resource, but will not see a reduction to the amount of Tier-1 power it is eligible to purchase (the "Eligible Purchase Amount") until and unless the customer's demand becomes less than its CHWM, creating headroom. Because headroom is temporary, unlike CHWM which would be fixed under the new contract, if the customer sees load growth after the resource addition creates



headroom, it would again be eligible for Tier-1 rates all the way up to its CHWM limit. The final policy should more clearly set out how this exception will interact with headroom and CHWMs.

AWEC also recommends that BPA reconsider the threshold for the Resource Exception, identifying the amount of power that will be excepted, rather than nameplate, or requiring that the exception be limited to a resource's expected output, not its nameplate capacity. In the current environment, customers are likely exclusively installing renewable resources that generally have low-capacity factors. For example, a new solar resource with a 5 MW nameplate may have a capacity factor in the range of 30% or even less, which would significantly reduce the value of this exception.

To encourage scale, the final Provider of Choice Policy should permit a utility to invest in larger renewable resources that may be more cost-effective and may have more benefits to customers and to the system and permit the New Resource exception to be applied to the first 5 megawatts of capacity of the larger resource. Such an application may be far more economic and potentially more beneficial to the Region. It would also prevent any potential for customers to be forced to build multiple small resources in order to take advantage of the exception.

Finally, the Final Policy should add additional clarity around the intent of the language identifying potential "additional capacity costs" that could still be applied to an exempted resource. While AWEC understands that BPA intends to more fully look at the value of capacity as part of a later workstream, it is unclear whether BPA sees a later capacity charge as a supplement or as a successor to the existing RSS. BPA should clarify whether the replacement of the RSS with other capacity charges that would still apply to the excepted resource would reduce or eliminate the value of the Resource Allowance. Without better understanding of how the value of the 5 MW Resource Allowance will be preserved, it is hard to understand the impact of this provision.

#### **2.3.3.2 Non-federal Resource Minimum Threshold**

Like the Resource Allowance, increasing the threshold for non-federal resources is a positive step toward enabling customers to make choices for serving their load while preserving the value of the Tier-1 product. It appears that resources falling beneath the threshold, like the Resource Allowance, would continue to operate without the RSS, but the Draft Policy does not clarify that these resources would also be exempt from future additional capacity costs, as discussed above. BPA should clarify its intent for resources below the threshold in the case that additional capacity costs are included in a new product and rate structure. Also, like the Resource Allowance, BPA should measure the qualifying resource based on actual or expected output, not nameplate, in order to make this a meaningful option for customers likely to install renewable, low-capacity factor resources.





### **2.3.3.5 Resource Support Services**

Over the term of the Regional Dialogue Contract, AWEC has become aware of a number of cases in which consumer-driven opportunities to develop significant low-cost renewables were not funded specifically because the high cost of RSS from BPA made the projects uneconomic. While AWEC agrees that BPA should apply cost causation principles to ensure that the resources brought online to serve load by individual customers are paying for their impact to the system overall, it is possible that RSS, as currently designed, is not optimally allocating costs and benefits, nor does it reflect the regional policies promoting resource development. AWEC supports revision and potentially replacement of RSS prior to the next contract.

### **Provider of Choice Foundational Service Elements**

## **2.4 CHWM**

As noted above, AWEC agrees with BPA's proposal to build the system size by first setting the CHWMs for individual loads and then summing these CHWMs, with a Tier-1 system size not to exceed 7250 aMWs. AWEC continues to support BPA's efforts to limit the system size in order to protect the value of Tier-1 power for all customers. However, we recognize that BPA has determined that some adjustments to the sum of the CHWMs are appropriate. As discussed below, AWEC believes that the most important of the proposed adjustments is the economic adjustment because it has been designed to reduce the unintended impacts that would be felt by certain large loads because of the selection of 2023 as the index year. The economic adjustment directly supports retention of well-paying jobs and historic industries that are critical to their communities by preventing the selection of an arbitrary index year during a time of significant economic uncertainty. We discuss this and other proposed adjustments more specifically below.

### **2.4.1.1 Index year**

AWEC understands that BPA has heard that many customers are requesting greater certainty in the development of their CHWMs sooner rather than later, and desire to reduce the potential for CHWM gamesmanship for Provider of Choice contracts. AWEC also understands that these requests have influenced BPA's selection of 2023 as the Index Year. AWEC appreciates BPA's desire to be sensitive to those requests but believes that uncertainty regarding economic or technology changes would be reduced by using a year closer to the start of the contract term. With that said, AWEC also understands that the informal process leading up to the Draft Policy included substantial discussion of CHWM calculations, including the Index Year, and that it is part of an overall package that balances customer desires. Given this reality, the Economic Adjustment to the PF-Eligible Load calculation is even more important because it may prevent harm that would have been avoided with selection of an Index Year that was closer in time to the deliveries of power that it will help define.



#### **2.4.1.2 PF-Eligible Load and Economic Adjustment**

AWEC supports BPA's proposal for calculating a customer's PF-Eligible Load, which consists of a customer's weatherized Total Retail Load ("TRL") plus an Economic Adjustment, if applicable, less that customer's NLSL load and dedicated resource amount. The TRL, which is the starting point for calculating PF-Eligible Load, is appropriately weather-normalized, and includes an economic adjustment that is critical to prevent the arbitrary loss of TRL in certain areas where the economic volatility of the Index Year is suppressing manufacturing and industrial load that has existed historically and demonstrates it has returned prior to the Provider of Choice contract term. An economic adjustment is extremely important because it prevents a significant unintended reduction to CHWMs based solely on the selection of FY 2023 as a single Index Year. Spiking interest rates, supply chain issues, and economic uncertainty have led to the temporary reduction of load at a number of manufacturing facilities throughout the Region – particularly in the case of trade-exposed industries that are highly dependent upon BPA's low-cost power to remain viable. Many of these industries are long-time CFCT loads that provide hundreds of jobs in both rural and urban areas. AWEC is aware that in many cases, the average wage at these facilities can be double or even triple the average wage level within their counties. As these loads return prior to the execution of the Provider of Choice contracts, it would be harmful to these communities and to the economic health of the Region as a whole to fail to account for them in their host utilities' TRLs simply because an Index Year was chosen during which their loads were abnormally low.

The Economic Adjustment was originally proposed by customers during the informal Provider of Choice process, and AWEC is grateful that BPA's Draft Policy adopts this critical component of the TRL calculation. AWEC agrees with the basic structure of the Economic Adjustment set forth in the Draft Policy, which would permit a customer to request an economic adjustment to its TRL by demonstrating that an individual consumer, excluding an NLSL, of a significant size is operating below that consumer's highest 12-month consecutive load during the Index Year (e.g., FY 2023). BPA proposes, and AWEC supports, the basic structure for the Economic Adjustment which would set the maximum Economic Adjustment at the difference between the consumer's historical 12-month high load and the consumer's FY 2023 load, provided that the actual Economic Adjustment would be capped at the actual level of load that returns during a recovery period that would be set up during the period between FY 2023 and power delivers under the Provider of Choice contracts.

##### *AWEC Proposed Economic Adjustment*

The size and impact of an Economic Adjustment – both to customers, their communities, and to the BPA system as a whole – is dependent upon three factors: the selection of the historical measurement period, the threshold set for measuring the magnitude of load loss that should be recognized, and the selection of the recovery period during which the individual load would need to demonstrate that it has returned. Prior to and during the development of the Draft Policy, neither BPA nor customers had a strong sense of the number of consumers or amount of load that would be eligible for an Economic Adjustment. AWEC, in cooperation with the





Northwest Requirements Utilities (“NRU”), the Western Public Agencies Group (“WPAG”), and other trade associations and individual customers who indicated their support for an Economic Adjustment, have canvassed utilities and large consumers to provide BPA with additional data that can be used to set the time periods and size threshold for an effective Economic Adjustment. Based on this work with its partners, AWEC requests that BPA adopt the following:

- a. Set the lookback period for identifying the highest 12-month average historical load to run from FY 2013 – FY 2022.
- b. Establish a minimum threshold for the maximum Economic Adjustment amount at 3 aMW of reduced load.
- c. Set the recovery period for identifying the highest 12-month average to run from FY 2024 through FY 2026.
- d. Move the CHWM calculation process to FY 2027.

We anticipate NRU, WPAG, and others to file separate comments in support of an Economic Adjustment which may speak to the individual circumstances of their organizations/member utilities. In the development of this proposal, NRU and AWEC identified the loads that would be eligible for an Economic Adjustment in order to understand the potential scale of this adjustment because the customer groups represented by AWEC and NRU capture the vast majority, if not all, of the loads that would be eligible to benefit from an Economic Adjustment. Our analysis of jointly gathered data indicates that an Economic Adjustment of these parameters would cumulatively represent approximately 160 aMW of CHWM load assuming 100% of all loads identified by our joint analysis recover.<sup>1</sup> This amount also avoids double-counting loads picked up by both NRU’s and AWEC’s analysis.

Based on the gathered data, AWEC has identified five facilities operated by its members that would be eligible for the Economic Adjustment proposed above, and it has analyzed how various modifications to parameters would affect those end-use facilities. For clarity, **all of the loads represented below are a part of the total amount of 160 aMW** described above, but do not include facilities identified by other parties that are not members of AWEC.

#### Impacts from Changing Threshold

AWEC provides the following impacts, to the best of our understanding, related to AWEC member facilities and the qualifying threshold for an Economic Adjustment:

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<sup>1</sup> In some cases, AWEC members are end-use customers of NRU or WPAG member utilities. These facilities and their utilities are not double-counted in this estimate.



- Assuming an Economic Adjustment calculated as set forth in the Draft Policy,<sup>2</sup> two consumer loads with approximately 65 aMW of potential CHWM load would be eligible for an adjustment, assuming the loads recover within the required timeframe.<sup>3</sup>
- Adjusting only the threshold:
  - If the historic lookback period remains as proposed, but the eligibility threshold is dropped to 5 aMW, an additional 6 aMW of load would be eligible to demonstrate load recovery for an economic adjustment, among AWEC members.
  - If the eligibility threshold drops to 3 aMW, as proposed by AWEC, 3 aMW (in addition to the 6 aMW identified in the previous bullet) would be eligible to demonstrate load recovery for an economic adjustment, among AWEC members.

We also note that there is a wide range of smaller “large” consumers that are also experiencing reductions of load in the 1-2.99 aMW range, which would not be captured by any version of the Economic Adjustment. However, the return of this smaller level of load over the next few years will show up as reduction in headroom (in the case of those utilities retaining headroom) or as load growth that may be captured in Proportional Share Adjustment.

#### Impacts from Changing Lookback Period

AWEC has identified two “breakpoints” that informed our recommendation to select FY 2013 as the outer boundary. Extending to 2015 would result in making at least two AWEC member facilities eligible to demonstrate load recovery, both of which are served by utilities whose load is heavily industrial and are located in areas dependent on industrial jobs. However, we understand that extending to 2013 would potentially extend eligibility to include the opportunity to demonstrate recovery to some non-AWEC load that is very important to its community. AWEC believes that the Region as a whole is better off with a big-tent approach, understanding that the entirety of the potential adjustment is approximately 160 aMW.

#### Recovery Period & Timing for CHWM Calculation

Equally as important is the need to provide ample time for FY 2023 impacted loads to recover. For this reason, AWEC recommends that BPA allow loads time to recover through its FY 2026, which would necessitate a final CHWM calculation to take place in BPA’s FY 2027. AWEC understands that the driver behind BPA’s proposal that load recovery be measured over its FY 2024 and FY 2025 is in order to facilitate calculating CHWMs in its FY 2026, rather than an assumption that this time period will be more reflective of more normal economic conditions. In that vein, we urge BPA to balance the policy basis for the adjustment with the flexible timing

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<sup>2</sup> The Draft Policy proposed a 10 aMW threshold and a historic period measured between BPA’s FY 2019 and FY 2022.

<sup>3</sup> AWEC is unaware of any customers that would qualify for the alternative “10% of customer’s TRL” standard that was included in the Draft Policy.





available to it to calculate CHWMs. We note that performing the CHWM calculation closer to the beginning of power delivery increases accuracy and is consistent with the timing for CHWM calculations for Regional Dialogue contracts. For Regional Dialogue contracts, CHWMs were calculated the year before power delivery began for many of the same reasons proposed herein.<sup>4</sup> Load recovery continues to be uncertain, and it is unclear at the time of the adoption of this policy how long the current economic uncertainty and potential for recession will persist. Given that the goal of this proposal is to provide large single loads with reasonable timespans to capture “normal” usage levels, a slight delay in calculating CHWMs still achieves the appropriate balance.<sup>5</sup> An additional year of recovery will also mitigate the concern that CHWMs will be set based on short-term events with long-term consequences.

However, AWEC understands that some stakeholders may be eager to have certainty around their future CHWM levels as soon as possible and so a delay of one year may be an issue. To provide additional certainty sooner, similar to the Provisional CHWM process utilized in the Regional Dialogue contracts,<sup>6</sup> BPA could calculate preliminary CHWMs in 2024 which would provide customers with updated information to assist in their planning processes. AWEC supports WPAG’s proposal for calculation of preliminary CHWMs.

#### Economic Adjustment Impact on Proportional Share Adjustment

AWEC is aware of concern that an Economic Adjustment could displace some level of the proposed Proportional Share Adjustment, because the Economic Adjustment is part of the TRL, which is calculated prior to application of the Proportional Share Adjustment, which is, in turn, capped by the 7250 aMW maximum system size. AWEC believes that the likelihood of a significant impact to any recipient of the Proportional Share Adjustment is minimal. The Economic Adjustment is a data driven correction for the anomalous conditions being experienced during the Index Year, and has the potential to prevent or minimize the likelihood of events like the recent closing of the WestRock Tacoma Mill (which cost the Region over 400 jobs)<sup>7</sup> amongst customers with existing, and longstanding allocations of BPA power. Further, unlike utility rates, jobs and the economic impacts of manufacturing are not confined to service territories. The jobs and economic activity driven by the end-use consumers that would be eligible for the Economic Adjustment spill across borders, employing ratepayers of other utilities and supporting business located throughout the Region.

In sum, AWEC strongly urges BPA to adopt the full set of adjustments proposed here. For example, reducing the threshold from 5 aMW to 3 aMW would likely only increase the potential magnitude of the economic adjustment by 3 aMW, but the individual impact on the

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<sup>4</sup> See, e.g., Tiered Rate Methodology at § 4.1.

<sup>5</sup> AWEC understands that WPAG is proposing to set the recovery period for loads six months shorter than AWEC’s proposal on this element. AWEC’s primary, and much preferred, outcome would be that loads be permitted to recover over the entirety of BPA FY26. However, AWEC prefers WPAG’s proposal over a recovery period that would end with BPA’s FY25.

<sup>6</sup> See, e.g., Tiered Rate Methodology at § 4.1.8.

<sup>7</sup> See [WestRock to close Tacoma paper mill, lay off 400 employees | KOMO \(komonews.com\)](https://www.komonews.com/news/local-news/westrock-tacoma-paper-mill-closes-lay-off-400-employees).



utilities and their consumers would be quite significant, with those benefits extending to their communities as well. Likewise, AWEC is aware of two of its members that would likely be impacted by its utility's reduced CHWM if the lookback period were not extended to FY 2015, despite the fact that both are already investing heavily in ramping up their loads back up to longtime historic levels and are highly likely to continue operating at those levels throughout the Provider of Choice contract term.

#### **2.4.1.4 Headroom Adjustment**

AWEC is sympathetic to the impacts that the Headroom Adjustment will have on utilities that have diligently worked to keep loads flat or declining, and strongly supports the adjustments for Conservation and New Specified Resources discussed below.

#### **2.4.1.5 Conservation Adjustment**

The Conservation Adjustment is intended to recognize the work done by many utilities in the Region in support of BPA's goals and needs for conservation. It is important that customers who have done the right thing by investing in conservation to slow their load growth not be penalized from contract to contract by losing the ability to meet customer needs with low-cost Tier-1 power. To the extent that the Conservation Adjustment recognizes the work and investment done by these customers, AWEC supports it.

#### **2.4.1.6 New Specified Resource Adjustment**

Like the Conservation Adjustment, the New Specified Resource Adjustment reduces the punitive impact to utilities that have supported BPA's policy to encourage non-federal investment in new resources, which has led to a reduction in net requirements. To the extent that this adjustment tends to reduce any penalty to customers that have supported this policy goal, AWEC supports it.

#### **2.4.1.7 Load Growth Adjustment**

The Load Growth Adjustment tends to blunt the price signals that would otherwise help growing utilities to invest in conservation and the development of non-federal resources, and in the process, it introduces the possibility of high-cost augmentation that may dilute the benefits of the Tier-1 product for all customers. Limiting the Load Growth Adjustment to the smallest possible level will insulate customers from other utilities' resource decisions.

#### **2.4.1.8 Proportional Share Adjustment.**

While AWEC has supported limited adjustments to the sum of CHWM methodology, we appreciate that BPA has selected a limited proportional share adjustment to the level of the maximum Tier-1 system size. A maximum Tier-1 system size of 7,250 MW represents a significant compromise by those who have pushed for limited and measurable adjustments.





While this adjustment may somewhat erode the value of the federal system, making the adjustment pro rata and capping it at 200 MW demonstrates that BPA has listened to all of its customers, and is an important protection of the value of Tier-1 power.

#### **2.4.1.9 Returning Public Utility Adjustment**

While not all eligible utilities chose to contract with BPA during the Regional Dialogue contract, at least one customer with preference rights has determined to participate in the Provider of Choice contract. This return to BPA service raises a number of questions regarding how such returning load should be calculated and accounted for. The Returning Utility Adjustment appears to be a reasonable and thoughtful approach. AWEC supports BPA's proposal.

#### **2.4.2.1 Small Utility Adjustment**

Generally, AWEC supports limited adjustments once the fixed system size and CHWMs are set. In this case, BPA correctly notes that the effective rates of very small utilities could be significantly impacted by Above-High Water Mark load. While AWEC agrees that it is reasonable to make a small utility adjustment available to prevent outsized impacts, it is unclear why this adjustment appears to give utilities up to a size of 5 MW the ability to effectively double their CHWM before securing any other resources in the case of load growth. BPA should clarify why this level of expansion has been chosen, and whether incentives to reduce growth or acquire conservation or non-federal resources should be included.

#### **2.4.2.2 New Public Utility Adjustment**

BPA's approach to meeting the needs of new public utilities with PF-Eligible load appears to be appropriate. AWEC believes that it is important to meet these potential needs without unnecessarily diluting the benefits of Tier-1 power sold to existing customers.

#### **2.4.2.3 Tribal Utility Adjustment**

AWEC supports the tribal utility adjustment proposal.

#### **2.4.2.4 DOE Vitrification Load Adjustment**

Similar to the Small Utility Adjustment, BPA's proposal to support the DOE's efforts with a generous allotment of Tier-1 power in the case of load growth is not fully explained. While AWEC appreciates the importance of the DOE's work, it is not clear how BPA landed upon the potential power allotment that it did. The Final Policy should explain why this level of Tier-1 support is necessary.

**Products and Services at Priority Firm Rates****3.0 Products and Services**

During the Regional Dialogue Contract term, customers and the Region generally have benefited from the availability of diverse product types, including planned products. While the viability and importance of Slice products is covered below, as well as in the comments of the Planned Products Group, AWEC strongly supports the continuation of diverse product offerings from BPA, including Slice, which has permitted customers to maximize the benefit of the products that they purchase from BPA and has in turn provided benefits to BPA through hedging at different intervals than BPA. Absent this diversity, BPA would take on greater load forecast uncertainty and long-term uncertainty on the peak load placed on BPA. Maximizing the value of each product is the goal and the practice of all customers, whether taking planned or load following products, and the ability of Slice customers to do so should be encouraged and supported in the Provider of Choice contract.

**3.1.1 Product Switching**

Product switching must be carefully designed and is most important as a tool to account for changes to the products available, significant changes to the energy landscape, or carbon needs and regulation. AWEC understand that BPA is prepared to develop specific product switching requirements and will consider cost-shift implications and other conditions. To the extent there are options for switching products, NLSLs should be afforded a properly designed ability to switch to the NR rate. Any product switching should be properly priced and avoid the offering of free “options” to customers for purely economic benefit. Product switching to meet customer needs when faced with the changing realities of organized market participation or necessary new products like low or carbon-free energy should also be included.

**3.1.2 Emerging Markets**

Emerging markets and BPA’s participation in regional market structures injects significant uncertainty into the development of this policy and the following contracts. Given that uncertainty will persist as these developments move forward, it is sensible that BPA and customers will both need flexibility to deal with unforeseeable developments that may arise during the term of the contracts, which could affect BPA’s ability deliver the value it has historically offered, as well as the utility of those products to customers. We believe that this is the intent of BPA’s language within this section, when it states that “Bonneville may need to address foundational product viability. . . .”<sup>8</sup> This concern is also key for customers. Customers signing a contract and selecting a product need to be able to rely upon BPA delivering that product, including the value of that product, just as BPA relies on customers taking or paying for it. Addressing foundational product viability must be a collaborative process and ensure that

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<sup>8</sup> Draft Policy at 23.





customers have genuine agency and the ability to reject products that are different from and that do not deliver the value they have contracted for.

### **3.4 Slice/Block**

AWEC is concerned to the extent that BPA intends to either remove the Slice product offering altogether, or to design it in such a way that the value proposition of the Slice product does not exist for customers, effectively limiting the offering. Slice customers should not have fewer product offerings under Provider of Choice contracts than they do under the current Regional Dialogue contracts, nor should the value proposition of any product be disproportionately impacted. The Slice product allows customers to purchase and pay for a defined percentage of the FCRPS, which should include all of the attributes of the FCRPS, including associated capacity. AWEC is concerned that BPA is carving off a share of the capacity that Slice customers have historically been entitled to utilize – effectively depriving customers of the full value of the Slice product. This is inconsistent with cost-of-service ratemaking principles. AWEC generally shares the concerns identified in comments submitted by the Planned Product Group.

#### **3.5.1 Long Term Tier 2 Path**

BPA's Long Term Tier 2 proposal appears to be designed to lower costs and risk by offering multiple products, including products that promote certainty and stability. To the extent that such new products are not associated or related to an erosion of the value of the products received by other customers, AWEC supports BPA's proposal to explore new, differentiated products for Tier 2 service.

### **Products and Services at New Resource Rate and Industrial Firm Power Rate**

#### **4.2 New Large Single Loads**

BPA states that it intends to retain its NLSL Policy during the Provider of Choice contract term. The NLSL Group notes that it may be appropriate to fully review and consider updating that policy at this time. AWEC agrees that, at a minimum, it is time to explore ways to improve the implementation of that policy. We are aware that an NLSL group is submitting comments with recommendations for replacing or improving implementation of the NLSL Policy, and AWEC is generally supportive of the positions taken by that group in their comments. AWEC fully supports and is prepared to engage in an investigation of the four primary issues raised by the NLSL group. In particular, improvements in NLSL determination process are long overdue. Further, any improvement that can be made to the operation considerations, including potential demand side management potential, is ripe for consideration.



## **Rate Discounts**

### **5.1 Irrigation discount**

AWEC understands the historic importance of the Irrigation Discount. Nonetheless, while critical for some of BPA's customers, it shifts costs to those customers not receiving it. BPA strikes an appropriate balance in the Draft Policy to limit cross subsidies in rates.

### **5.2 Low Density Discount**

Like the Irrigation Discount, the Low Density Discount is important to certain rural areas, but it tends to create a subsidy paid by customers in densely populated areas on behalf of customers in sparsely populated areas. BPA should continue to limit this discount and the transfers that it represents.

## **Power Delivery**

### **6.1 Transmission**

Delivered power is part of BPA's statutory obligation to its customers and it is foundational and valuable to BPA's Provider of Choice contracts. AWEC supports inclusion in the final Provider of Choice policy of the language negotiated by Public Power Council regarding BPA's delivered power obligation:

*Whenever requested by a public body or cooperative entitled to preference and priority under the Bonneville Project Act, BPA is obligated to offer to sell electric power to that public body or cooperative through contracts that cannot exceed 20-year terms. Congress also authorized BPA to construct, own, and operate transmission or to purchase transmission to deliver the electric power in satisfaction of this contractual obligation. In exercising its authority to market and transmit electric power, BPA's statutes provide that there be sufficient capacity for the transmission of federal power—generated or acquired—to satisfy BPA's contractual obligation. Prior to 1996, BPA fulfilled this obligation through a bundled power and transmission contract. With the advent of transmission deregulation in 1996, BPA has fulfilled this obligation by and through its adoption of the Open Access Transmission Tariff. Under its OATT contracts, BPA has a legal obligation to provide transmission service, consistent with the terms of the Tariff and contracts.*

### **6.2.2 Cost Recovery of Transfer Service**

AWEC generally values the principle of costs following benefits, and is generally hesitant to socialize individual customer resource choices across all customers. AWEC continues to support BPA's initial "compromise" proposal to continue rolled-in treatment only for non-federal transfer associated with physical, local resources, while eliminating rolled-in treatment for other transfers. During this time when non-federal resource development is likely





to become of increased importance to meet load growth due in part to electrification, electric vehicles and population increases in the Region, as well as meeting known and future state renewable and carbon free emissions policies, the compromise approach would make movement towards limiting substantial cost impacts to customers and moving towards principles of cost causation. With that said, AWEC appreciates that BPA has placed limits on the financial assistance to transfer customers, including the exclusion of costs of transfer service associated with federal power sold at the NR rate and limiting financial assistance for non-federal resource deliveries. While AWEC believes that BPA could, and should, go further to align costs with benefits, these measures provide some safeguard to the level of subsidy reflected in the Tier 1 cost pool.

## **Carbon**

### **7.0 Carbon**

AWEC continues to appreciate BPA's commitment to evaluate options for customers to achieve 100 percent carbon-free products, but again urges BPA to go further and faster than has been indicated thus far. The implementation and development of state and federal directives related to decarbonization of the grid is causing a rapid revolution in the way customers and end-use consumers are thinking about the acquisition of their energy. Washington State's Clean Energy Transformation Act ("CETA") is one example of a known policy with a specific timeline, but the likelihood that additional policies will develop over the term of Provider of Choice contracts is high. AWEC appreciates that BPA recognizes it has a critical role in this transformation in the Region. AWEC believes that BPA's role as a "Provider of Choice" involves ensuring that its customers have options to meet state and federal policy directives as well as voluntary goals. Similarly, BPA's role as a statutory energy provider also involves ensuring that customers that will face new regulatory costs are able to optimize their use of the FCRPS to minimize that cost burden. Already, large consumers are making hard choices about resource planning, investment in electrification of industrial facilities, and the financing and siting of new carbon-free resources in order mitigate the costs of state policies such as Washington's Climate Commitment Act, and in some cases, to meet corporate goals. These considerations are likely on more aggressive timelines than CETA's 100 percent emissions free requirement by 2045.

AWEC understands that current markets and operational requirements prevent BPA from claiming a carbon-free system. However, BPA appears to be asserting that without a fully carbon-free system, it cannot offer a carbon free product. While BPA may not be able to offer carbon-free products system-wide, carbon free products could be offered with accounting (and cost) solutions. BPA's willingness to allocate renewable energy credits ("RECs") between customers is a demonstration of its ability to go further and allocate emissions-related attributes to specific product offerings. As AWEC detailed in informal comments, this process is



underway across the country through initiatives of other Power Marketing Agencies, investor-owned utilities, and public power in other regions.<sup>9</sup>

While it is prudent to move the expiration date of the upcoming contract to the year before Washington's CETA requires fully carbon-free power, it is equally unwise to assume that more aggressive regulations or laws will not be passed in the interim. CETA is no longer the most recent decarbonization policy in the Region. It is imperative that BPA move quickly to work with customers and stakeholders that are consuming low-carbon BPA power to stay ahead of costly regulatory impacts in Washington and Oregon.

## **7.1 Environmental Attributes**

BPA's decision to convey RECs based on the actual amount of power purchased by a customer is a positive step. This demonstrates that the Agency is able to allocate environmental attributes among customers and product types. However, the market and function of environmentally focused energy attributes are changing. Energy Attribute Credits ("EACs") that track the carbon attributes of energy, rather than the renewable nature of fuel, are becoming a larger part of the conversation and are becoming more widely sought, as corporate entities focus on decarbonization as their primary goal, rather than being purely focused on renewable fuels. This distinction is critical because the non-emitting nature of resources such as the Columbia Generating Station are more highly valued in a carbon-based regime than they are in a renewable fuels-based regime.

Additionally, the electric industry nationwide is experiencing a customer- and federal-driven movement toward granular EACs. EACs and RECs are being developed that include hourly information, so that they can be used to match a consumer's hourly consumption on a 24/7 basis. This drive toward the hourly matching of renewable resources to load is typically referred to as Carbon Free Energy, or "CFE." Multiple large consumers with facilities in the Region have signed onto efforts or made pledges to acquire CFE that is matched to load on an hourly basis, rather than simply acquiring non-discriminate bulk RECs in an amount equal to their annual consumption. Executive Order No. 14057 makes it mandatory for federal facilities to also acquire hourly matching 24/7 CFE for 50% of their energy use by 2030. Regardless of BPA's own obligations for its proprietary energy use, federal and corporate CFE is a critical mission that BPA should support, as a lack of CFE options will leave BPA customers unable to meet the needs of large customers or Federal Facilities located within their service territories, despite the existence of so much CFE being produced and consumed within the Region. This effect would be in tension with BPA's desire to be the Provider of Choice for the next twenty years under post-2028 contracts. Notably, the CFE standard required by the federal government and desired by certain large customers does not require full decarbonization of the grid because it

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<sup>9</sup> AWEC's April 18, 2023 Comments on BPA's Provider of Choice Concept, accessed at <https://www.bpa.gov/-/media/Aep/power/provider-of-choice/2023-Comments/20230418-awec-comments.pdf>.





accounts for energy, not capacity, balancing services, or other transmission products, and is, instead, an interim (albeit very large) step toward grid decarbonization.<sup>10</sup>

### **7.1.2 Emissions Accounting**

AWEC supports BPA's movement toward more effective emissions accounting by providing separate emissions accounting for power purchased at different rates and recognizes that BPA intends to provide transparent accounting of the fuel mix and conveyance of environmental attributes, but has yet to identify the method for doing so. AWEC encourages BPA to begin stakeholder engagement on its emissions accounting method as soon as possible in order to ensure that customers have the level of granularity necessary or desired. For example, in order to enable its customers to offer hourly matching CFE, BPA could track its hourly dispatch of CFE resources and allocate EACs (including RECs) to customers proportionately to their consumption during the hours that the CFE resources are dispatched. This will enable customers to offer CFE products and modern carbon accounting to their end use consumers and will empower them to make carbon-aware choices about consumption, conservation, and low-carbon resource planning.

## **Long-term Cost-Management**

### **8.0 Long Term Cost Management**

Throughout the term of the Regional Dialogue Contract, cost management has been an ongoing area of both concern and collaboration. Customers, including AWEC members, were extremely encouraged that BPA heard their cost-management concerns, and particularly during the second half of the Regional Dialogue term, has worked very hard to contain costs and deliver value to customers. BPA should be recognized for repeatedly keeping budgets flat across rate periods while operating more efficiently. In addition, a trend toward greater transparency permitted customers, as stakeholders, to better understand the business challenges BPA faces and how they have changed over time. AWEC appreciates the information that has been made available during Quarterly Business Reviews, follow-on workshops, and in other touchpoints. We encourage BPA to continue providing this level of transparency as it continues to work hard to contain costs. On the other hand, one of the most difficult and contentious trends during the Regional Dialogue Contracts has been BPA's practice of adding new costs to customers outside of long-term contracts through risk and liquidity adjustment mechanisms. These mechanisms have pushed additional cost and risk to customers through their contracts but were not bargained for or anticipated during the Regional Dialogue Process. This has left customers often feeling deprived of agency and has created unanticipated conflict. This has been somewhat ameliorated by BPA's increased transparency, but it remains a significant issue to commit to sixteen years of power deliveries at rates that are subject to new surcharges that can be unilaterally imposed outside of the contract and rate structures that have been agreed to. As discussed below in

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<sup>10</sup> See, <https://www.whitehouse.gov/briefing-room/statements-releases/2021/12/08/fact-sheet-president-biden-signs-executive-order-catalyzing-americas-clean-energy-economy-through-federal-sustainability/>.





section 11.4, the parties should allocate risk and agree to any risk-adjustment mechanisms during the contracting process, rather than adding major changes to the structure mid-stream.

## **Conservation**

### **9.0 Conservation**

Many AWEC members have worked closely with their utility partners to engage in high-impact, cost-effective conservation. Generally, AWEC members continue to look for conservation opportunities and believe that conservation should continue to be the resource of choice. To the extent that the Provider of Choice contracts and the treatment of CHWMs work for customers and continue to foster these opportunities, AWEC is supportive of maintaining the current conservation acquisition policies. In addition, AWEC notes that it is important to enable and encourage customer-funded and customer-directed conservation where possible rather than cycling dollars through BPA.

## **Residential Exchange**

### **10.0 Residential Exchange**

AWEC Supports BPA's proposal to continue requiring preference customers to waive the right to Residential Exchange benefits as a part of the contract. We are hopeful that significant progress toward a Residential Exchange settlement can be reached with other eligible customers that public power can support, prior to the signing the contracts.

## **New Long-Term Contracts**

### **11.1 Duration of Contracts**

The Contract's 19-year term, including 16 years of power delivery will provide BPA with tremendous certainty, and coupled with the take or pay provision, the ability to demonstrate strong financial health and maintain a high credit rating. This benefits customers in as well as BPA. However, the length of this contract, set against the backdrop of a changing industry, underscores AWEC's concerns regarding Long Term Cost Management, discussed above, and introduction of additional risk-shifting measures, including revenue financing. A 19-year term is very long for a contract that has so many potentially unknown features when coupled with take or pay obligation, again emphasizing the importance of flexibility and mechanisms for collaboration with customers in the face of change.

### **11.4 Take-or-Pay Requirements for Purchases**

AWEC expects the take-or-pay relationship between BPA and its customers to continue. As noted by BPA, the firm nature of the obligation reduces borrowing costs, guarantees revenue, and supports financial health. However, as discussed in Section 8 of these comments, the



practice of adding new surcharges outside of the foreseeable cost structure expected by the parties to the contract is not a typical feature of firm power contracts. While we acknowledge that BPA has a unique relationship with preference customers, the ability to shift the risk profile of a contract and create new surcharges during the course of a contract is not a feature that market-standard contracts contain – indeed, a take-or-pay construct is intended to provide certainty around both the delivery and acceptance obligation and price structure. It was well understood at the beginning of the Regional Dialogue Contract that rates charged to Preference Customers ultimately must ensure that BPA recovers all of its costs, and that rate adjustment proceedings are the mechanism to ensure those costs are being captured in rates, while keeping those rates at the lowest possible level, as required by statute. To the extent that additional surcharges are required to monetize and shift risk between the parties to a contract, such mechanisms should be clearly set forth and agreed to in the contract, not added during the term.

#### **11.6 Flexibility to Amend Contracts and Rates**

Administration of the coming Policy and Provider of Choice contracts will be a unique challenge, given the importance of long-term take-or-pay contracts, and the presence of rapidly evolving circumstances. AWEC appreciates BPA's acknowledgement of the need to specify when and how the contracts can be modified to deal with changing circumstances that the parties cannot fully anticipate at the beginning of the contract term. Any amendment and revision should take place in a process where customers have true agency, and should include the ability to address market, product, and carbon risk, as well as limit BPA's ability or need to unilaterally impose new surcharges outside the PRDM.

AWEC again appreciates the opportunity to comment on BPA's Draft Policy and looks forward to additional engagement on these issues as the Provider of Choice process continues.

/s/ Bill Gaines

Executive Director

Alliance of Western Energy Consumers



**Board of Directors:**

Bob Wiggins  
Merle Gillespie  
Jeannie Mustola  
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**General Manager:**

Marc Farmer

10/13/2023

John Hairston  
BPA Administrator  
Bonneville Power Administration  
PO Box 3621  
Portland, OR 97208-3621

**RE: Post 2028 Provider of Choice Policy ROD (PoC)**

Dear Administrator Hairston,

Clatskanie People's Utility District (Clatskanie PUD) is offering the following in response to the Bonneville Power Administrations (BPA) Provider of Choice Policy call for comments.

Clatskanie PUD is one of six electric PUDs in Oregon. Clatskanie PUD serves the Oregon communities and surrounding areas of Rainier, Westport, and Clatskanie. In addition to serving residential and commercial customers, our industrial customers include three paper mills. Clatskanie PUD is a public, not-for-profit utility, governed by our locally-elected Board of Directors and serving our customers with rates based on the cost of providing service.

Administratively our PUD would like to recognize BPA's efforts through this process. The duty of crafting long term contracts that balance statutory obligation, fiscal responsibility, and operational viability is difficult. There are a wide range of perspectives in the region and at times these perspectives can be in direct conflict with each other. As a steward of the Federal Columbia River Power and Transmission (FCRPS/FCRTS) systems BPA has long demonstrated the ability to balance these interests and serve as the economic engine for the Northwest.

Procedurally our PUD would like to highlight our support of PoC comments offered by PPC and the Planned Products Group. We would also like to identify our position relative to several adjacent yet intertwined initiatives which are of material impact to this process.

- **Evolving Markets** – We support BPA in the evaluation of day-ahead market participation and believe it is within the Administrators ability to maintain "preference" while also participating in organized markets.
- **Resource Adequacy** – We support BPA in Western Resource Adequacy Program (WRAP) participation. BPA is uniquely situated to help or hinder regional resource adequacy and we believe it is important for the region and BPA's impacted customers to harmonize with these initiatives.
- **Residential Exchange / Columbia River Treaty / Environmental Obligations** – Individually any of these issues are of significant impact to BPA and the PoC contracts; collectively they amount to a risk center that must be owned and addressed by the Administrator in the PoC Policy. We ask the

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Administrator deeply consider the magnitude of these risks when authoring the final policy, and limit as able, the open ended cost obligations of preference customers subject to a take-or-pay contract.

- **Power Deliverability** – We support BPA affirming through the PoC Policy, “deliverability” as a foundational tenant consistent with the Northwest Power Act.

As a matter of comment structure, our PUD has elected to utilize the section references provided by the July 2023 Draft PoC Policy document. Our comments and recommendations are listed below.

#### Section 1 Introduction

1.1.1 - The 4 principles and 7 goals identified within the draft generally recognize BPA’s needs, but fall short in representing customer perspective. Generally the tone and substance provided speak to accommodating BPA’s statutory and financial obligations while missing the customers obligations as a load serving entity facing their own cost and policy obligations. To improve upon the draft provided, we recommend adding a principle which compels BPA to increase customer oversight and participation through the term of the PoC contracts.

1.2.1 – As a WRAP participant BPA identifies the possibility of adjustments to product and service offerings inclusive of data and planning obligations to meet BPA’s needs. We agree that the WRAP initiative is still developing and will likely require product amendments. We ask BPA to acknowledge that customers electing to directly participate in regional RA through the WRAP may require amendments to products and offerings as well; and BPA will endeavor to work with customers in meeting those needs.

1.2.2 / 1.2.3 – We believe these sections appropriately identify the state of evolving markets but lack in defining how preference rights will be handled. We recommend BPA address the treatment of preference in this section or identify the mechanism/process in which the Administrator will consider such treatment. Our utilities believe is that BPA can operate within both a day-ahead market and/or RTO market while maintaining preference rights and extracting the full value from such markets.

#### Section 2 Provider of Choice Foundational Service Elements

2.1.1 – Although it does add additional complexity, we believe it important for BPA to contemplate the changes likely to occur to the regions energy requirements over the course of the PoC contracts and how new resources will be used to meet those needs. With this in mind, we find it increasingly unlikely that energy net requirement (ENR) calculated on an average annual basis relative to the average annual output of variable resources reflects a customers actual load service obligation.

During the product design and contract development phase we ask BPA to give additional consideration to a more nuanced approach to calculating net requirements where variable and/or limited fuel resources are used to meet customer needs.

2.1.2 – Our PUD is signatory to the Planned Product Group (PPG) comments. In summary of those comments we highlight our concern with peak net requirements (PNR) as proposed by BPA. We recognize and support BPA’s discretion in implementing a version of PNR which meets it’s statutory objectives but as of this comment period we cannot support what has been proposed. We are

committed to learning more about the proposal and working with BPA on a viable solution for the region. We have too many questions and knowledge gaps to offer support to such a significant matter.

2.2 – Our PUD supports the continuation of a tiered rates methodology (TRM). We recommend that within the PoC Policy that BPA clarify the term “firm requirements power”. As a point of policy this definition is significant in how contracts and rates will be crafted. Our perspective is that “firm requirements power” includes a tiering of energy, capacity, and non-power attributes.

We also believe it important for the Policy to build upon the third foundational tenant and consider the cost/rate impacts should the region transition into a locational marginal pricing structure for resources used to serve customer load directly or via BPA’s suite of resource integration services. For the Policy to stand the test of time during this period of evolution we believe this is an issue only warranting identification, not resolution.

2.3.1 – We support the use of a fixed system size. We believe the methodology is generally sound but for our comments regarding section 3.5.

We also recommend BPA improve upon the methodology as proposed in section 2.3.1 and further described in section 2.3.2 by accommodating incremental efficiency improvements at the FCRPS projects which are likely to take place within the term of the PoC contracts. Our preferred treatment is to have the system size fixed at 7,250 MW with a periodic upward adjustment for efficiency improvements associated with the FCRPS efficiency improvements. Absent separate treatment, we believe that BPA’s resource planning becomes more complicated and costly than necessary. This also serves to aid those customers requesting a larger system size by allowing the core system to grow beyond the fixed amount as capital replenishment/refurbishment takes place through time.

2.3.2 – We believe BPA’s illustration of how system augmentation will unfold are generally acceptable. Our PUD recommends the identification of incremental efficiency improvements as a priority resource for consideration during BPA’s resource program review. This should receive additional attention in BPA’s strategic planning, IPR process, and long-term capital planning initiatives.

2.3.1 – We recommend the policy clarify the treatment of energy storage and demand response “resources” for the purposes of this policy section and sub-sections.

2.3.3.1 – We support the idea of a non-federal resource allowance as described within the draft. However; the proposal to exclude such resources from integration charges like RSS appears to be inconsistent with the application of uniform rates and cost causation. We recommend clarifying that resources subject to this provision will be treated as any other resource for the purposes of integration charges.

2.3.3.4 – We support a process considering BPA’s transition into a modernized application of 5(b)9(c).

2.4 – For the purposes of clarifying this section we recommend BPA further define how the “fixed system size” amount will be treated in computing the CHWM when the size of the system has not grown to the pre-defined amount.

2.4.1.2 - Beyond the scope of the economic adjustment provisions, we believe clarification for the treatment of returning CF/CT loads may be valuable within the term of the PoC contracts. For this reason, we recommend BPA include a subsection highlighting the ability of CF/CT loads to access PF products beyond what is provided for in the PoC CHWM.

2.4.1.9 – For all returning utility customers we recommend that BPA provide reasonable assurance that returning load(s) which would have otherwise been categorized as an NLSL be treated as such for the purposes of calculating CHWM amounts.

2.4.2 / 2.4.2.4 – Within the scope of the CHWM adjustment categories and specifically for the purposes of serving the DOE Vitrification load we believe it is appropriate for BPA to uniformly apply the NLSL policy for the purposes of determining an entities CHWM. For this reason we recommend BPA include language clarifying this intent.

Should BPA elect to offer PF service to the DOE Vitrification load we recommend BPA apply the 2023 base year CHWM computation and clarify that service beyond such measured amounts will be eligible for PF service at Tier 2 rates. We believe proposed revision/clarification better aligns the treatment of new loads with the treatment of returning customers.

### Section 3 Products and Services at PF Rates

For the purpose of clarifying this section and applicable subsections we recommend BPA address or identify the process where BPA will address planning standards and system obligations tied to products. Inherent to the products and services that BPA offers are the requirements to plan for a system which can meet those requirements on a forward showing basis and then again in the operational time horizon. In moving towards regional RA, which may include some degree of an organize market, it is important for BPA to examine and address the instances where products provide dissimilar planning accommodations. It is also important for BPA to examine it's assumed obligations tied to providing for the sale of non-firm surplus.

3.1 – For the following; “Conversely, in providing flexibility to planned products, Bonneville does not assume any planning obligation beyond the monthly planned power delivery, including for power sold at a PF Tier 2 rate, if elected.” we ask BPA to clarify if there will be a pricing difference within the Tier 2 rates as applied to load following and planned products. It is our assumption that a Tier 2 service absent planning obligations (ex. PRM) will be priced lower than a service including planning obligations.

3.4 – Our utility is evaluating all products offered by BPA inclusive of the Slice/Block product. We are committed to working with BPA on developing a Slice product that works within BPA's statutory framework, meets regional RA standards, recovers costs, comports with modern market design, and meets customer needs. We are concerned with the lack of commitment to Slice within the draft policy



and believe all applicable sections should positively affirm Slice as a viable and financially beneficial product. We ask BPA to include such affirmations and expand the draft to include a commitment to offering a defined percentage of the system to customers electing to take slice as a product similar to what was offered through the RD policy ROD.

3.4/3.31/3.3 – In considering all product offering we are committed to continue working with BPA on Load Following, Block, Block w/Shaping, Slice, and a combination thereof. Our hope is that any product combination will provide for the needs of BPA, customers, and the region. With this in mind we believe there are solutions available that can meet and exceed the value proposition currently presented. To advance these solutions we request BPA outline within this policy what it is hoping to achieve through an implementation of PNR, it's concerns with joining an organized market, hesitation of offering slice, and the addition of block with shaping capacity as a product offering. It remains unclear to our utility what BPA is seeking to achieve, and without that understanding it is difficult to work towards a mutually beneficial outcome.

3.5 – Our utility appreciates the section(s) developed for the purpose of addressing AHWM load and offer general support. We do request consideration of the following:

- Removal of the possible limitation provided to those electing short-term tier 2.
- Clarification of CF/CT eligibility for Tier 2 products.
- Clarification of the planning obligations tied to above CHWM service elections

#### Section 6 Power Delivery

6.1 – We request BPA affirm in the policy, that power deliverability is a key component of BPA's underlying obligations and that it will continue to provide firm delivered products through the PoC contracts.

#### Section 7 Carbon

7.1.2 – We support BPA's efforts to separate emission accounting for Tier 1, Tier 2 and the NR/IP rates.

#### Section 8 Long-term Cost-Management

Our utility appreciates BPA's effort to continually improve transparency and long term cost management. We request BPA continue to improve in these areas and expand its cost management efforts to better accommodate the way capital projects are funded and reported on. BPA and associated agencies have unfortunately not been successful in accomplishing projects on time or on budget. There have also been a number of instances where funds which should have been directed to rate relief have been channeled through to fund unplanned initiatives. Preference customers bear BPA's cost risk as well as the risk of poor market conditions and/or poor hydrological conditions. We believe it important that through the PoC contracts that customer can rely on BPA to directly return funds thorough rate relief, DDC, and/or mutually agreed advance funding of capital projects. With this in mind we ask BPA to

include within this section, language clarifying that BPA will directly assign to customers through a contractual mechanism, funds associated with better than expected financial outcomes.

#### Section 9 Conservation

We believe the conservation program offered by BPA has been largely successful through the RD contracts. There has however been a transition occurring which will likely result in BPA needing material revision to its conservation programs within the scope of the PoC contracts. Two specific items warranting address in policy is the role of electrification in conservation efforts and treatment for large industrial loads which do not conform to the time horizons prescribed by BPA's current programs. These and others issues are not yet ripe for the Policy ROD but we do believe they should be highlighted to ensure due consideration is given during the upcoming process.

#### Additional Considerations

We ask for the addition of a policy section addressing the administrative and process needs of both BPA and customers. Through the PoC process it will be mutually beneficial for the parties to meet and determine how to best jointly administer the contracts and relevant provisions. This would include data submission, reporting, settlement, meter management, and systems upkeep. This has been an area of growing concern for customers and we fear that without a specific effort called for within the Policy, it will go unaddressed. Our hope is that a defined and prescribed effort will aid in cost reductions and better information.

#### Conclusion

In closing; we again express our thanks to BPA and its staff for the efforts surrounding the PoC process. We look forward to continuing our joint efforts in maximizing the value of the FCRPS for the benefit of the region.

William (Marc) Farmer

General Manager

Clatskanie People's Utility District

October 13, 2023

Mr. John Hairston  
Administrator  
Bonneville Power Administration

**Re: Northwest Requirements Utilities Comments in Response to BPA's Draft Provider of Choice Policy Proposal**

Northwest Requirements Utilities ("NRU") appreciates this opportunity to respond to the BPA Provider of Choice Draft Policy dated July 2023 ("Draft Policy"). NRU represents the interests of 58 load following customers which together account for roughly one-third of BPA's public power loads. NRU members are diverse in size and geography, ranging in size from 3 aMW to nearly 200 aMW across 7 western states. NRU members rely upon BPA primarily or exclusively for both power supply and transmission services. As a result, the questions raised and proposals made in BPA's Draft Policy are critical to our membership and the end-use customers they serve.

NRU supports BPA's overall draft approach, subject to these comments and the technical fixes to the Draft Policy that we recommend herein. The load following product has worked well for NRU members under the Regional Dialogue contracts, and we look forward to it continuing to work well for us under the Provider of Choice contracts using the framework set out in the Draft Policy.

NRU would like to express our appreciation for the hard work by Bonneville staff and executives that the Draft Policy represents. While NRU is providing extensive comment and proposed revisions to the Draft Policy, on balance we believe it is well crafted and delicately balanced to meet the needs of public power, and we appreciate the clear priority that BPA has placed on collaborative engagement throughout this process.

As the next step in continuing this open and productive dialogue, the following comments reflect the priorities and positions of NRU, pursuant to the guidance of its 58-member Board of Directors.

The fact that NRU's comments exceed the Draft Policy in length speaks to the critical nature of this process, and the potential impacts of Bonneville's policy decisions on NRU member utilities in the future. As a preliminary matter, these comments will seek to address issues that are either not addressed directly in the Draft Policy, or that are otherwise ancillary to the issues addressed therein. Thereafter, for ease of reference NRU's comments are organized to parallel the organization of the Draft Policy.



We expect to continue our active participation in this process as the proposals described in the Draft Policy are more fully developed, and we thank you in advance for your careful consideration of these comments. If you have any questions, please do not hesitate to contact me directly.

Sincerely,

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Zabyn Towner  
CEO  
Northwest Requirements Utilities

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## *1. Comments on High-Level Issues Presented in the Draft Policy*

### *(i) Considerations for the Revenue Distribution Clause*

NRU understands that Bonneville intends to conduct a secondary process to develop the post-2028 rate design for its public rates — the 2029 Public Rate Design Methodology (“PRDM”) — that will update and replace the current Tiered Rates Methodology (“TRM”). However, the distinction between rate design and policy is not always perfectly clear, and so NRU is taking this opportunity to outline our concerns and expectations regarding risk mitigation, financial reserves, and the level of discretion reserved in the Regional Dialogue Contract with respect to the allocation and distribution of any applicable revenue distribution clause (“RDC”) funds.

Bonneville is required to market Federal power at rates that are established pursuant to statutory directives. Most fundamentally, Bonneville’s rates must be set to recover its costs.<sup>1</sup> Bonneville is directed to set rates “with a view to encouraging the widest possible diversified use of electric power at the lowest possible rates to consumers consistent with sound business principles.”<sup>2</sup> Since Bonneville is financed almost entirely by its customers, the revenue received from ratepayers must be sufficient to fully recover all of Bonneville’s costs. As a federal power marketing administration that does not operate for profit, Bonneville does not incur the cost of paying dividends or a rate of return to equity investors. If expenses exceed revenues, financial reserves will generally be depleted, and Bonneville may need to increase rates to recover its costs. If revenues are greater than expenses over time, financial reserves<sup>3</sup> will accumulate in the Bonneville fund. Therefore, consistent with this directive and these policies, Bonneville’s firm power customers (the vast majority of which are preference customers) pay rates that recover all the costs of the Federal power system.<sup>4</sup>

Foundationally, while Bonneville’s Financial Reserves Policy is intended to mitigate the risk inherent in forecasting these costs and revenues on a rate period basis, the RDC is instead designed to affirm the cost-based nature of Bonneville’s power rates, safeguarding the fact that the customers that pay for the

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<sup>1</sup> Bonneville Project Act of 1937 § 7, 16 U.S.C. § 832f (2020); Flood Control Act of 1944 § 5, 16 U.S.C. § 825s (2020); Federal Columbia River Transmission System Act of 1974 § 9, 16 U.S.C. § 838g (2020) (“Transmission System Act”); Pacific Northwest Electric Power Planning and Conservation Act § 7(a)(1), 16 U.S.C. § 839e(a)(1) (2020) (“NWPFA”).

<sup>2</sup> Transmission System Act § 9, 16 U.S.C. § 838g (2020); *see also* Flood Control Act § 5, 16 U.S.C. § 825s (2020); NWPFA § 7(a), 16 U.S.C. § 839e(a) (2020).

<sup>3</sup> Financial reserves (or reserves) refer to “reserves available for risk,” a BPA term representing the amount of unobligated cash, short-term market-based investments, and deferred borrowing. This is distinct from “reserves not for risk” which is a BPA term for obligated or committed cash and investments, generally dedicated to be used for a specific future purpose, *e.g.*, customer deposits for transmission studies.

<sup>4</sup> *See e.g.*, NWPFA § 7(a), 16 U.S.C. § 839e(a)(1) (requiring BPA to establish rates to recover its “total system costs. . .”); § 839e(b)(1) (requiring BPA to set rates for “general requirements” and IOU exchange loads, and allocating the costs of the Federal Base System and (as needed) other resources to this rate pool); § 839e(g) (equitably allocating to power rates “all costs and benefits not otherwise allocated under” section 7 of the NWPFA).

fully allocated cost of the Federal power system also receive the benefits of that system. However, the level of discretion included in the existing RDC contract language runs contrary to this foundational principle, as the region learned well given the broad and disparate level of public engagement in response to Bonneville's FY22 Revenue Distribution Clause Proposal, Public Comment on which closed December 1, 2022.<sup>5</sup>

NRU submits that the volume of demands upon and claims made to those FY22 RDC funds throughout the public comment period is entirely due to this problematic level of discretion. In the interest of avoiding future issues, and to further clarify preference customers' rights and obligations with respect to power rates, NRU strongly recommends that, consistent with Bonneville's obligation under §7(g) of the Northwest Power Act ("NWPAct"), the Provider of Choice Policy and resulting contract clearly align within Tier 1 power rates all the costs and benefits that Bonneville realizes from the sale of or inability to sell excess electric power.<sup>6</sup> Further, in honor of the take-or-pay obligations that Bonneville's power customers accept, that Bonneville also include the general intent and specific language of Cost Allocation Principle No. 8 of the TRM in the next iteration of Provider of Choice Policy and upcoming PRDM process.<sup>7</sup>

In addition to the clear statutory and policy justifications, there are two additional reasons for following this recommended approach. First, a contractual commitment as to how Bonneville will use RDC funds in the future will act as buttress against other competing demands that would not benefit Bonneville, its preference customers, or the FCRPS. Second, as further discussed below, committing to use all future RDC funds for rate relief or FCRPS improvements could help Bonneville advance some of its long-term initiatives and policy objectives in other areas, such as Bonneville's ongoing evaluation of whether to join or participate in day-ahead market.

Ostensibly, one of the benefits of Bonneville joining an organized market is that it represents an opportunity to increase Bonneville's secondary revenue, which should then be used to reduce the power

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<sup>5</sup> Found at [Public Comments \(bpa.gov\)](https://www.bpa.gov/public-comments), accessed 9/11/2023.

<sup>6</sup> NWPAct § 7, 16 U.S.C. § 839e(g) (2020) ("[T]he Administrator shall equitably allocate to power rates, in accordance with generally accepted ratemaking principles and the provisions of this chapter, *all costs and benefits not otherwise allocated under this section, including*, but not limited to, conservation, fish and wildlife measures, uncontrollable events, reserves, the excess costs of experimental resources acquired under section 839d of this title, the cost of credits granted pursuant to section 839d of this title, operating services, and *the sale of or inability to sell excess electric power.*") (emphasis added).

<sup>7</sup> TRM §2.1(8) provides in relevant part as follows:

As a consequence of the customers' contractual take-or-pay obligation to pay for power at rates established by BPA pursuant to Northwest Power Act section 7 to recover, in accordance with sound business principles, BPA's costs of acquiring, conserving, and transmitting electric power, including amortization of the Federal investment in the Federal Columbia River Power System over a reasonable number of years, and all other costs and expenses incurred by the Administrator pursuant to law, and for so long as customers continue to fulfill their contractual take-or-pay obligations, then . . . (2) costs and benefits of the sale of or inability to sell excess electric power allocated under section 7(g) of the Northwest Power Act will be allocated to the Cost Pools to which the costs of the resources that generate such excess electric power are allocated.



rates paid by Bonneville's preference customers. However, given Bonneville's reticence to provide power rate decreases when it forecasts additional secondary revenue, the possibility that power customers could receive such additional revenue in the form an RDC distribution if the Administrator subsequently decides to do so would not match the additional risk preference customers would be subject to if Bonneville joins an organized market. This is because, as Bonneville has made clear in many past instances, when market conditions are poor, e.g., if Bonneville joins an organized market and things go terribly wrong, Bonneville must still set rates at a level that will recover its costs; the Administrator does not have the discretion to do otherwise. Accordingly, if Bonneville is serious about joining an organized market, then it will need to likewise demonstrate that it is serious about ensuring that the benefits of joining that market flow to preference customers in a manner equivalent to their risk exposure. Making commitments in the Provider of Choice policy as to how RDC funds would be distributed solely to benefit preference customers in the form of rate relief or FCRPS improvements, for example, would be a step in the right direction and an important point to Bonneville's credit in any future discussions on day-ahead market participation.

*(ii) Bonneville's Load Service Obligation to Preference Customers*

Though the issue was not addressed directly in the Draft Policy, there has apparently been no small amount of confusion around Bonneville's obligation to serve preference customers' net load under the terms of its organic statutes, including the implied obligation of transmission and delivery of that power. NRU maintains the position that, while contracts and tariffs will continue to change, what hasn't changed is preference customers' statutory right to delivered power. This is foundational to NRU members, and we continue to appreciate Bonneville's willingness to work with customers on constructive solutions.

At the same time, we recognize that this remains a nuanced issue, especially with respect to transmission. In the interest of clarifying these obligations and to avoid any similar confusion going forward, NRU looks forward to seeing the following language reflected in the Final Provider of Choice policy document:

*"Whenever requested by a public body or cooperative entitled to preference and priority under the Bonneville Project Act, BPA is obligated to offer to sell electric power to that public body or cooperative through contracts that cannot exceed 20-year terms. Congress also authorized BPA to construct, own, and operate transmission or to purchase transmission to deliver the electric power in satisfaction of this contractual obligation. In exercising its authority to market and transmit electric power, BPA's statutes provide that there be sufficient capacity for the transmission of federal power—generated or acquired—to satisfy BPA's contractual obligation. Prior to 1996, BPA fulfilled this obligation through a bundled power and transmission contract. With the advent of transmission deregulation in 1996, BPA has fulfilled this obligation by and through its adoption of the Open Access Transmission Tariff. Under its OATT contracts, BPA has a legal obligation to provide transmission service, consistent with the terms of the Tariff and contracts."*



### *(iii) Avoiding the Migration of Costs*

Access to Tier 1 power at cost-based rates will be of little benefit to NRU members if the Tier 1 cost pool becomes a dumping ground for costs generated by poorly managed New Resources ("NR") rate power sales to IOUs or bad Tier 2 deals. This is because unlike Tier 1, neither rate class currently represents a defined cost pool within the Bonneville ratemaking apparatus. Such an outcome could occur because of the type of commitments Bonneville makes, and will continue to make under Provider of Choice, especially as markets continue to experience heightened volatility and dwindling market liquidity making accurate forecasting nearly impossible. Examples could include making sales to counterparties that are not credit-worthy and committing to a power sale at a fixed price for the term of a rate period without a fixed price power supply to back it up (i.e., reliance on market purchases).

Any financial losses from such transactions can and will become Tier 1 costs if the relevant contracts that Bonneville signs do not provide the ability to recover costs from the appropriate customers in a manner consistent with the principle of cost-causation. In such event, Bonneville would not be able to recover its revenues from the appropriate customers, and without an available alternative these costs would either be paid out of financial reserves or migrate into Tier 1 for collection. Neither of which should be considered an acceptable outcome. For example, under Regional Dialogue, while sales at the NR rate are considered in the sum of all billing determinants for the purposes of Bonneville's Financial Reserves Policy, should circumstances warrant the triggering of a Power Cost Recovery Adjustment Clause ("CRAC"), the NR rate would only be one component of the total charge, with the majority of the cost burden falling to PF System Shaped Loads (i.e., Tier 1).

Bonneville's historical rate setting practices and directives identify rate pools, generally specifying which customers may be allocated which costs. Specifically, §7(e) of the NWPA affords the Administrator latitude in the rate designs employed to recover the costs from a class or one or more subclasses.<sup>8</sup> As it considers risk mitigation for the various cost pools going forward, to address these concerns Bonneville should commit in the Provider of Choice policy and contract, and through the PRDM process, to include distinct cost pools and the contractual provisions necessary to provide the authority and ability to collect from those customers the costs of providing that service, including any costs stemming from forecasting errors, miscalculations, and credit failures.

Therefore, NRU recommends that Bonneville clearly define the relevant cost pools in the Provider of Choice policy and contract, and build into those cost pools the appropriate contingencies (i.e., as provided by the Cost Recovery Adjustment Clause (CRAC), etc.) in a manner consistent with the principles of cost-causation, thereby ensuring that the Tier 1 cost pool does not become a repository for the costs and unpaid debts of Bonneville's other business.

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<sup>8</sup> 16 U.S.C. § 839e(e) (2020).

*(iv) Promoting the Development and Integration of Non-federal Resources*

Though NRU's comments will address this matter briefly in several sections below (e.g., PFTier 1 Non-federal Resource Allowance, New Specified Resource Adjustment, and Resource Support Services ("RSS")), we would like to take the opportunity to directly address the importance of Bonneville's obligation to provide ongoing support for resource integration to NRU members, and to the region.

One of the primary purposes that Congress intended to achieve with the NWPA was to "encourage, through the unique opportunity provided by the Federal Columbia River Power System... the development of renewable resources within the Pacific Northwest."<sup>9</sup> Additionally, as far back as 1980 the Congressional record sets forth Congress's intent to specifically promote the development and integration of renewable resources:

"[T]here is increasing interest in broadening our generation resource mix to include renewable resources and there is widespread support for a strong conservation effort. We believe that every opportunity should be provided for renewable resources to compete with more conventional resources . . ."<sup>10</sup>

With respect to Bonneville, Congress directed the Bonneville Administrator to use their authorities to promote the development and integration of new resources to the maximum extent practicable. This is specifically detailed in §6 of the NWPA, which states:

In order to effectuate the priority given to conservation measures and renewable resources under this chapter, the Administrator shall, to the maximum extent practicable, make use of his authorities under this chapter to acquire conservation measures and renewable resources, to implement conservation measures, and to provide credits and technical and financial assistance for the development and implementation of such resources and measures (including the funding of, and the securing of debt for, expenses incurred during the investigation and preconstruction of resources, as authorized in subsection (f) of this section).

To the extent conservation measures or acquisitions of resources require direct arrangements with consumers, the Administrator shall make maximum practical use of customers and local entities capable of administering and carrying out such arrangements.<sup>11</sup>

The Congressional directives are clear - Bonneville must, to the maximum extent practicable, take steps to promote the development of non-federal resources, including direct arrangements with Bonneville's preference customers and their end-use customers.

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<sup>9</sup> 16 U.S.C. § 839(1)(B) (2020).

<sup>10</sup> House Report 96-976, Part I, Committee on Interstate and Foreign Commerce, May 15, 1980, p. 32.

<sup>11</sup> 16 U.S.C. §§ 839d(e)(1) and (2) (2020).



For the Provider of Choice contract, NRU submits that successfully achieving these goals means maintaining the proposed PFTier 1 Non-federal Resource Allowance, including the technical adjustments recommended in subsection 2.3.3.1 of these comments. Additionally, it means ensuring that the proposed New Specified Resource Adjustment is maintained in parity with any contract high water mark ("CHWM") Conservation Adjustment, as well as ensuring that the forthcoming 5(b)9(c) policy update provides clarity and certainty for customers seeking to integrate non-federal resources without sacrificing their Tier 1 CHWM eligibility in future contracts. Finally, it means ensuring that the RSS requirements proposed during the contract development phase and PRDM process facilitates more efficient and cost-effective resource integration than has been possible under Regional Dialogue, while maintaining the principle of cost-causation and continuing to avoid unnecessary cost shifts.

NRU looks forward to continuing to work with Bonneville to help achieve these goals.

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## 1. Introduction

### 1.1 Principles and Goals

As a general matter, NRU supports the principles and goals that Bonneville has applied throughout the Provider of Choice policy process. Looking back, in February 2020 the NRU Board of Directors approved the following principles to guide our engagement. These principles are intended to be viewed as a package, and are in no particular order:

- BPA must maximize the value of the federal system for the benefit of its preference customers.
- It is essential for BPA to control costs while delivering safe and reliable power to preference customers.
- The post-2028 contract and rate structure must allow preference customers to be responsive to changes in market conditions, regulatory conditions and the needs of end-users. This includes the ability to easily and cost-effectively use non-federal resources, including distributed energy resources.
- The power products, contract structure and duration, and rate designs must balance the needs for stability, certainty, flexibility and optionality for preference customers.
- Power products must include the allocation of environmental attributes of the federal system to preference customers.
- BPA must provide equivalent treatment to both directly connected preference customers and preference customers served by transfer.
- Irrigation rate mitigation and the Low Density Discount must be retained as essential components of any power product and corresponding rate design.
- Any rate shock resulting from a shift to a new contract or rate structure must be avoided or mitigated.

NRU appreciates the fact that there are few, if any, contradictions between the principles the NRU Board initially established, and that which Bonneville has used to guide its policy development.



The following comments in response to Bonneville's Draft Policy are presented both through the lens that we've created together throughout the many Provider of Choice Workshops and internal group meetings we've engaged in, but also with the above principles in mind.

## 1.2 Emerging Landscape

As highlighted in NRU's post-2028 Principles, above, NRU maintains that Bonneville's proposed power products, contract structure and duration, and rate designs must balance the needs for stability, certainty, flexibility, and optionality for preference customers. Within the context of the emerging landscape of Day-Ahead Markets or the potential development of a Regional Transmission Organization ("RTO"), NRU maintains that this means ensuring that NRU member power supply contracts will remain viable for the term of the Provider of Choice contract, irrespective of what market alternatives and functionality becomes available between now and 2044.

In order to achieve these goals, it is essential that Bonneville management and staff (including but not limited to Bonneville executives, the Provider of Choice, Markets Initiative and Business Transformation Office, and Transmission teams) coordinate closely to ensure continued delivery of the value that preference customers have come to rely on from the Federal Base System ("FBS") and from the agency itself. Previously, this approach was referred to as "One BPA" and we believe a similar concept is necessary to ensure a successful Provider of Choice contract. Further, as noted in section (i), above, NRU strongly believes that if Bonneville is serious about joining an organized market, then it will need to demonstrate that it is serious about ensuring that the benefits of joining flow to preference customers in a manner equivalent to their risk exposure.

NRU appreciates Bonneville's review of the *"known areas of emerging industry changes and foreseeable impacts to load service during the Provider of Choice contract period."* NRU would additionally note that the emergence of new large loads in the region in recent years and other forecasted future load growth is part of the emerging landscape that could have profound effects on the regional energy market. While Bonneville is not updating its existing new large single load ("NLSL") Policy at this time, given the potential impact to Bonneville load service and transmission obligations, NRU encourages Bonneville to schedule the public process necessary for policy review as soon as is practicable.

Finally, with respect to all emerging issues, NRU members will continue to have the right to obtain service from the FBS to meet their hourly net requirements load at cost, as well as preference to any remaining federal surplus. We look forward to working with Bonneville throughout the implementation and contract development phases of this process to ensure that the value of the federal system is maximized for the benefit of preference customers, and that preference customers continue to receive the same valuable service that they do today, regardless of what market solutions may become available in the future.

### 1.2.1 WRAP

NRU supports the goals of the Western Resource Adequacy Program to provide a clear, uniform standard with accountability and commitment from each participant to meet capacity needs, thereby reducing the burden on Bonneville for capacity. Through the upcoming implementation and PRDM processes, NRU anticipates the need for utilities with NLSLs or above high water mark ("AHWM") Load to understand the load exclusion processes of WRAP to help inform their decision in 2025 when signing and executing contracts with Bonneville, and we look forward to engaging with Bonneville toward that end.

### 1.2.2 Day-Ahead Market

NRU appreciates Bonneville's leadership in engaging customers in its separate public workshop process to evaluate whether it can participate in a Day-Ahead Market. Through that process, NRU recommends that Bonneville identify the policies and contract provisions that will require consideration should Bonneville opt to participate in a Day-Ahead Market, and to clearly identify any relevant Provider of Choice issues during the upcoming implementation and PRDM processes.

While NRU agrees with Bonneville's assertion that it has the authority to contract with a day-ahead market provider, before determining whether to participate NRU expects Bonneville to clearly define how the costs and benefits of participation will flow, clearly demonstrate the qualitative and quantitative costs and benefits that preference customers can expect from participation, and to provide both transparency and certainty for those preference customers with regulatory obligations as to how the carbon intensity of PF energy (i.e., Tier 1 and Tier 2) will be impacted. This includes what additional costs and risks will be directly assigned to preference customers, whether loads will have a choice as to whether they are "bid" into the market and both the financial and operational impacts of that decision, and whether the availability of that determination will be dependent upon customer product choice.

Additionally, NRU expects clear language in the next iteration of the Draft Policy identifying how Bonneville intends to continue to meet its statutory, regulatory, and contractual obligations while participating in a day-ahead market, especially as it pertains to Bonneville's §5(b) load service obligations. Specifically, NRU is especially focused on the fact that Bonneville is obligated under its statutes to give preference and priority to public bodies and cooperatives in the sale of federally generated power at all times.<sup>12</sup> Indeed, this responsibility (i.e., preference) is triggered when Bonneville receives conflicting or competing applications for federally generated power, such as might be the case should Bonneville have insufficient power within its BAA during stressed conditions to meet both loads and day-ahead market demands.<sup>13</sup> In such circumstances, Bonneville's statutes require that all federally generated power be used to serve Bonneville's preference customers first. Further, once Bonneville's load service obligations are satisfied, there is the matter of preference to federal surplus mentioned above, and ensuring that the costs and benefits of the FBS are allocated appropriately. All of which is to say, given the level of uncertainty inherent in attempting to provide constructive commentary in response to a Draft Policy for a contract that may or may not include a day-ahead market, NRU looks forward to working with Bonneville to

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<sup>12</sup> See, Bonneville Project Act §4(a) (16 USC §832c(a)); NWPA §55(a) (16 USC § 5 and 10(c) (16 USC §10(c)); Flood Control Act §5 (16 USC §825s).

<sup>13</sup> *Aluminum Co. of Am. v. Cent. Lincoln Peoples' Util. Dist.*, 467 U.S. 380, 393 (1984).



clearly document how it intends to resolve these potential conflicts in favor of its statutory obligations to preference customers *before* asking customers to sign a 19-year take-or-pay power supply agreement.

### 1.2.3 Regional Transmission Organization

NRU appreciates that should an RTO develop during the upcoming implementation and contract development phases, Bonneville has committed to considering how offers are compatible with an RTO. Should an RTO become possible during the term of the Provider of Choice contract, NRU maintains the same concerns with respect to Bonneville's statutory obligations as those highlighted in section 1.2.2, above.

NRU understands that many consider an RTO the logical next step. Because of the incremental approach to organized market formation the region has taken thus far, by first implementing a real-time imbalance market through the Western Energy Imbalance Market and considering Day-Ahead Market participation currently, it may be that the development of an RTO remains several years down the road. Regardless of the timeline, NRU appreciates Bonneville's commitment to leading a public process to consider the impacts to the agency and its customers.

### 1.2.4 Decarbonization

Bonneville's nearly carbon-free generation portfolio provides immense benefits to its public power customer base. NRU appreciates Bonneville's recent Strategic Plan, which identifies its intention to support regional carbon reduction efforts. However, NRU remains disappointed with Bonneville's apparent reluctance to commit to providing customers with a carbon-free product alternative and urges Bonneville to commit to continued engagement with customers to identify a path to providing a 100% carbon-free PF product, as further discussed in our comments in response to section 7, below.

## 2. Provider of Choice Foundational Service Elements

### 2.1 Net Requirements

NRU supports the approach Bonneville proposes in its Draft Policy. More important, however, is the intended result, which is accurately calculating each customer's energy and peak net requirement with the goal of ensuring a fair and equitable capacity allocation and more efficient use of the federal system to serve firm requirements load.

As you know, the term "net requirements" means the amount of Federal power that a public utility, cooperative, or IOU is entitled to purchase from Bonneville to serve its regional consumer load, and is



defined in section 5(b)(1) of the NWPA. As detailed in the Administrator's 5(b)(9)(c) Final ROD, Bonneville's 5(b)(9)(c) policy provides the guidance the agency will use in determining the customers' net requirements.<sup>14</sup>

Given the above, Bonneville's interpretation and application of its 5(b)(9)(c) policy is an essential component of the execution and implementation of the Provider of Choice contract. Though we understand that updates to the 5(b)(9)(c) policy will be made through a subsequent process, given the interrelated nature of the net requirements calculation it seemed prudent to address our concerns in these comments.

NRU recognizes the myriad contractual impacts to net requirements, and resulting cost implications to customers, that are likely to result from the anticipated 5(b)(9)(c) update. As such, NRU encourages Bonneville to carefully consider the following policy interdependencies going forward:

- WRAP qualifying capacity contribution ("QCC") calculations, WRAP compliance, and any related costs/penalties associated with compliance or failure to comply, especially as it pertains to the Load Following product.
- For customers with dedicated non-federal resources in excess of their AHWI exposure, how temporary resource removal will work with a static customer CHWI and fixed system size for the term of the contract.
- Preference customer need for clarity and certainty regarding the impact of integrating non-federal resources during the Provider of Choice contract without sacrificing Tier 1 CHWI eligibility in future contracts.
- Relatedly, as part of the upcoming 5(b)(9)(c) update Bonneville must also update the requirements for resource removal to more effectively balance Bonneville's obligation to promote the development and integration of non-federal resources with the statutory language in section 5(b)(1).

Additionally, it's worth elaborating on that last bullet, specifically as to 5(b)(1) which states in pertinent part:

Whenever requested, the Administrator shall offer to sell to each requesting public body and cooperative, . . . , and to each requesting investor-owned utility electric power to meet the firm power load of such . . . [customer] in the Region to the extent that such firm power load exceeds – (A) the capability of such entity's firm peaking and energy resources used in the year prior to the enactment of this Act to serve its firm load in the region, and (B) such other resources as such entity determines, pursuant to contracts under this Act, will be used to serve its firm load in the region. In determining the resources which are used to serve a firm load, for purposes of paragraphs A and B, any resources used to serve a firm load under such subparagraphs shall be treated as continuing to be so used, unless such use is discontinued with the consent of the Administrator, or unless such use is

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<sup>14</sup> Policy on Determining Net Requirements of Pacific Northwest Utility Customers Under Sections 5(b)(1) and 9(c) of the Northwest Power Act, Administrator's Record of Decision (May 2000).

discontinued because of obsolescence, retirement, loss of resource or loss of contract rights.<sup>15</sup>

This is relevant because, while Bonneville staff are often quick to point out that the agency will serve the load it is obligated to serve, with the advent of tiered rates the question of whether preference load is served with Tier 1 or Tier 2 energy has, especially in recent years, become especially impactful for customers. Resource removal under 5(b)(9)(c), both during the term of a given future power sales contract and as it is being considered prior to the start of the Provider of Choice contract, is directly tied to a customer's net requirements calculation, and thus is often the single greatest factor in determining a customer's Tier 1 eligibility.

As a result, going forward NRU expects Bonneville to clarify how both "new" and "existing" resources will be defined under the policy, and how customers can expect they will be treated in subsequent contracts. Additionally, NRU respectfully requests that Bonneville include clarifying language in both the Provider of Choice policy and updated 5(b)(9)(c) policy that ensures customers will not be financially harmed with respect to their CHWM calculation, and thus their Tier 1 eligibility, during the term of the Provider of Choice contract or in future contracts, due to the decision to integrate non-federal resources to serve their AHWL load needs.

#### 2.1.1 Energy Net Requirements

Bonneville has indicated in the Draft Policy that it will update a customer's energy net requirements on an annual basis based on their Total Retail Load ("TRL"), and the forecast firm energy output from that customer's dedicated resources. With respect to that forecast firm energy output, Bonneville indicates that it will "*establish a methodology to determine the firm capability of different non-federal resource types*."

Given the impacts that can result from changes in a customer's Tier 1 eligibility, and the related importance of ensuring accurate annual energy net requirements calculations, NRU requests additional information as to how this methodology will be established, along with the associated public process around its development.

#### 2.1.2 Peak Net Requirements

As a preliminary matter, NRU continues to support Bonneville's planned implementation of a peak net requirements methodology, subject to the considerations discussed below. Further, as noted above, NRU agrees with the approach Bonneville proposes in its Draft Policy, and with the intended result of accurately calculating each customer's energy and peak net requirement with the goal of ensuring a fair and equitable capacity allocation and more efficient use of the federal system to serve firm requirements load.

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<sup>15</sup> 16 U.S.C. 839c(b)(1) (emphasis added).



As has been discussed extensively during the Provider of Choice process, the need for a peak net requirement methodology was recognized during Regional Dialogue Contract negotiations, and the concept was memorialized in Section 3.4 of the Block and Slice/Block contracts. Therein, it states that Bonneville may adopt a methodology that *"shall include a calculation of a customer's total peak load, customer's peaking energy capability from its resources, and Bonneville's peaking energy capability for the federal system."*

Again, NRU supports the overall approach outlined by Bonneville. However, it remains important to note that the Draft Policy did little to address NRU's concern with respect to Bonneville's apparent characterization of its peak net requirement obligation to Load Following customers, as noted in our previous comments dated March 28, 2023. While Bonneville does state in section 3.2 of its Draft Policy that it *"does not currently anticipate major changes to the Load Following product,"* and recognizing that the product design and rate impacts of peak net requirements will be discussed in detail during the upcoming PRDM process, under the circumstances NRU submits that the following comments addressing both peak net requirements and the Load Following Product nonetheless fall wholly within the scope of the Provider of Choice Draft Policy and request that Bonneville consider them accordingly.

To reiterate, NRU remains concerned with Bonneville's apparent intent to apply a peak net requirement calculation that is agnostic to product choice, thereby implying that its obligation for serving Load Following customer actual load could somehow be limited by a peak net requirement methodology and calculation. As we hope to make clear, NRU believes strongly that this interpretation is incorrect, both as a matter of policy and as a matter of law.

Bonneville states in section 3.2 of its Draft Policy that it *"will offer the Load Following product, which will serve a customer's net requirements load, including peak load."* However, NRU's concern arises from what Bonneville does not state – specifically, that it intends to serve Load Following customers' net requirement on an hourly basis. This omission, taken together with the lack of clarity in the Peak Net Requirements section of the Draft Policy with respect to product impacts, is concerning, and NRU strongly encourages Bonneville to clearly state the above in its Provider of Choice Final Policy ROD.

To further clarify, with respect to Bonneville's obligation to Load Following customers, the distinction between serving actual versus planned loads is foundational and cannot be limited by calculation or methodology. Instead, Bonneville is statutorily obligated to make available such energy as is reasonably necessary to meet a Load Following customer's actual hourly net loads. As WPAG stated clearly in its March 3, 2023 comment, this is consistent with the legislative history on §5(b)(1), which clarifies that "firm power load" under §5(b)(1) is "intended to mean the power the [BPA] customer is obligated to make continuously available to its purchasers (subject to the effect of force majeure or uncontrollable events clauses)."<sup>16</sup> It is also consistent with the Administrator's determination in the original 5(b)/9(c) Record of Decision issued in 2000, which in relevant part states:

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<sup>16</sup> S. Rep. No. 96-272, 96th Cong. 1st Sess., 26 (1979) (emphasis added).



However, BPA believes the [5(b)(1)] sets a minimum and a maximum obligation for power sold to public and private utilities for service to their retail firm power loads in the region. The maximum amount of power which may be sold as section 5(b)(1) requirements is delineated by the regional retail consumer load of the customer on any hour for which a customer has no resources. This type of obligation is exemplified by BPA's full service product. Further, BPA must balance its total load service obligations to all customers so as to meet those loads. BPA may use a different basis for calculating the planned retail load of a customer which is net of its resources if the customer is not taking a load following product from BPA. A requirements product of this type is BPA's firm block product which is based on an annual amount of retail load, net of the customer's planned firm nonfederal resources. BPA's load obligation to this customer does not exceed the fixed amount of the block in an hour or for a year because the customer provides the remainder of the resources necessary on a planned basis to meet load and provides its own load following service. There are other variations between these two bookend products. In no instance, however, does BPA sell requirements power above an amount of net firm load for the year to the customer...

**BPA believes that any sales under section 5(b)(1) for any purpose must be reasonably based upon a customer's actual hourly or planned net loads and related to serving those loads . . . BPA offered products in its initial power sales contracts based on both types of service, planned and actual loads.<sup>17</sup>**

As noted above, implementation of a peak net requirements methodology is not a novel issue, and NRU continues to support Bonneville's planned implementation in the Provider of Choice contract. However, during Regional Dialogue Bonneville correctly limited the potential application of a peak net requirements methodology to those customers taking planned products, i.e., Block and Slice/Block customers. It is reasonable to conclude that this is because Load Following customers' non-federal resources are, to quote Bonneville staff, "locked down" for the duration of the contract and are included in the annual Pacific Northwest Loads and Resources Study ("White Book") which, among other things, details those resource capabilities over a 10-year study horizon. However, irrespective of its justifications for doing so at the time, for the reasons noted above NRU submits that this remains the most logical approach, and requests that Bonneville clearly state in the Provider of Choice Policy ROD its intent to a) continue to serve a Load Following customer's actual net load on an hourly basis, and b) clearly differentiate between Load Following and Planned products when determining the impacts of its proposed peak net requirements methodology.

## 2.2 Tiered Rate Construct

NRU supports retaining a tiered rate construct, albeit a revitalized and updated tiered rate structure that enhances the value of the federal system and strikes the necessary balance between the needs of all

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<sup>17</sup> Administrator's Record of Decision for Policy on Determining Net Requirements of Northwest Utility Customers Under Sections 5(b)(1) and 9(c) of the NWPA at 77-78 (May 2000) (emphasis added).

preference customers, including those with declining, flat, and growing preference loads. Further, NRU recognizes the need for multiple §7(i) processes prior to finalizing tiered rates, including the need to establish the details of the associated rate methodology, and the need to establish the rates that will be effective at the inception of the Provider of Choice contract. As a foundational matter, maintaining the principle that individual utilities should be financially responsible for load growth above and beyond their Tier 1 eligibility is essential for NRU members.

Additionally, NRU continues to strongly support the three foundational tenets of adopting a tiered rate design, which are:

1. Protect the value of the existing federal system from unbound acquisition costs;
2. Enable customer resource choice for meeting load growth; and,
3. Insulate customers from costs associated with other customers' resource choices.

As an initial matter, NRU would like to highlight the connection between the third tenet and our comments in section iii, Avoiding the Migration of Costs, above. Additionally, though we will speak to this matter further under section 2.3.1, Power at Priority Firm Tier 1 Rates, here we will simply state that these three elements are key to the success of both the Provider of Choice contracts, and of Bonneville as a wholesale power provider of choice in the future.

That said, NRU maintains significant concerns around whether Bonneville intends to tier rates for energy, as is the case in Regional Dialogue, or to tier rates for both energy and capacity in the next contract. This concern is alluded to in our section 2.1.2, Peak Net Requirements, comments above, but we would also note that, though we have raised the issue in several meetings and more than one set of comments, Bonneville has thus far neglected to respond. Similarly, Bonneville staff have repeatedly stated their intent to eliminate Contract Demand Quantity ("CDQ") determinations in the Provider of Choice contract, but to date have remained vague as to what product characteristic or rate construct might replace them.

For Load Following customers especially, the question of tiered capacity, the related importance of capacity costs, and the impacts of both CHWM and CDQs would be difficult to overstate, for reasons that we will explain below.

For the purposes of the Regional Dialogue contract, CDQs are monthly kilowatt ("kW") amounts used in billing for Load Following contracts. Bonneville subtracts the CDQs from the customer's monthly Customer System Peak kW in one step of calculating the customer's monthly Power Demand Charge Billing Determinants.<sup>18</sup> These monthly CDQs were initially calculated by applying heavy load hour ("HLH") load factors to the customer's adjusted measured monthly HLH loads for FY 2010. Those calculations were performed concurrent with customers' CHWM calculations, and the resulting CDQs were included in customers' contracts. Generally, these monthly CDQ amounts have not changed during the term of the Regional Dialogue contract.

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<sup>18</sup> BPA Contract Demand Quantity Close-Out of Comments (June 2011).



This means that today, a Load Following customer's exposure to capacity costs (i.e., the Power Demand Charge), is directly tied to that customer's load shape, and resulting CDQ, as realized in FY 2010. Said another way, that customer's exposure to Bonneville's Power Demand Charge is correlated to its FY 2010 load shape, and the financial impact of that exposure is a multiple of Bonneville's calculated embedded cost of capacity for the current rate period.

Which, together, should help illustrate why NRU maintains significant concerns with respect to the lack of clarity around Bonneville's intent when it comes to the potential for tiering capacity, what if anything will replace CDQs in the next contract, and the resulting impact to Load Following customers. As such, we would appreciate significantly more clarity and detail from Bonneville in the next iteration of the Draft Policy document, and for these concerns to be taken into account during the drafting of that document and as the many subsequent related §7(i) processes are considered.

## 2.3 Serving Load

### 2.3.1 Power at Priority Firm Tier 1 Rates

As a general matter, NRU supports Bonneville's proposed approach for setting the amount of power a customer is eligible to purchase at the Tier 1 rate constant for the duration of the Provider of Choice contract. This approach aligns with Bonneville's foundational policy element to "*Provide certainty in amount of Tier 1 service for the duration of the contracts*", which was an element that received strong support from the NRU Board of Directors. As a general matter, we believe this will be beneficial in that it eliminates one source of uncertainty for preference customers regarding the amount of Tier 1 energy a utility will receive from Bonneville, and results in a corresponding increased certainty with respect to that utility's approach to investing in nonfederal resources. Together, these benefits should provide long-term planning certainty for both preference customers and Bonneville.

Further, while NRU also agrees with Bonneville's assertion that the fixed system size approach will help provide a stable and dependable Tier 1 despite inventory-impacting updates such as changes in forecast firm resource output, new contract purchases, existing contract expirations, and changes in system obligations, it is essential to balance that optimism with a reasonable concern over the related impacts to Tier 1 system costs. One of the benefits of Tier 1 during Regional Dialogue is the cost-based nature of the Tier 1 cost pool, and the related forecasting of firm resource output designed to ensure that the FBS is more-likely-than-not to be sufficient to meet preference customer load needs. With a fixed system size for the term of the Provider of Choice contract, the probability of Tier 1 exposure to a material volume of market costs sees a corresponding increase, and customers deserve assurances from Bonneville around what actions will be taken to mitigate that exposure.

With respect to the size of the Tier 1 system, Bonneville has indicated that the total amount of Tier 1 power available will be determined by the sum of all customer CHWMs. NRU will comment on the proposed CHWM calculation later in these comments and will focus the remainder of this subsection on the question of system size.



To reiterate, NRU supports maintaining a fixed Tier 1 system size for the reasons noted above. Further, NRU supports allocating any firm surplus above that amount first to the Long-Term Tier 2 product per Draft Policy section 3.5.1 and as discussed later in this document. Further, as we progress through the term of the Provider of Choice contract, it is imperative that Bonneville's calculation of firm surplus must include all forecast firm energy above that identified system size, including but not limited to additional output due to the Extended Power Uprate ("EPU") uprate to the Columbia Generating Station, any return of energy from the Columbia River Treaty, along with any augmentation purchases resulting from either the statutory 6(c) public process and those purchases anticipated by section 2.3.2, Augmentation, of the Draft Policy.

Finally, to achieve the benefits discussed above, this fixed size must remain static for the term of the Provider of Choice contract. Short of a major loss of FBS resources or equivalent material adverse change that would modify the "benefit of the bargain" of the Provider of Choice contract, it is our expectation that in exchange for accepting a system size less than the 7,500 aMW that the NRU Board of Directors repeatedly encouraged Bonneville to consider, NRU members will have the ability to rely on a static CHWM amount for their long-term planning needs for the duration of the contract.

### 2.3.2 Augmentation

When committing to augment the Tier 1 system, it is understood that Bonneville is functionally proposing to commit to augment the system to ensure that the combination of the FBS output and any augmentation would cover the sum of CHWMs or 7,250 aMW, whichever is higher.

It is further understood that while Bonneville is proposing to maintain a static system size, the actual amount of augmentation needed each year would vary, based on the existence of "paper headroom, as well as whether the sum of CHWMs was equal to or less than the forecast output of the FBS and any previously acquired augmentation during the relevant period. Finally, the costs of such augmentation would be included in the Tier 1 cost pool.

While the above may seem obvious, as the Draft Policy failed to specifically address the question of Tier 1 System Size, we thought it prudent to provide this foundational assumption upon which the remainder of our augmentation comments are based. With this understanding, NRU is in support of Bonneville's proposal to augment the system, however we require significantly more information before we are able to support the manner in which Bonneville is proposing to do so.

The Draft Policy identifies the need for augmentation when "*Bonneville's firm load obligations exceed its firm resource capability*." Under the Regional Dialogue contract this definition makes sense, and NRU recognizes the skills and expertise of Bonneville staff when it comes to operating the FBS for the benefit of preference customers. This is highlighted by the fact that Bonneville has effectively managed to hold rates flat for the last two rate periods, together with the FY22 RDC, which returned \$350 million to preference customer utilities. With that in mind, NRU has no objection to augmentation as it occurs today; specifically, to maintain load/resource balance and to optimize the value of the system.

For the next contract, however, assuming Bonneville chooses to maintain a static system size, it will be essential to differentiate between those market purchases made to optimize or otherwise balance the FBS

on a real-time or short-term basis, and those purchases made to maintain a fixed Tier 1 system size. This is because, while NRU members are comfortable with the way in which Bonneville optimizes the system today, when considering whether and how to augment or add long-term resources to the Tier 1 federal base system, the NRU Board has previously provided the following principles for consideration:

- The federal system should only be augmented as necessary to get to the appropriate system size, as defined in the Provider of Choice policy;
- If and when augmenting the federal system, a public process that provides customers with meaningful opportunities to engage and to guide the decision-making process; and,
- Augmentation decisions should only be made following an adequate public process and should appropriately balance customer interests related to cost and carbon content.

With respect to the last bullet point, as noted in several places in these comments, NRU encourages Bonneville to ensure that, in augmenting the FBS, it appropriately considers the regulatory obligations of its take-or-pay preference customers. Though Bonneville itself is not subject to state regulatory requirements, in many cases its preference customers are today, or anticipate being subject to such compliance obligations in the future. And, to the extent that it intends to comply with the 2024-2028 Strategic Plan and wishes to remain the provider of choice for wholesale preference power needs in the future, NRU would encourage Bonneville to consider its customers' obligations accordingly.<sup>19</sup>

Finally, as NRU has noted repeatedly throughout this process, for those resource decisions not subject to §6(c) of the NWPA, a more descriptive policy framework and process outline is needed before any agreement on augmentation can be reached. Bonneville notes in its Draft Policy that it "*will develop a resource acquisition strategy that leverages Bonneville's Resource Program, consistent with guidance from the Northwest Conservation Council's power plan, to determine the best strategy to meet forecast needs as they arise*." It is NRU's opinion that this is insufficient, and that Bonneville's proposed approach fails to provide for the level of public process and customer involvement that is expected.

In addition to a detailed proposal of how Bonneville will provide customers with meaningful involvement in the decision-making process, and irrespective of whether it is part of or in addition to its established Resource Program, NRU strongly encourages Bonneville to consider including in its Provider of Choice policy framework the following elements:

- Proposed timing of its Resource Program and resource planning efforts during the Provider of Choice contract.
- Identification of key elements that should be analyzed through the Resource Program, including:
  - Forecasts of projected customer load, including an analysis of load projections for different rate pools and sensitivities for all loads and resources.
  - Integration of regional and utility-specific conservation potential assessments.

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<sup>19</sup> Found at: [2024-2028 Strategic Plan Reliable, responsive and resilient as we power our clean energy future \(bpa.gov\)](https://www.bpa.gov/2024-2028-Strategic-Plan-Reliable-responsive-and-resilient-as-we-power-our-clean-energy-future), page 8, accessed 9/25/2023.



- Assessment of commercially available renewable and nonrenewable generating technologies including a comparison of the benefits and risks of purchasing power or building new resources.
- Assessment of transmission and distribution delivery costs and availability.
- Assessment of conservation and efficiency resource potential.
- Assessment of methods for integrating resources, including storage technologies, ancillary services (regulation, contingency reserves, balancing reserves), and other non-wires solutions.
- Consideration of resource adequacy metrics for the plan, consistent with regional standards and forecasts (e.g., WRAP, etc.).
- Consideration of demand forecasts and demand-side resource potential.
- Consideration of rate impacts assigned to different rate pools.
- A detailed outline of how Bonneville will enable customers to have meaningful decision-making participation to guide augmentation decisions extending from the resource plan.

By adding this level of detail in the Provider of Choice Final Policy, Bonneville will provide preference customers with the level of certainty needed to ensure a consistent and comprehensive approach to its Resource Program and augmentation decisions throughout the term of the Provider of Choice contract.

#### *2.3.3.1 Billing Credits*

NRU has no objection to the proposed language in the Draft Policy.

### **2.3.3 Non-federal Resources**

As noted previously, the post-2028 principles established by NRU's Board of Directors established post-2028 policy positions that reflect an interest in policy modifications to enable utilities to "use non-federal resources easily and cost-effectively" and that "streamline integration and use of non-federal resources." Bonneville's proposed modification to increase the 200-kW threshold for including a non-federal resource in a customer's power sales contract aligns with these goals to improve flexibility and remove unnecessary impediments to regional non-federal resource development. The same is true in principle for Bonneville's proposal to allow a utility to offset its Tier 1 take-or-pay obligation with a non-federal resource up to the lesser of 5 MW, or 50% of the utility's CHWM.

As discussed in detail in the Promoting the Development and Integration of Non-federal Resources and Transfer Service subsections of these comments, NRU submits that Bonneville has a statutory obligation to support non-federal resource development. It therefore follows that NRU supports of Bonneville's stated goal to "*offer flexibility to customers to invest in and integrate non-federal resources so customers can meet their firm power supply needs for a portion of their load.*"

To that end, the following comments will highlight several recommended policy and technical changes to the language proposed in the Draft Policy that will help Bonneville achieve this goal.



### 2.3.3.1 PFTier 1 Non-federal Resource Allowance

NRU appreciates Bonneville's thoughtful approach to providing customers the option to integrate non-federal resources in a manner that would have otherwise been served by federal power priced at a PFTier 1 rate or subject to take-or-pay provisions. NRU supports Bonneville's proposed parameters, whereby customers will be permitted to add up to an aggregate of 5 MWs of non-federal resources or 50% of their CHWM, whichever is less. However, NRU recommends that Bonneville consider the fact that the resources most likely to be utilized under this policy are variable in nature (e.g., solar, wind, etc.) and though the actual number will differ by utility, as a general matter these resources will be attributed a low capacity factor. As such, Bonneville should consider a limit that represents the expected generation and output of the resource with a cap of 5 MW, in lieu of the nameplate cap proposed. That said, with the following adjustments, NRU supports the proposal as presented in the Draft Policy.

In order to qualify for the resource allowance, Bonneville proposed the following requirements:

- 1) a new (does not exist pre-2028) identified customer-owned generating resource,
- 2) connected to a customer's distribution system, and
- 3) dedicated under the customer's Provider of Choice contract.

To begin, we believe that the limitation to only include "customer-owned" resources is likely an oversight, as there is no material or operational difference between a customer-owned dedicated resource and a dedicated specified resource power purchase agreement ("PPA") for Load Following customers.

Further, while we are cognizant of the administrative burden that may result, precluding resource acquisition and development prior to the beginning of the Provider of Choice contract would almost certainly result in a severe reduction or total elimination of the many federal incentives available for renewable resource development today. The cost impacts of this restriction to both preference customers and their end users should in itself be sufficient justification to permit eligibility for resources integrated between the time the Draft Policy is finalized and the beginning of the Provider of Choice agreement. However, when considered together with Bonneville's statutory obligation to promote the development and integration of non-federal resources, along with the Draft Policy's stated goal to *"offer flexibility to customers to invest in and integrate non-federal resources so customers can meet their firm power supply needs for a portion of their load"*, NRU remains optimistic that Bonneville will see the need for the adjustment.

In the interest of avoiding cost shifts during the remaining term of the Regional Dialogue contract, NRU proposes that eligible resources be treated as any other non-federal resource would, i.e., there would be no offset to the customer's Tier 1 amount, Bonneville would continue to require dedication to load and the purchase of the RSS product, and, if the customer has the Load Following product and insufficient AHW exposure, customers would retain the ability to request Resource Remarketing Service ("RRS") from Bonneville. Further, in facilitating eligible resource integration during the term of the Regional Dialogue contract, it will be necessary for Bonneville to ensure that those resources intended to be utilized as part of the PFTier 1 Non-federal Resource Allowance policy are exempted from the 5(b)(9)(c) policy update process that would otherwise result in their transition from "new" to "existing" resources under the Provider of Choice contract.

With respect to interconnection, during several Provider of Choice Workshops Bonneville stated that the intent behind requiring connection to a customer's distribution system was to avoid unanticipated transmission impacts. While this approach makes sense on paper, requiring interconnection to the customer's distribution system fails to consider the operational and geographic realities of many of Bonneville's preference customers. At the same time, many customers own their own transmission infrastructure, and in many cases resource interconnection to their systems would also avoid transmission impacts to Bonneville's transmission network. NRU submits that the proposed blanket policy is unnecessarily heavy-handed, and instead recommends permitting interconnection to the customer's distribution system, or the customer's owned transmission system if doing so is feasible from an engineering perspective and does not frustrate Bonneville's intent with respect to transmission impacts.

Given the above, with preference customer need and the timeline of current federal incentives in mind, NRU requests that Bonneville modify their eligibility requirements to read as follows:

In order to qualify for the resource allowance, Bonneville proposed the following requirements:

- 1) a new (does not exist pre-2025) customer-owned generating resource or dedicated specified resource PPA,
- 2) connected to a customer's distribution system or customer-owned transmission system (subject to study and approval), and
- 3) dedicated under both the customer's Regional Dialogue and Provider of Choice contracts.

NRU also requests additional information and examples as to the meaning of the statement "*Bonneville would not require a customer to purchase and apply resource support services (RSS) to support the non-federal resources that qualify for this allowance, but the customer could be subject to any additional capacity costs created by the addition of such resources*." If not RSS, it is unclear what additional capacity costs could result from resource integration. However, if Bonneville is referring to the potential cost impacts customers integrating resources with relatively low QCC values, more information is necessary, both with respect to the proposed PFTier 1 Non-federal Resource Allowance policy and the expected cost impacts of WRAP compliance going forward.

Finally, NRU also makes the following recommendations:

- Irrespective of whether an expected output or nameplate cap is used, Bonneville should clarify that the nameplate requirement of a qualifying resource is 5 MW alternating current (AC), in alignment with Bonneville's previous statements.
- That Bonneville provides detailed policy direction regarding how an eligible resource will be integrated into the customer's resource stack and provides an example of the resulting impact on the various rate components for a given utility.

#### *2.3.3.2 Non-federal Resource Minimum Threshold*

As noted in section 2.3.3, above, NRU supports Bonneville's proposal to raise the minimum threshold required for a customer's non-federal resource to be included and tracked in the power sales contracts



from a nameplate of 200 kW to 1 MW. Additionally, ensuring that resources integrated in this manner (i.e., resources with less-than 1 MW nameplate) do not count against a customer's PFTier 1 Non-federal Resource Allowance is essential, and NRU appreciated the clarity Bonneville provides to this end.

Going forward, as noted previously, given the variable nature of the resources most likely to be integrated under this policy provision, NRU would appreciate additional analysis from Bonneville that considers not just the MW nameplate of the resources in question, but the expected generation and output of said resources. This is important because in most cases a variable resource with a nameplate of 1 MW is unlikely to have an expected output in excess of 200 kW. Meaning the functional impact of this proposed policy shift, while appreciated, remains largely immaterial.

#### *2.3.3.3 Above-CHWM Non-federal Resources*

NRU remains committed to ensuring that the Provider of Choice contract maintains customer flexibility with respect to AHWL load service, and consistent treatment for customers serving load with both federal and non-federal power. NRU appreciates Bonneville's initial efforts to provide for more non-federal resource flexibility, and its recognition that one of the foundational tenets of tiered rates is to give customers choices on how to serve their load growth. We look forward to working closely with Bonneville in both the implementation and contract development phases toward these mutual goals. Finally, NRU continues to support Bonneville's intent to support a high degree of optionality and has no objection to the continued requirements for data and resource dedication, as well as the requirement for RSS for Load Following customers.

NRU's comments address RSS and Above-CHWM Load Service options in more detail below.

#### *2.3.3.4 Additional Resource Considerations*

NRU's comments with respect to updating Bonneville's 5(b)(9)(c) policy have been thoroughly addressed elsewhere within this document.

#### *2.3.3.5 Resource Support Services*

In principle, NRU agrees with Bonneville's assertion that it is important to maintain cost causation principles when allocating costs associated with integrating and shaping customers' non-federal resources to meet their loads under a tiered rate construct. At the same time, we submit that there is more than a little disagreement as to what costs should be included in an RSS product, and further, how those costs should be structured going forward.

While NRU agrees that Bonneville's planning responsibility is an essential consideration, it is important to recall that RSS was initially intended to provide planning certainty for Bonneville when balancing its



resources and load service obligation.<sup>20</sup> Functionally, RSS is intended to change the variable output of a non-federal resource into a monthly/diurnal “flat block” of energy that resides on the bottom of a customer’s resource stack. This block of energy is scheduled in hourly predetermined amounts on a rate period basis and is included in Exhibit A of the customer’s contract. From a planning perspective, this is of course a logical approach. However, in an era where Bonneville is participating in an energy imbalance market (“EIM”) with 15-minute optimization and 5-minute dispatch, we submit that RSS is needlessly complex and cost prohibitive, especially with respect to the capacity customers are expected to purchase to balance variable, carbon-free resources such as solar and wind.

It is NRU’s position that, given the actual opportunity cost and market optimization available to the agency, requiring Load Following customers to purchase the capacity necessary to take a variable or intermittent non-federal resource and turn it into a flat block for each monthly/diurnal period two years ahead of dispatch is both cost prohibitive and imprudent. Further, the penalty structure is overly punitive when, in reality, to the extent that there is a delta between scheduled and actual non-federal generation, the EIM will dispatch the energy necessary to make that schedule whole. While NRU appreciates the load service obligation that Bonneville retains for customers purchasing the Load Following product, we submit that the level of conservatism evidenced by the current design of RSS and related products is unnecessary, and results in a remarkably inefficient utilization of those FCRPS resources dedicated to RSS and related products.

This is an issue not just because of the cost of the product, but because its current design creates an often-insurmountable barrier to non-federal resource development for Load Following customers, as the cost of RSS will frequently more than double the cost of a non-federal resource. Which, in turn, runs contrary to Bonneville’s statutory obligation to support non-federal resource development, has the opposite effect of its stated goal to “*offer flexibility to customers to invest in and integrate non-federal resources so customers can meet their firm power supply needs for a portion of their load*”, frustrates the region’s need and desire for additional resource integration, and has the presumably unintended effect of creating a dynamic where customers are forced to rely on Bonneville’s Tier 2 alternatives for AHWL load service. NRU proposes that Bonneville commit to reevaluating the capacity contributions of different generating and storage technologies, considering alignment with the capacity contributions identified by the Western Resource Adequacy Program for various technologies and regions. NRU further recommends that Bonneville update these elements at the beginning of the contract and establish a process for updating the capacity contributions during the contract as technologies change.

Additionally, NRU requests that Bonneville work toward developing an RSS product that is comparable to its Load Shaping product and rate and that considers the operational realities of today, including how the advent of the EIM in Bonneville’s service territory should change the need to “flatten” a non-federal resource schedule more than two-years in advance of dispatch. Finally, recognizing that in most cases the penalties in question are not intended to reflect opportunity cost but instead to drive customer behavior, in

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<sup>20</sup> As used herein, the term “RSS” includes Resource Support Services, Diurnal Flattening Service (“DFS”), Resource Shaping Charge, and all other resource related services and charges.

light of the operational realities of the EIM NRU nonetheless requests that Bonneville carefully consider the penalties associated with RSS and schedule deviation.

## 2.4 Contract High Water Marks

As a general matter, NRU supports the approach proposed in Bonneville's Draft Policy, and notes the significant alignment between the draft language and NRU's goals for setting CHWMs. Additionally, NRU encourages Bonneville to retain some level of flexibility in the next iteration of its Draft Policy to appropriately and equitably address circumstances in allocation that arise during implementation that were not expressly contemplated while drafting the policy, which we consider inevitable given the diversity of preference customer circumstances.

Finally, NRU requests consideration of the recommended technical adjustments and policy modifications outlined below.

### 2.4.1 CHWM Calculation

NRU would like to note its concern with Bonneville's proposal to determine customer CHWM in FY 2026, after customers are expected to sign contracts that will extend through 2044. Customers will not be afforded clarity with respect to AHW exposure, making it difficult to appropriately plan for non-federal resource options. In addition, as noted in detail elsewhere in these comments, Bonneville's proposed approach is once again contrary to its goals and obligations with respect to non-federal resource integration.

#### 2.4.1.1 Index Year

NRU understands Bonneville's desire to use an earlier index year to facilitate more effective resource planning for those customers seeking to invest in non-federal resources for their AHW load needs. It is worth noting that this goal is consistent with NRU's comments and recommendations for the CHWM Calculation, above. NRU does not object to the use of the FY 2023 index year.

That said, NRU maintains some concern with the use of a single year, as opposed to a period of years, given that doing so makes the requisite normalization and adjustment processes that much more important for all customers, especially for those customers experiencing load abnormalities in FY 2023. NRU remains committed to ensuring a fair approach, and result, to CHWM indexing for all preference customers, and looks forward to actively engaging in these subsequent processes accordingly.

#### 2.4.1.2 PF Eligible Load

With respect to **Dedicated Resources**, NRU requests that Bonneville provide an explicit resource removal timeline for customers seeking to remove resources under the existing 5(b)(9)(c) policy. Specifically, NRU recommends that Bonneville's policy include the following language:



"Interested customers must submit their request via a process prior to the end of FY 2025, and the resource removal must be approved prior to the end of FY 2028."

Further, NRU supports incorporating a weather normalization adjustment process for customers' total retail load that is abnormally impacted by weather in FY 2023. This normalization process, which will review historical high load data from FY 2018 through FY 2022, should capture weather-related abnormalities and create a fair approach to developing CHWMs for Bonneville customers. Additionally, NRU supports Bonneville's proposal to split irrigation and non-irrigation load. For utilities with large irrigation load, this normalization process is essential, and NRU looks forward to the opportunity to further engage with Bonneville throughout.

Similarly, NRU supports incorporating an **Economic Adjustment to Total Retail Load** to adjust eligible customer CHWMs in those cases where a retail consumer's load is abnormally low when compared to its historical high load due to external, economic factors, and that load is expected to recover within a predetermined period. NRU maintains that this adjustment is necessary and prudent, and will result in a direct, positive impact to the region, to preference customer local economies, and, perhaps most importantly, to their end users. For some customers, this proposed adjustment is expected to be the deciding factor between an energy-induced economic crisis and the retention of dozens or hundreds of living-wage jobs that provide a very real lifeline to communities in need. For NRU members especially, many of whom number among Bonneville's smaller and more rural customers, this proposal aligns with Bonneville's directive to operate the federal system particularly for the benefit of rural consumers, as established in the Bonneville Project Act.<sup>21</sup>

That said, NRU submits that the specific timeframes and thresholds proposed by Bonneville are overly limiting and would exclude several utilities that have retail consumers experiencing a downturn in and around 2023 that expect full recovery in the near future. In order to ensure that our recommended approach avoids these and other unintended consequences and results in the benefits intended, NRU has spent the past several months working closely with the broader public power community, including PPC, WPAG, AWEC, and others to develop a consensus proposal in response to Bonneville's proposed approach. As a direct result of those efforts, and in response to feedback from Bonneville staff, NRU proposes the following.

In its Draft Policy, Bonneville proposes to establish a historical high load period that spans 2019 through 2022. These specific years, however, fail to capture actual historic high loads for many customers experiencing adverse load impacts due to external, economic factors. To account for these economic realities, NRU proposes to expand the window for consideration to from 2019-2022 back to 2013, which would more accurately capture historic high load periods, and also pick up several critical preference customer loads. Additionally, without an expansion to the historical high load window, many customers currently experiencing load loss from economic downturns will not be eligible for the adjustment. And, while we recognize expanding the historical high load period may increase the administrative burden of

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<sup>21</sup> 16 USC §832c(a).



accounting for this adjustment, we maintain that the importance of expanding the timeframe, the essential impacts that would result, and the broad support from public power customers justifies this request.

Bonneville also proposes to establish a threshold to capture significant load reductions. However, what is "significant" for one utility or retail consumer may vary considerably. Therefore, NRU proposes a threshold of 3 aMW or greater to capture load loss that is especially significant for small utilities.

Finally, whereas Bonneville proposes to establish a recovery period through which it will monitor the highest 12-month consecutive load, we propose to extend the recovery period through the end of 2026. For some retail consumers, they anticipate a longer timeframe to return to full operations, especially given post-COVID supply chain impacts, and we submit that this is an economic reality that it is important to consider. At the same time, we understand that extending the recovery period to the end of 2026 may impact Bonneville's stated intent to calculate customers' CHWMs in 2026. However, while we recognize the importance of establishing final CHWMs as soon as possible, the amount of load data available after FY 2023 should provide customers with a relatively high degree of confidence, and we maintain that ensuring sufficient time for these impacted retail consumers to recover is vitally important to these communities and utilities.

#### *2.4.1.3 Base Allowance*

NRU has no objection to the proposed language in the Draft Policy.

#### *2.4.1.4 Headroom Adjustment*

NRU supports Bonneville's proposal for a headroom adjustment for those customers whose PF-eligible load is lower than their base allowance. Doing so is consistent with NRU's principle of maximizing the value of the federal system for the benefit of all preference customers, and we maintain that significant cost shifts are avoided under the proposed approach.

#### *2.4.1.5 Conservation Adjustment*

While it is well understood that under the NWPA cost-effective conservation is Bonneville's priority resource for acquisition, it is relevant to this policy process because of its impact to customer CHWMs and the significant cost shifts that result. Specifically, we understand that conservation reduces the Administrator's obligation to acquire resources by reducing the consumer load of a customer. For this reason, and because the adjustment is equal to the credit provided under the proposed New Specified Resource Adjustment, NRU does not object to Bonneville's proposed conservation adjustment.

#### *2.4.1.6 New Specified Resource Adjustment*

NRU appreciates the progress Bonneville has made with respect to recognizing the importance of including a CHWM adjustment for non-federal resources integrated during the term of the Regional Dialogue contract. As noted in its proposal, "*one goal of Bonneville's Regional Dialogue policy was to encourage non-federal resource development*", and NRU believes this move is consistent with both the

goals and principles of the Provider of Choice process, and that the NRU Board established for our post-2028 process engagement.

However, limiting the adjustment to only those resources dedicated to load in FY 2023 results in what we can only assume is the unintended consequence of precluding those Load Following customers with dedicated, specified, non-federal resources in excess of their AHWL load need from participation. These customers made resource investments that reduced the Administrator's obligation to acquire resources – the exact same justification Bonneville uses in its Conservation Adjustment proposal – and yet they are precluded from realizing any CHWM adjustment benefit because their forecast AHWL load failed to materialize. Further, adding insult to injury, because of the upcoming net requirements calculation and anticipated update to 5(b)9(c), those same customers will realize a corresponding nameplate reduction in their Tier 1 eligibility.

NRU recognizes and shares the mutual goal of ensuring that customers are not afforded the opportunity to "game the system," so to speak, and assumes that, together with the proposed index year for the CHWM calculation, that this is the primary justification for requiring eligible resources to be dedicated to load in FY 2023. However, utilities with temporarily removed resources in FY 2023 are clearly in a distinct category, and not attempting to do anything but avoid the extreme rate impacts to end-use customers that failing to remarket excess purchased energy could create. NRU submits that a policy that deliberately discriminates against customers that did what Bonneville encouraged through its Regional Dialogue policy by making investments in non-federal resources with the intent to serve their AHWL load needs, thereby reducing the Administrator's obligation to acquire resources to serve that same load, is simply unacceptable.

As a result, NRU strongly recommends that Bonneville adjust its proposed New Specified Resource Adjustment policy language to include those resources that, but for their temporary removal in accordance with the terms of Bonneville's 5(b)9(c) policy, would be listed in Section 2 of Exhibit A and dedicated to load in FY 2023. This recommended change would avoid material cost shifts while creating real opportunities and impacts for preference customer utilities and their end use customers, and result in a policy that is both fair and consistent with Bonneville's established goals.

Finally, as mentioned in section II(iv) of these comments, NRU recommends that Bonneville include language in its final policy document that provides customers with both clarity around the treatment of resources in the future, and reassurance that customers will have the opportunity to integrate non-federal resources during the Provider of Choice contract without sacrificing their Tier 1 eligibility in future contracts.

#### *2.4.1.7 Load Growth Adjustment*

NRU appreciates Bonneville's consideration of customer loads that have grown over the term of the Regional Dialogue contract. As a foundational matter, NRU views the Draft Policy holistically, and notes that the proposed Load Growth Adjustment is a single piece therein. As a standalone issue, a Load Growth Adjustment of 50% is the best policy for the region, and NRU strongly supported a 50% adjustment in earlier stages of the Provider of Choice process. However, as it stands within the Draft Policy as a whole



NRU does not object to the overall proposed CHWM calculation, provided that other pieces of the Draft Policy remain intact; in particular, fixed CHWMs for the term of the Provider of Choice contract.

#### *2.4.1.8 Proportional Share Adjustment*

While it is difficult to determine whether the Proportional Share Adjustment will trigger without additional CHWM data, in principle NRU supports Bonneville's proposal to include up to 200 aMW proportionally to all customers as part of the CHWM calculation. However, in the interest of ensuring the equitable distribution of the benefits of augmentation, we would prefer assurance that the Proportional Share Adjustment will occur irrespective of the sum of CHWM. Therefore, NRU recommends that, in lieu of the complicated relationship between aggregate CHWMs, system size, and the proportional share adjustment amount that Bonneville is proposing, NRU recommends that Bonneville simply agree to augment the system up to the sum of CHWMs plus 200 aMW, or 7,250 aMW, whichever is higher, and that the delta be shared proportionally as an equitable adjustment among all preference customers.

#### *2.4.1.9 Returning Public Utility Treatment*

NRU has no objection to the proposed language in the Draft Policy.

### **2.4.2 Subsequent CHWM Adjustment Categories**

NRU supports Bonneville's proposal to provide for certain situations that might merit an increase in a given customer's CHWM.

Additionally, NRU recommends that, in lieu of noting that these circumstances "could require Bonneville to acquire resources," that Bonneville instead set the expectation that, for any increase in CHWM that occurs after the one-time CHWM calculation outlined in section 2.4.1 of the Draft Policy, that it will commit to acquire additional firm power resources to meet the increased firm obligation.

Finally, NRU asks that Bonneville clarify that the subsequent CHWM Adjustment Categories would be additive to the sum of all CHWMs, including the Proportional Share Adjustment, to ensure these subsequent CHWM Adjustment Categories do not erode the equitable benefit of that Proportional Share Adjustment for all customers.

#### *2.4.2.1 Small Utility Adjustment*

NRU has no objection to the proposed language in the Draft Policy.

#### *2.4.2.2 New Public Utility Adjustment*

NRU has no objection to the proposed language in the Draft Policy.

#### *2.4.2.3 Tribal Utility Adjustment*



NRU believes that it is essential that Bonneville supports the region's tribal utilities and is strongly in support of the inclusion of a Tribal Utility Adjustment, with the following recommended adjustments.

As an initial matter, NRU recommends that Bonneville clarify that the provision will provide access to power sold at Tier 1 rates for load growth experienced by all tribal utilities, regardless of when the tribal utility was formed, when the tribal utility experiences the load growth, and whether that growth is through service territory annexation, loss of resource, or other means.

Further, NRU recognizes that while Bonneville uses the term "tribal utilities," that it is not to our knowledge a defined term. Therefore, NRU recommends that Bonneville provide a definition of a "tribal utility." Additionally, NRU recommends that Bonneville clarify that this policy provision will apply to tribal utilities operating on established reservations pursuant to a Pub. L. 93-638 Self Determination contract or compact.<sup>22</sup> This clarification would ensure an equitable policy application and minimize the burden of policy administration. Further, and perhaps most importantly, it would align with Bonneville's policy rationale of recognizing the unique challenges that tribal utilities face due to sovereign, legal, and jurisdictional circumstances, and the fact that those challenges are similarly experienced by tribal utilities regardless of how they are experiencing growth or when they were formed.

#### 2.4.2.4 DOE Vitrification Load Adjustment

Bonneville notes in its Draft Policy that it supports DOE Richland's "ongoing high-priority program for cleanup, defense materials production, and waste processing and disposal activities at the DOE Hanford site in Washington."<sup>23</sup> NRU is similarly in support of this ongoing effort and believes that the load may be eligible for preference service.

However, somewhat surprisingly, Bonneville fails to explain why this particular load should be singled out for special treatment. For that matter, Bonneville has failed to provide any justification whatsoever as to why the vitrification plant load should be served at Tier 1 rates, in lieu of the Tier 2 rate that would be made available to any other preference utility under the circumstances. Given Bonneville's apparent reticence to further augmenting the FBS, this treatment results in a direct and unacceptable cost shift to all other preference utilities and their end-use customers, who would otherwise be eligible to serve an equivalent amount of preference load at Tier 1 rates.

Therefore, NRU strongly objects to Bonneville's proposed treatment of the DOE Vitrification Load, and to any increase in DOE Richland's CHWM outside of or in addition to the CHWM adjustments discussed elsewhere in this document.

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<sup>22</sup> The 1975 Indian Self-Determination and Education Assistance Act, Pub. L. 93-638, gave Indian tribes the authority to contract with the Federal government to operate programs serving their tribal members and other eligible persons.

<sup>23</sup> Draft Policy, page 21.

#### 2.4.3 Rate Period High Water Marks

NRU supports Bonneville's proposed approach to set the amount of power a customer is eligible to purchase at the Tier 1 rate constant for the duration of the Provider of Choice contract. We maintain that doing so will have the benefit of eliminating a level of uncertainty for preference customers as to the amount of power they are eligible to receive at Tier 1 and will provide greater certainty to the utility with respect to its approach to considering non-federal resource alternatives for its AHW load needs.

### 3. Products and Services at Priority Firm Rates

#### 3.1 Product Basics

##### 3.1.1 Product Switching

NRU has no objection to the proposed language in the Draft Policy.

##### 3.1.2 Emerging Markets

As highlighted in NRU's post-2028 Principles, above, NRU submits that Bonneville's proposed power products, contract structure and duration, and rate designs must balance the needs for stability, certainty, flexibility, and optionality for all preference customers. Within the context of Emerging Markets, NRU maintains that this means ensuring that contracts will remain viable for the term of the Provider of Choice contract, irrespective of what market alternatives and functionality becomes available between now and 2044. Finally, we would also highlight those concerns discussed in section 1.2, Emerging Landscape, above.

#### 3.2 Load Following

As a general matter, NRU appreciates Bonneville's stated intent to make no major changes to the Load Following product, and its decision to retain the Load Following product largely as it was provided under Regional Dialogue.

That said, as noted in our section 2.1.2 comments above, Bonneville states that it "*will offer the Load Following product, which will serve a customer's net requirements load, including peak load.*" Once again, we have no objection to the proposed Draft Policy language. Instead, NRU's concern arises from what Bonneville does not state – specifically, that it intends to serve Load Following customers' net requirement on an hourly basis. This omission, taken together with the lack of clarity in the Peak Net Requirements section of the Draft Policy with respect to product impacts, is extremely concerning, and NRU strongly encourages Bonneville to include the following language in the next iteration of Draft Policy:

Bonneville will offer the Load Following product, which will serve a customer's net requirements load, including peak load, on an hourly basis.



### 3.3 Block

NRU has no objection to the proposed language in the Draft Policy and submits that the opportunity to recalculate a customer's block shape during the contract period represents a commitment to product flexibility.

#### 3.3.1 Block with Shaping Capacity Option

NRU has no objection to the proposed language in the Draft Policy.

### 3.4 Slice/Block

NRU has no objection to the proposed language in the Draft Policy and appreciates Bonneville's commitment to meeting customers' planned (annual) net requirements without causing cost shifts to non-Slice/Block customers. However, NRU is especially interested in which customers should be eligible to purchase a Slice contract.

Under section 5(b)(1) of the NWPA, both preference (public body and cooperative) customers and IOUs are entitled to purchase net firm requirements power from BPA to the extent their firm regional consumer loads exceed their resource capabilities applied to that load. Under section 4(a) of the Bonneville Project Act, BPA is obligated to give preference and priority to public bodies and cooperatives in disposing of electric energy generated on the FCRPS. The Slice product is a meld of requirements power, surplus (firm and non-firm) power, and other power products and services. The requirements and surplus power provided to a Slice purchaser are operationally identical.

Importantly, before non-firm and surplus firm power can be offered to IOUs, it must first be offered to public bodies and cooperatives. When a Pacific Northwest public body or cooperative customer is the Slice purchaser, this priority presents no conflict. Any public body or cooperative purchaser of the Slice product would receive first priority to non-firm or surplus firm power as a share of FCRPS output.

However, if an IOU were the Slice purchaser, the priority to non-firm and surplus firm power becomes an issue of competing requests from preference customers. In that situation, any non-firm or surplus firm power generated on behalf of the IOU would have to be offered first to public bodies and cooperatives, before it would be available to the IOU purchaser.<sup>24</sup>

Under sections 5(b)(5) and (6) of the NWPA, BPA is unable to declare insufficiency for public customers until BPA's obligations to them exceed the capability of the FBS. A Slice sale to an IOU would commit FBS output to that customer by contract when such generation may need to be allocated to public agency or cooperative loads on a planning basis. Therefore, a non-preference Slice sale may not comport with the

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<sup>24</sup> Power Subscription Strategy, Administrator's Record of Decision, page 96, (December 1998).



requirement that BPA allocate FBS power first to serve all preference agency load when declaring an insufficiency of Federal resources to meet the public agency and cooperative utility loads.<sup>25</sup>

Given the above, NRU requests that Bonneville clearly state that it will not offer the Slice product to IOUs and that it will not develop or offer the Slice product for service to residential and small farm consumers of IOUs in exchange for agreement to settle the Residential Exchange Program.

### 3.5 Above-CHWM Load Service

As noted previously, NRU remains committed to ensuring that the Provider of Choice contract maintains customer flexibility with respect to AHWL load service, and consistent treatment for customers serving load with both federal and non-federal power. As such, NRU appreciates the effort that Bonneville has put into providing a high level of optionality for customers with respect to AHWL load service, and the progress that Bonneville has made in this area in response to customer comments. We will address our comments with respect to the overall structure of the proposed AHWL load service here and attempt to be more specific in our comments with respect to the Long-Term and Flexible approaches in their respective sections, below.

For the reasons outlined in our response to section 2.4.1, above, NRU submits that many customers will find it difficult to commit to a single, one-time election for Long-Term Tier 2 service for the duration of the Provider of Choice contract. Further, while NRU understands the importance of planning certainty to the continued stability and viability of the Long-Term Tier 2 product, we strongly recommend providing a mid-contract election opportunity for customers to both enter and exit the Long-Term Tier 2 rate pool, and support the inclusion of such charges or fees necessary to avoid any inequitable cost shifts resulting from the change in election.

NRU further recommends that this the mid-contract election period align with certain known resource decisions and timelines, such as the completion of the EPU or a Columbia Generating Station refueling period, with the goal of enhancing planning certainty and ensuring stable rates for all pool participants.

In the alternative, NRU recommends a mid-period "open season" where utilities seeking to leave the Long-Term Tier 2 pool, if any, could be replaced by those seeking to enter, ensuring revenue certainty for Bonneville and cost certainty for the remaining/entering participants. In sum, while we continue to appreciate the importance of revenue and cost certainty to Bonneville and Long-Term Tier 2 rate pool participants, there are many ways with which these risks can be effectively managed in a manner that creates additional optionality for customers, and NRU encourages Bonneville to remain open to their consideration throughout the implementation, contract development, and PRDM processes.

Finally, NRU strongly objects to Bonneville's expectation that customers select an Above-CHWM election "at contract signing." Simply put, asking customers to commit to an Above-CHWM option without

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<sup>25</sup> *Id.*

understanding either their Tier 1 eligibility or Tier 2 exposure is unreasonable, and will undoubtedly be met with considerable pushback in addition to that which is outlined here. NRU therefore recommends that Bonneville delay the Tier 2 election deadline until customer CHWMs are finalized.

### 3.5.1 Long-Term Tier 2 Path

NRU appreciates Bonneville's inclusion of any firm inventory, inclusive of augmentation amounts and calculated after all other obligations are considered, in the Long-Term Tier 2 rate to meet any otherwise unmet Long-Term Tier 2 rate load obligation. Doing so is consistent with NRU's principle of maximizing the value of the federal system for the benefit of all preference customers, and NRU generally supports Bonneville's proposed approach. In the interest of added clarity, and in anticipation of increased demands on the federal system, NRU recommends that Bonneville clearly establish and document a priority order in the use and application of firm surplus to the Long-Term Tier 2 rate pool.

### 3.5.2 Flexible Above-CHWM Path

Once again, NRU appreciates the level of optionality Bonneville is proposing to provide customers for serving their AHWL load needs. As a general matter, NRU supports the approach proposed in the Flexible Above-CHWM Path, with one objection. Bonneville notes therein that it *"will need to consider if there is a limit each rate period to the amount of additional load growth that can be placed on the Short-Term Tier 2 rate."*<sup>26</sup> Bonneville also notes that customers *"may also have opportunities to elect to serve all or a portion of their Above-CHWM load at a Vintage Resource Tier 2 rate."*<sup>27</sup> The Vintage Rate, however, would only be available prior to Bonneville releasing an RFO for the output of a physical resource to meet any of Bonneville's load obligations, and so is unlikely to be an option in all rate periods.

Importantly, the only other PF AHWL load service option mentioned in the Draft Policy is the Long-Term Tier 2 Path, which includes no mention of this potential *"limit each rate period."* Which seems to imply that Bonneville does not intend to limit the amount of load growth that can be placed in the Long-Term Tier 2 Path, but that it wishes to retain the ability to do so for the Flexible Above-CHWM Path.

As an initial matter, NRU assumes this was an oversight, as it implies that, unless a customer is willing to commit to purchasing 100% of their AHWL load needs from Long-Term Tier 2 for the duration of the contract, Bonneville is proposing a contractual limitation on its obligation to serve preference customers' net requirements load. As such, while some limitations on Bonneville's obligation to serve intra-rate period load growth are consistent with the practice in place today, the language in the Draft Policy implies the desire for a predetermined limitation on the MW amount of AHWL load that could be included in the Short-Term Tier 2 Rate, similar to the incremental annual limitation Bonneville is proposing for non-federal transfer service. If accurate, this represents a marked deviation from both today's practices and customer expectations, and NRU strongly objects to any approach that limits customer optionality and Bonneville's obligation to serve in this manner.

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<sup>26</sup> Draft Policy, page 27.

<sup>27</sup> *Id.*



However, if instead the “*limit each rate period*” language is an intentional reflection of Bonneville’s concern with respect to market liquidity, regional resource adequacy, and its ability to serve preference customer load growth in the future, NRU strongly recommends that Bonneville consider the approach outlined in section II(iii), above. Specifically, §7(e) of the NWPA affords the Administrator latitude in the rate designs employed to recover the costs from a class or one or more subclasses. As such, if Bonneville is concerned with its ability to serve, it is all the more essential that Bonneville create distinct cost pools and the associated contractual provisions necessary to provide the authority and ability to collect from those customers all costs of providing that service.

## 4. Products and Services at New Resource Rate and Industrial Firm Power Rate

### 4.1 5(b) for Investor Owned Utilities

NRU has addressed its concerns with the administration of the NR rate elsewhere in these comments.

### 4.2 New Large Single Loads

NRU has no specific objection to Bonneville’s existing NLSL policy as it interacts with the Draft Policy. However, as detailed elsewhere in these comments, the importance of the intersection between Bonneville’s load service obligations, its obligation for delivered power, and the federal transmission system cannot be overstated. Ensuring the delivery of preference power to preference load is foundational to NRU members, and to the substantial value that Bonneville provides to the region. As such, given the potential impact to Bonneville load service and transmission obligations, NRU encourages Bonneville to schedule the public process necessary to review the policy as soon as is practicable. Further, NRU strongly encourages Bonneville to take a holistic, “One BPA” approach to problem-solving, and to work collaboratively with its transmission staff and with customers on identifying constructive solutions to power delivery concerns.

As noted in the comments of the NLSL Group, NRU requests that Bonneville consider a voluntary customer election where NLSLs could be exempted from a customer’s Provider of Choice contract, whereupon a given NLSL would no longer be subject to BPA’s energy shaping service (“ESS”) and related charges but would also forfeit any rights to be served at the NR Rate. Instead, the customer would abide by products and operational requirements established by the controlling balancing authority and transmission service provider.

NRU also requests additional clarity with respect to Bonneville’s treatment of NLSLs as it continues to participate in the WRAP, along with whether and how it intends to facilitate NLSL participation through product development or other incentives.



Finally, NRU has addressed its concerns with the administration of the NR rate elsewhere in these comments.

#### 4.3 Direct Service Industry Customer

NRU has no objection to the proposed language in the Draft Policy.

### 5. Rate Discounts

#### 5.1 Irrigation Rate Discount

NRU strongly supports Bonneville's proposal to continue the Irrigation Rate Discount ("IRD") into the next contract. Additionally, NRU submits that the proposed updates to the program will ensure the discount is appropriately applied and aligned with updated load information.

NRU appreciates the inclusion of a general budget goal for the program, although we anticipate significant changes to both irrigation customer needs and to Bonneville's power budget in the future and therefore recommends the budget remain at 1% of Bonneville's total power revenue requirement rather than a fixed dollar amount.

As stated in the Draft Policy, Bonneville has a long-standing history, dating back to the early 1940s of providing a discounted power rate to irrigation loads. The discounted power rate for irrigation loads was established to recognize the importance of supporting the agricultural sector across the region. The discount also helps address the high costs of serving rural areas versus urban areas, because lower numbers of customers in rural areas can lead to higher costs per customer.

Since its inception, Bonneville's discounted power rate for irrigation loads has provided a much-needed boost to the agricultural sector and the broader rural economy that is dependent on agriculture and has helped control cost increases to our region's many agricultural products. Many years have passed since Bonneville first started its irrigation discount, and the need has not changed. Irrigated agriculture still plays a crucial economic role in our region. The sector still faces tremendous uncertainty and financial hardships that are beyond the control of irrigators. Bonneville's IRD policy provides a stable benefit that impacts the region well in excess of the monetary cost of the program.

Additionally, Bonneville's IRD supports rural economies and communities. Through the IRD program, farm workers and their jobs are supported, and, more broadly, ancillary industries such as implement dealerships and irrigation suppliers benefit from irrigated agriculture.

Much of our region's rural economy is based around agriculture. In Oregon and Washington alone, the food and farming industries employ 400,000 people and account for nearly 15% of regional economic activity. The IRD provides needed support to make farming and agriculture, along with the many local businesses that depend on a healthy farm economy, viable livelihoods.

Essentially, Bonneville's IRD program supports quality agricultural production. The Washington State Department of Agriculture estimates that per acre, irrigated cropland is valued at nearly 6 times the value of non-irrigated cropland per acre because of its beneficial impact on crop production. The program lowers the cost of crops through increased efficiency and, thus, lowers the cost of food for consumers. Through irrigated agriculture, higher-quality animal feedstock is produced, which in turn produces higher-quality food products such as dairy-quality milk and high-grade beef for consumers.

Bonneville's IRD program supports and enables biofuel development and carbon sequestration opportunities. Through the IRD and irrigated agriculture, larger quantities of biofuel production is supported. As states around the region turn to cleaner fuel resources, irrigated agriculture can ensure efficient production of these fuel stocks. Additionally, irrigated lands will produce greater amounts of carbon-sequestering plants, especially when irrigating semi-arid soils that would otherwise not support vegetation. As a result, the Bonneville irrigation discount helps support expanded participation in carbon sequestration or offsets programs on agricultural lands.

## 5.2 Low Density Discount

NRU supports Bonneville's proposed implementation of the Low Density Discount ("LDD") program for the Provider of Choice contract. Further, we appreciate Bonneville's recognition of the need for greater certainty for rural utilities by proposing to evaluate customer eligibility on a rate period basis.

# 6. Power Delivery

## 6.1 Transmission

While NRU understands the Draft Policy does not address Bonneville's Transmission products and services, as public power enters a new era that is sure to include the development of new power generation resources, it is absolutely essential that transmission policy is closely aligned with Bonneville's Provider of Choice policy. Once again, NRU recommends that Bonneville commit to a "One BPA" approach to Power Delivery issues between its policy and transmissions business lines.

As currently implemented, the Mid-C Exchange is a perfect example of how Bonneville's power supply and transmission policy staff can work collaboratively and constructively to create solutions that benefit both the agency and its customers. We strongly encourage Bonneville to consider similar outside-of-the-box thinking in the future and look forward to working with you toward that end.

## 6.2 Transfer Service

Starting with the 2002 Final Power Rates Record of Decision, Bonneville recognized the value and importance of the issue in its decision to obtain Transfer Service for non-federal power and to roll the cost into the Network Transmission rate. At the time, Bonneville's reasoning for its commitment to obtain



Transfer Service for non-federal power was based on the policy goal of putting Transfer Service customers and directly connected customers on equal footing and to promote competition in power markets.

To date, this commitment has paid off, as highlighted by the 2021 NRU Transfer Study which found that 83 of Bonneville's 134 customers with long-term power sales agreements had at least one transfer point of delivery, and that 55 customers were served solely by Transfer Service. Further, the study estimated that, since the program's creation, Bonneville and its customers have avoided nearly \$3.7 billion in total capital costs, and that customers continue to avoid costs from operations, maintenance, interest, and amortization in excess of \$350 million annually.

NRU remains committed to ensuring that the Provider of Choice contract treats transfer customers equitably, with consistent treatment for serving load with both federal and non-federal power. Additionally, NRU is strongly supportive of policies that are intended and designed to promote preference customer choice with respect to AHWM load service, as well as policies designed to ensure non-federal AHWM alternatives remain viable into the next contract period. In recognition of its commitment to transfer customers and in keeping with its third principle "*Product and service offerings are equitable*," NRU recommends that Bonneville adopt language similar to that which was used in Regional Dialogue, which will serve the added purpose of clarifying the goals of the Transfer Service Program itself. Specifically, we would like to highlight Bonneville's stated intent to "not use transfer service as leverage to induce customers to buy Tier 2 power from BPA..."<sup>28</sup> To that end, NRU recommends inclusion of the following language in the next iteration of the Draft Policy:

"BPA intends that a customer's decision to purchase from a non-Federal resource or from BPA for service at the Tier 2 rate should be as economically neutral as possible. Transfer service should only be one factor in a customer's resource acquisition decision. Without some level of commitment from BPA, the lack of any transfer service assistance from BPA will often be the deciding factor for most customers."<sup>29</sup>

#### 6.2.1 Administration of Transfer Service

NRU supports Bonneville's proposed approach to the Administration of Transfer Service and appreciates the fact that it will continue to contract directly with third-party transmission providers to procure the transmission capacity needed to fulfill its power supply obligations under the Provider of Choice contract. We maintain several concerns, however, with respect to the quality of service received under such contracts, which are addressed in section 6.2.4, below.

#### 6.2.2 Cost Recovery for Transfer Service for Federal Power

NRU supports Bonneville's proposal to continue the practice of proposing to recover the costs of the network component of transfer service for federal power sold at any PF rate to preference customers from

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<sup>28</sup> Administrator's Record of Decision on Regional Dialogue Contract Policy (October 2008).

<sup>29</sup> *Id.*

the Tier 1 cost pool. Additionally, NRU supports Bonneville's proposal to recover the costs of transfer service for federal power sold at an FPS rate to preference customers serving requirements load from the Tier 1 cost pool.

### 6.2.3 Cost Recovery of Non-federal Transfer Service

NRU appreciates Bonneville's progress in recognizing the need to include support for transfer service for non-federal resources and believes that the revised approach outlined in the Draft Policy represents a significant improvement over the many proposals discussed to date.

NRU supports Bonneville's proposal to recover the costs of the network component of transfer service for non-federal resources serving PF-eligible loads below their CHWM from the Tier 1 cost pool. Additionally, NRU finds Bonneville's proposed limitation of 41 incremental MW per year acceptable, which would result in a cumulative total of 779 MW at the end of the Provider of Choice contract in 2044. However, NRU requests that Bonneville clearly state that the 41 incremental MW is over and above the amount included at the end of Regional Dialogue.

Finally, NRU supports Bonneville's proposal to limit its support to the last leg required for delivery to the customers' load, subject to the following exceptions:

- The "grandfathering" of existing multiple-leg arrangements in place for dedicated resources today, and
- other limited exceptions including COI service to Nevada, as well as those SE Idaho, SW Wyoming, and other preference customers exposed to multiple transmission legs today due to circumstances beyond their control (e.g., various asset-swaps and balancing authority changes, line removal due to implementation of the B2H Transfer Service Plan, etc.).

### 6.2.4 Quality of Service and Similar Cost Treatment

Though all alternatives proposed to date have fallen short of the protections afforded in the 2004 ARTS Agreement, NRU understands Bonneville hesitation to commit to a particular quality of service standard for third-party transmission providers. Regardless of the responsible party, as Bonneville has heard repeatedly, in many cases customers with full or partial transfer service continue to experience unacceptably poor levels of service from their transfer providers. As the contract holder, it is essential that Bonneville take a more proactive role in working with third-party transmission providers. To that end, NRU recommends the inclusion of explicit language in the final Provider of Choice Policy acknowledging the fact that the status quo is unacceptable, and at a bare minimum, full commitment to the following:

- When new service is required, and the type, size, location, ownership, and method of cost recovery may be at issue, both Bonneville Power, as acquirer of Transfer Service, and Bonneville Transmission commit to work together with the customer and the third-party transmission provider to determine the best over-all plan of service, one that is consistent with the spirit of equivalent treatment and analogous to being directly connected to Bonneville system, where practical, but which also represents a fair compromise when that analogy breaks down.



- An explicit commitment to document communication standards (or protocols) and take a *more* proactive role in working with third-party transmission providers during the planning of local transmission facilities, new metering or changes to existing metering, and to allow transferee participation.
  - A commitment to further encourage, and facilitate when appropriate, the implementation of Interconnection Agreements between Transfer Providers and customers to enable communications directly between the two parties.
  - A commitment to apply the technical expertise needed to appropriately evaluate and pursue the implementation of the best plans of service on behalf of transfer customers.
- Continuation of the requirement that non-federal Transfer Service is used solely for service to requirements load.
  - In this context, "requirements" means Bonneville's obligation to provide non-Federal transfer service is limited to meet the Transfer Service customer's AHWI requirement loads and, notwithstanding Bonneville's proposed 5MW aggregate exemption, only to the extent that non-federal resources do not displace Tier 1 purchases.
- Conversion of "New" Transfer Points of Delivery ("PODs") to "Existing" Transfer PODs with the Provider of Choice contract, including updating the Guidelines Regarding Request for Transfer Service to New Points of Delivery, as appropriate.<sup>30</sup>

Additionally, NRU appreciates Bonneville's stated intent to ensure that transfer customers pay the same, or similar categories of costs as those paid by directly connected customers.

#### 6.2.5 Direct Assignment Guidelines

NRU has no objection to the proposed language in the Draft Policy.

#### 6.2.6 Ancillary Services and Losses

NRU supports Bonneville proposed approach to Ancillary Services and Losses for Transfer Service customers and appreciates the fact it represents a move toward treating transfer customers in a manner equivalent to directly connected customers. The fact that transfer customers will only be responsible for losses over a single transmission system represents a significant improvement over the status quo.

#### 6.2.7 New Utilities and Annexed Load

NRU has no objection to the proposed language in the Draft Policy.

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<sup>30</sup> The Guidelines Regarding Request for Transfer Service to New Points of Delivery, at: <https://www.bpa.gov/-/media/Aep/power/transfer-service/transfer-service-guidelines-for-transfer-service-to-new-pods.pdf>.

## 7. Carbon

NRU appreciates the fact that the federal system is currently 95% carbon-free on average, and the fact that market purchases are necessary to help Bonneville meet near-term and real-time energy demands not met by the base federal system. That said, NRU maintains that it is possible for Bonneville to offer interested customers a 100% carbon-free product, and we ask that Bonneville continue to work with customers to discuss ways that it can offer such a product. Such a product could be beneficial to all customers – those facing carbon regulations and those that do not face regulations.

The regulatory obligations of Bonneville's customers will only increase during the term of the Provider of Choice contract, and it is essential that the agency and its customers work together to ensure that, at the very least, the products and services it provides don't make it more difficult for customers to meet their obligations.

### 7.1 Environmental Attributes

NRU maintains that preference applies not only to the output of the FBS, but also to the capacity and environmental attributes therefrom. NRU appreciates the fact that Bonneville clearly articulates preference customer right to the environmental attributes of the federal system, including emissions factors and any renewable energy credits ("RECs"), commensurate with a customer's firm power purchase amount and rate elections. NRU looks forward to working with Bonneville through the implementation and contract development phases to ensure the contract language documenting that conveyance is clear and unquestionable.

Additionally, as noted previously NRU requests additional detail as to how Bonneville intends to fulfill this obligation in a day-ahead market or RTO, whereby load and resource optimization may be performed by a third-party market operator or algorithm. This concern is one of the reasons NRU strongly recommends including clear language in the Provider of Choice contract both confirming customer preference to the environmental attributes of the FBS and clearly conveying all environmental attributes therefrom to PF customers under the terms of the contract.

#### 7.1.1 Renewable Energy Credits

NRU has addressed this matter elsewhere in these comments.

#### 7.1.2 Emissions Accounting

NRU has no objection to the proposed language in the Draft Policy.

## 8. Long-term Cost-Management

NRU supports PPC's comments on Long-term Cost Management.



Additionally, NRU submits that the track record of Bonneville in recent years regarding cost control and financial transparency has been excellent. This is due in no small measure to the commitment of the current and former Administrators, executives, and staff to providing the information necessary to keep its customers informed. This has been accomplished through largely informal processes initiated by Bonneville.

However, such informal arrangements that depend on the goodwill of individuals are not sufficiently durable to withstand the shifts in policy, political pressure, and changes in Administrators that will occur over term of the next 19-year contract. NRU remains committed to working collaboratively with Bonneville to ensure that customers have confidence that the value of the federal system is maximized for the benefit of preference customers, which we believe requires Bonneville's cost control mechanisms to be both durable and transparent.

Achieving this goal will require, regardless of the processes ultimately identified, that Bonneville's commitment to transparency, accountability, and customer engagement is memorialized in the Provider of Choice contracts to the extent legally practicable. Doing so will provide assurance to preference customers that their ability to provide timely and meaningful input will be secure for the long term.

## 9. Conservation

NRU and its members look forward to engaging in Bonneville's upcoming public process to discuss potential program changes. We are especially interested in Bonneville providing additional support for small and rural customers to invest in conservation and for the inclusion of demand-side management and capacity conservation options to help better align customer's load shape with the federal system shape.

NRU also continues to maintain concerns with the lack of focus on the EEI program and its administration to date in the Provider of Choice process, and requests that Bonneville ensure sufficient time to discuss and consider much-needed improvements to the program and the many opportunities that NRU and others believe would result in improved program efficiency and a more successful regional conservation program overall.

As currently administered, preference customers are too often unable to utilize their allocated funds within a given rate period. In these instances, utilities are either forced to transfer those funds to other preference customers with the ability to immediately utilize or "roll over" the funds in question, or to return those funds to Bonneville. In either case, impacted utilities and their end-use customers are paying into a program that, through no fault of their own, is directly benefitting someone else. In aggregate, and in contrast to the program's intent, this paradigm is too often portrayed as a direct transfer of ratepayer dollars from flat and declining utilities to those with considerable load growth. NRU looks forward to working with Bonneville to ensure that administration and implementation of Bonneville's conservation program in the Provider of Choice contract provides the optionality and flexibility necessary to avoid similar unintended consequences going forward.

## 10. Residential Exchange Program

NRU understands Bonneville's statutory obligation and commitment to providing residential and farm retail ratepayers of Pacific Northwest Utilities with access to the cost benefits of low-cost federal power through its implementation of the NWPAs §5(c) Residential Exchange Program ("REP").

However, the question of who bears the cost of the REP program remains key. As the 9th Circuit affirmed in *PGE*, in creating the REP "Congress made clear that its primary purpose remained to protect BPA's preference customers."<sup>31</sup> To this end, Congress included provisions within the NWPAs "designed to protect the entitlement of both existing and new preference customers to the full Federal base system. These provisions seek to protect preference as to both supply and price."<sup>32</sup> For instance, with respect to preference to supply, NWPAs §5(a)<sup>33</sup> and 10(c)<sup>34</sup> ensure that nothing in the NWPAs, including purchases from and sales to the IOUs under §5(c), "alter, diminish, abridge, or otherwise affect" the rights of public bodies and cooperatives "to preference and priority in the sale of *federally generated electric power*." To protect preference to price, and in addition to §5(a) and §10(c), Congress included the §7(b)(2) rate ceiling to "assure that the financial benefits of the preference clause in the Bonneville Act will continue to accrue to BPA preference customers."<sup>35</sup> Indeed, the "preference customer rate limit" amendment adopted by Congress was advocated for by the Public Power Council to "assure that BPA preference customers' ratepayers will not lose the financial benefits resulting from the preference clause in the Bonneville Act."<sup>36</sup>

Moreover, Congress clearly intended for Bonneville's DSI customers to bear any additional costs associated with implementation of the REP. This is apparent from the comments of Senator Jackson (WA) during the November 1980 debate of the NWPAs, wherein he stated:

"The rate provisions of the bill make it possible to extend the economic benefits of low-cost Federal power to consumers of investor-owned utilities; this is accomplished by raising the rates to the aluminum companies. *At the same time, preference customers' rates are limited by a rate ceiling to no greater than they would have been without the bill.*"<sup>37</sup>

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<sup>31</sup> *PGE*, 501 F.3d at 1036.

<sup>32</sup> H.R. Rep. 976, Part I, 96th Cong., 2d Sess., at 34-35 (1980).

<sup>33</sup> NWPAs §5(a) provides: "All power sales under this chapter shall be subject at all times to the preference and priority provisions of the Bonneville Project Act of 1937 (16 U.S.C. 832 and following) and, in particular, sections 4 and 5 thereof [16 U.S.C. 832c and 832d]. Such sales shall be at rates established pursuant to [NWPAs §7]."

<sup>34</sup> NWPAs §10(c) provides: "Nothing in this chapter shall alter, diminish, abridge, or otherwise affect the provisions of other Federal laws by which public bodies and cooperatives are entitled to preference and priority in the sale of federally generated electric power."

<sup>35</sup> S. Rep. No. 96-272, 96th Cong., 1st Sess., at 61 (1979).

<sup>36</sup> *Id.* at 56.

<sup>37</sup> Senator Jackson at Cong. Rec. Senate S 14691 Nov. 19, 1980; Legislative History of the NWPAs 106. (emphasis added).



Indeed, considering the relevant legislative history, the language in the NWPA, and the statutory construction of the §7(b)(2) rate test, Congress clearly and repeatedly highlights its intent to protect preference customers from REP program costs.

With the above in mind, NRU looks forward to working with Bonneville to implement an REP that accomplishes the intent of the NWPA, and that protects its preference customers from increased costs resulting from said implementation.

#### 10.1 Residential Exchange Program for PF Customers

NRU has no objection to Bonneville's intent to expand the limited waiver in place under Regional Dialogue for the term of the Provider of Choice contract, including a waiver from all eligible Preference Customer loads and resources. NRU agrees that doing so should reduce the cost of the program overall, and thus reduce, to the extent that any remains, the cost of the REP recovered in the Tier 1 rate.

### 11. New Long-term Contracts

As noted previously, NRU maintains significant concerns around determining an individual customer's CHWM in FY 2026, after customers are expected to sign a take-or-pay power sales contract that will extend through 2044. Once again, as discussed in detail in section 2.4.1, we recommend that Bonneville consider adjusting the timeline to calculate CHWMs prior to customer contract execution.

#### 11.1 Duration of Contracts

NRU has no objection to the proposed language in the Draft Policy.

#### 11.2 Duration of Power Service

NRU has no objection to the proposed language in the Draft Policy.

#### 11.3 Standardized Contracts

NRU has no objection to the proposed language in the Draft Policy.

#### 11.4 Take or Pay Requirements for Purchases

NRU has no objection to the proposed language in the Draft Policy.

#### 11.5 Load and Resource Information Requirement

NRU has no objection to the proposed language in the Draft Policy. However, there is significant room for improvement in designing administrative and data sharing procedures that better and more efficiently meet Bonneville and customer needs. NRU recommends that as Bonneville works to develop administrative procedures and requirements around data sharing, that it carefully considers customer needs. Data sharing should be a two-way street, and we look forward to working collaboratively with Bonneville to improve upon what customers are experiencing under the Regional Dialogue contract.

#### 11.6 Flexibility to Amend Contracts and Rates

NRU has no objection to the proposed language in the Draft Policy.

#### 11.7 Dispute Resolution

NRU has no objection to the proposed language in the Draft Policy.

### 12. Environmental Analysis

NRU has no objection to the proposed language in the Draft Policy.

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Thank you once again for the opportunity to submit these comments.

Sincerely,

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Matthew A. Schroettig  
Director of Operations and General Counsel  
Northwest Requirements Utilities





















































# MILL CREEK LAW

EXPERIENCE • COMMITMENT • SOLUTIONS

October 13, 2023

*Submitted Electronically*

Mr. John Hairston  
Administrator  
Bonneville Power Administration

**RE: WPAG Comments on BPA's Draft Provider of Choice Policy**

Administrator Hairston:

The utilities that comprise the Western Public Agencies Group ("WPAG")<sup>1</sup> appreciate the opportunity to submit the attached comments in response to the Bonneville Power Administration's Draft Provider of Choice Policy ("Draft Policy"). WPAG commends BPA and BPA staff for running a good process to develop the Draft Policy. We may not agree with every decision or proposal made by BPA in the Draft Policy. However, we fully believe that BPA has provided ample opportunity for all stakeholders to be heard; that BPA has listened to, if not always agreed with, its customers; and that BPA has made changes to the proposals it originally made in its Provider of Choice Concept Paper that reflect customer input.

WPAG's comments seek to identify and support the proposals in the Draft Policy that we believe will help BPA and its customers meet what promises to be a dynamic post-2028 period as well as to lay out additional proposals aimed at the same end for inclusion in the Final Policy. As shown in the Draft Policy, BPA has the difficult responsibility of balancing a multitude of different perspectives and competing interests. Many tough issues remain, including rates, product definitions, and contract language, but we are pleased with how the process has been conducted to date and are looking forward to seeing the Final Policy early next year.

Sincerely,

MILL CREEK LAW

(b)(6)

Ryan S. Neale  
Attorney for WPAG  
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<sup>1</sup> The utilities comprising WPAG include Benton Rural Electric Association, Eugene Water and Electric Board, Umatilla Electric Cooperative, the Cities of Port Angeles, Ellensburg and Milton, Washington, the Towns of Eatonville and Steilacoom, Washington, Elmhurst Mutual Power and Light Company, Lakeview Light & Power, Ohop Mutual Light Company, Parkland Light and Water Company, Public Utility Districts No. 1 of Clallam, Clark, Cowlitz, Grays Harbor, Jefferson, Kittitas, Lewis, Mason and Skamania Counties, Washington, Public Utility District No. 3 of Mason County, Washington and Public Utility District No. 2 of Pacific County, Washington.

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**COMMENTS OF THE WESTERN PUBLIC AGENCIES GROUP  
REGARDING BPA’s DRAFT PROVIDER OF CHOICE POLICY**

Submitted: October 13, 2023

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## **COMMENTS OF THE WESTERN PUBLIC AGENCIES GROUP REGARDING BPA's DRAFT PROVIDER OF CHOICE POLICY**

Submitted: October 13, 2023

### **I. INTRODUCTION.**

The Western Public Agencies Group ("WPAG") includes 23 utilities<sup>1</sup> located in Oregon and Washington both east and west of the Cascades. Our membership ranges from some of the Bonneville Power Administration's ("BPA") smallest load following customers to some of its largest and most sophisticated Slice/Block customers. Some WPAG utilities are BPA full requirements customers, while others own their own resources that they either use to serve their loads or sell to third parties. The WPAG utilities collectively make up approximately 29 percent of BPA's Tier 1 load.

Given the diversity of our group and the varied environments we each operate in, there are very few (if any) (i) BPA programs that at least one WPAG does not participate in or touch upon, and (ii) BPA power or transmission rates that at least one WPAG utility does not pay. In a real sense, we are a microcosm of BPA's larger preference customer base. Our success as a group depends on transparency, collaboration, and an emphasis on seeking equitable outcomes. We also acknowledge and accept, however, the agency of each individual WPAG member to be able to advocate on its own behalf when it determines it necessary to protect its own unique interests. It is through the above lenses of transparency, collaboration, and equity that WPAG appreciates and welcomes the opportunity to provide the comments below in response to BPA's Draft Provider of Choice Policy ("Draft Policy").

WPAG commends BPA for running a good process over the last two years to develop the Provider of Choice policies and policy framework. We may not agree with every decision or proposal made by BPA in the Draft Policy. However, we fully believe that BPA has provided ample opportunity for all stakeholders to be heard; that BPA has listened to, if not always agreed with, its customers; and that BPA has made changes to the proposals it originally made in its Provider of Choice Concept Paper that reflect customer input. As shown in the Draft Policy, BPA has the difficult responsibility of balancing a multitude of different perspectives and competing interests. Many tough issues remain, including rates, product definitions, and contract language, but we are pleased with how the process has been conducted to date and are looking forward to seeing the Final Policy early next year. Thank you to BPA and BPA staff.

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<sup>1</sup> The utilities comprising WPAG include Benton Rural Electric Association, Eugene Water and Electric Board, Umatilla Electric Cooperative, the Cities of Port Angeles, Ellensburg and Milton, Washington, the Towns of Eatonville and Steilacoom, Washington, Elmhurst Mutual Power and Light Company, Lakeview Light & Power, Ohop Mutual Light Company, Parkland Light and Water Company, Public Utility Districts No. 1 of Clallam, Clark, Cowlitz, Grays Harbor, Jefferson, Kittitas, Lewis, Mason and Skamania Counties, Washington, Public Utility District No. 3 of Mason County, Washington and Public Utility District No. 2 of Pacific County, Washington.

## II. GENERAL COMMENTS.

BPA and its customers face significant post-2028 challenges, as significant as those that led to the adoption of the Northwest Power Act (“NWPA”). BPA identified a number of those challenges in the Emerging Landscape section (§ 1.2) of the Draft Policy including:

- Changes in the region’s load and resource mix causing a renewed focus on capacity constraints and resource adequacy concerns that have led to the emergence of the Western Resource Adequacy Program (“WRAP”).
- The formation of potential regional day-ahead markets.
- The potential for a West-wide Regional Transmission Organization (“RTO”).
- National, state, and local efforts to shift toward carbon-free resources.

In addition to BPA’s list, WPAG would add the following post-2028 challenges that the Provider of Choice contracts must help BPA and customers address:

- Expanding conservation and load management obligations under state and, potentially, national requirements.
- The potential over-abundance of very low-cost energy from an expanding renewable resource fleet impacting BPA’s secondary energy sales revenue, Federal Columbia River Power System (“FCRPS”) operations, and BPA’s historic business model.
- Electrification resulting in new demands for electric power (e.g., more electric vehicles and movement away from natural gas).
- Increasing number and size of New Large Single Loads (“NLSL”) in the form of new data and server farm loads.

Furthermore, there will likely be other changes in the post-2028 operating environment that BPA and its customers do not yet foresee but for which they will need the ability to adjust. This combination of rapid industry change and future uncertainty will require not only adjustments from the status quo as we transition from the Regional Dialogue (“RD”) to the Provider of Choice contracts, but also flexible terms within the Provider of Choice contracts that allow customers to readily change their relationship with BPA under the contract as their post-2028 needs evolve over time. Such adaptability will be essential to ensure that the Provider of Choice contracts place BPA, its preference customers, and the communities they serve in a position where they can thrive during what portends to be a dynamic post-2028 period. Among other things, WPAG’s comments below seek to identify and support the proposals in the Draft Policy that we believe will help BPA and its customers meet this objective as well as to lay out additional concepts and proposals aimed at the same end for inclusion in the Final Policy.

### III. SPECIFIC COMMENTS.

#### 1. Provider of Choice Principles and Goals.

Draft Policy § 1.1.1 proposes the following four principles to guide the development of the Provider of Choice policy and contracts:

1. Tier 1 Firm power rates are set at the lowest possible rates consistent with sound business principles.
2. Provider of Choice Policy and contracts are consistent with BPA's statutes.
3. Contracts provide long-term supply of electric power through standardized products and services and transparent processes.
4. Provider of Choice Policy and contracts provide financial stability for BPA and support BPA's regional obligations and commitments.

In addition, Draft Policy § 1.1.2 proposes the following Provider of Choice goals that "embody [BPA's] aspirations for the Policy and contracts":

1. Provider of Choice Policy and contracts are regionally supported.
2. The Federal Base System is fully subscribed to supply customers' net requirements.
3. Products and service offerings are equitable.
4. Contracts offer customers flexibility to invest in and integrate non-federal resources.
5. Contracts support customers meeting national and regional objectives.
6. Contracts are administratively straightforward and implementable.
7. Provider of Choice Policy and contracts build on a long history of stewardship and regional relationships.

WPAG generally supports the principles and goals identified in the Draft Policy. However, we recommend that proposed Goal #5, "Contracts support customers meeting national and regional objectives," be (i) modified to add "including existing and emerging state legal and regulatory requirements" at the end and (ii) elevated to a principle rather than an aspirational goal. As noted above, and by BPA in the Draft Policy at page 3, "over the course of the Provider of Choice contract, the energy landscape is expected to experience shifts driven in part by new federal or state laws and regulations . . . as well as by regional market development." Some of these changes will impact BPA directly, e.g., regional market development. Others will arise from changes in state law or regulations that apply directly to BPA's customers but would not be binding on BPA.



Given its status as a Federal entity, BPA can afford to have “contracts support customers meeting national and regional objectives” as an aspirational goal. This is particularly true given that BPA’s proposed Principle #2 is to ensure that the “Provider of Choice Policy and contracts are consistent with BPA’s statutes.” However, BPA’s preference customer counterparties are not so well placed as BPA. For them, ensuring that the contracts help support such customers in meeting their regional objectives is a legal and regulatory imperative. This is because, in many cases, the “regional objectives” that the contracts must support are legal or regulatory requirements for BPA’s preference customers under state law. Accordingly, 19-year contracts that do not make “supporting BPA’s customers to meet regional objectives, including existing and emerging state legal and regulatory requirements” a principle, risk falling short of what BPA’s customers will require during the next contract period and could put them in legal or regulatory jeopardy. If BPA is concerned that this proposal could put BPA in a position where it could not comply because, for example, the current limits of the Federal Base System to deliver a carbon-free product or federal law, the language could be amended to state: Contracts support customers in meeting national and regional objectives, including existing and emerging state legal and regulatory requirements, to the extent it would not conflict with BPA’s statutes or be inconsistent with prudent utility practice.

In addition, the durability of the Provider of Choice contracts, and the ability of such contracts to help BPA and preference customers successfully navigate the evolving energy landscape and challenges they will face during the post-2028 period, will require both:

- Initial contract terms and conditions that allow customers to readily adjust their relationship with BPA under the contract as their post-2028 needs evolve over time; and
- Administratively efficient ways to amend and update the contracts and rates.

For this reason, WPAG also recommends that “Contracts are adaptable to emerging markets, regulatory changes, and evolving end-user needs” be added as a Provider of Choice principle. The changes to the energy landscape discussed above require that the next contracts seek a better balance of certainty (including planning, revenue, rate, and risk certainty) for BPA with optionality for its customers. The RD framework and contracts favors the former by limiting the latter. However, BPA and its customers have learned a great deal during RD about how the rigidity of favoring contract certainty above all can undermine contract durability in the face of a churning industry landscape. This experience has shown that, without either a shorter contract term or adjustments that provide more customer optionality, a construct that unduly favors certainty is likely to fracture under the weight of the changes anticipated after 2028. As stated below in Section III.2, WPAG supports a 19-year term for the next contract, but for such long-term contracts to be successful, they must incorporate the principle of adaptability as recommended by WPAG here and applied in the balance of these comments below.

2. **Contract Term.**

WPAG supports BPA's proposal to offer Provider of Choice contracts that expire on September 30, 2044. (Draft Policy § 11.1). The proposed 19-year term will provide BPA and customers with the long-term certainty they both seek. In addition, it will mean that the Provider of Choice contracts will expire prior to 2045, when CETA's 100% carbon-free standard begins. This is important because CETA's 2045 mandate will require changes to the §5(b) dedicated resource mix of at least some BPA customers to remove all carbon emitting dedicated resources due to regulatory loss. Fixing the termination date before 2045, as BPA proposes, will help BPA and customers better manage and prepare for this CETA induced §5(b) cliff by preventing any overlap between the term of the Provider of Choice contracts and the start of the 100% carbon-free mandate.

3. **Standardized Contracts.**

WPAG supports BPA's proposal to negotiate and develop standardized contracts templates for each product that include options for customer elections and opportunities to negotiate customer specific exhibits. (Draft Policy § 11.3).

4. **Dispute Resolution.**

WPAG agrees with BPA's proposal to use the dispute resolution procedures under the RD contracts as the starting point for developing the dispute resolution procedures to be included in the Provider of Choice contracts (Draft Policy § 11.7) and will reserve making any proposed changes to such procedures until the contract negotiation phase of the Provider of Choice Process.

5. **Tiered Rate Construct.**

WPAG remains committed to the use of a tiered rate construct and ensuring low Tier 1 Rates post-2028 remains an important priority. For these reasons, we support BPA's proposal to continue to tier PF rates for sales of firm requirements power under the Provider of Choice contracts (Draft Policy § 2.2) as well as the following three foundational tenets of adopting a tiered rate design identified in the Draft Policy:

- Protect the value of the existing federal system from unbound acquisition costs;
- Enable customer resource choice for meeting load growth; and
- Insulate customers from costs associated with other customers' resource choices.

6. **Contract High Water Marks ("CHWM(s)").**

The RD CHWM calculation inherently applied a "first in time, first in right" principle by rewarding the incumbents, i.e., those utilities that grew first and fastest in the region, with the largest RD CHWMs and, thus, the largest share of the Tier 1 System. This helped ensure BPA's financial stability by fully subscribing the Tier 1 System, but it also acknowledged the larger

financial contributions such utilities had made over the years towards the enhancement and preservation of the Federal Columbia River Power System (“FCRPS”) due to their larger loads and corresponding larger BPA power bills. Absent such historic payments, the FCRPS would likely be much smaller than it is today and/or BPA would have been forced to pursue additional non-preference customer firm load to recover its costs.

However, the Tier 1 System is a limited and valuable resource. As such, BPA and its customers have a duty to ensure that it is being put to its highest and best use on the first day of the next contract. In WPAG’s opinion, the highest and best use of the Tier 1 System is in service of Tier 1 load. For these reasons, and subject to the comments and proposals below, WPAG supports BPA’s proposed framework for calculating new CHWMs for the Provider of Choice contracts using FY 2023 as the index year, including application of the headroom, conservation (50%), new specified resource (50%), load growth (25%), returning load, and proportional share (200 aMW) adjustments as proposed by BPA (Draft Policy § 2.4.1). BPA’s proposal will help ensure that the existing Tier 1 System is largely put to its highest and best use on day-one of the new contract. This is sound not only from a general policy perspective, but it will also help safeguard BPA’s ability to meet its goal of ensuring that “the Federal Base System is fully subscribed to supply customers’ net requirements” and its principle of ensuring that the “Provider of Choice policy and contracts provide financial stability for Bonneville.”

WPAG does not support increasing the load growth, new specified resource, or conservation adjustments above the amounts identified in BPA’s proposal because the size of the existing Tier 1 System is limited and, at a certain point, increasing the load growth, new specified resource, or conservation adjustments would require an offsetting scale down of the final Provider of Choice CHWMs, Tier 1 augmentation that is not shared equitably across all customers, or both. Indeed, under BPA’s current proposal, in the event these three adjustments as currently proposed by BPA cause or contribute to the aggregate of CHWMs to exceed 7,250 aMW, there would be a corresponding reduction to the proposed proportional share adjustment. (Draft Policy § 2.4.1.8). As further discussed in Section III.6.2 below, WPAG already objects to the potential scaling down of the proportional adjustment even absent increases to the load growth, new specified resource, or conservation adjustments.

Furthermore, BPA’s proposed framework currently includes significant upward CHWM adjustments for conservation (forecasted at 101 aMW), load growth (forecasted at 126 aMW), new specified resource (forecasted at 22 aMW), and returning load (forecasted at 187 aMW) without including any projected Tier 1 augmentation to accommodate such adjustments. This remarkable and delicately balanced outcome is achieved through the combination of using FY 2023 as the index year and the proposed “headroom adjustment,” which together result in approximately 570 aMW of Tier 1 headroom (forecasted) being reallocated from approximately 60 flat/declining utilities to the benefit of conserving, growing, new specified resource, and returning utilities for the above purposes. For such utilities, the loss of their headroom is a tremendous sacrifice to them and the communities they serve for the benefit of the greater region that must be acknowledged. BPA’s rates analysis during the policy workshops demonstrated that increasing the load growth, new specified resource, and/or conservation adjustments beyond the levels proposed by BPA would increase the Tier 1 Rates paid by headroom losing utilities at the start of the next contract with no corresponding benefit to them or the communities they serve. It would be both inequitable



and contrary to the principles of tiered rates (including the tenets of tiered rates identified above in Section III.5) to ask such utilities and communities to effectively pay twice: First, by forgoing their current headroom to be redistributed to others; and, Second, by paying higher Tier 1 Rates to augment the Tier 1 System to provide larger load growth, conservation, and/or new specified resource adjustments to others from which they will receive no benefit. Accordingly, for the above reasons, BPA must hold the line in the Final Policy on the levels of its proposed load growth, new specified resource, and conservation adjustments.

#### 6.1 Economic Adjustment.

WPAG appreciates and supports BPA's inclusion in the Draft Policy of a load-specific economic adjustment to CHWMs to account for impacts to individual retail consumers arising from the atypical economic conditions in FY 2023, including record natural gas prices, supply chain disruptions, high inflation, and labor strikes. (Draft Policy § 2.4.1.2). Many of the retail consumers that have curtailed their respective loads during FY 2023 due to these poor conditions are legacy commercial or industrial loads that entire Northwest communities have been built around and depend upon for economic subsistence. The circumstances impacting such loads are unique and, fortunately, anticipated to be transitory in nature. It is reasonable for BPA to include an adjustment to take these conditions into account when calculating final Provider of Choice CHWMs. This is particularly true given BPA's proposal to use FY 2023, i.e., the very year when the effects of these unique conditions on certain loads have been most acute, to establish the Provider of Choice CHWMs. Accordingly, BPA's proposal to provide a limited opportunity to adjust the final Provider of Choice CHWMs to reflect the level of such loads seen during more normal conditions under the RD contracts is warranted and appreciated.

However, as a collection of utilities that serve differently situated communities throughout the region, all of whom were impacted in different ways by the prevailing FY 2023 economic headwinds, WPAG is concerned that the conditions that must be met to qualify for the economic adjustment under BPA's proposal are too narrow. This will place the adjustment out of reach for many utilities—putting some of their important legacy loads and the communities that depend on them at risk. For these reasons, WPAG recommends the following adjustments to the economic adjustment:

- **Decrease the aMW qualifying threshold to 3 aMW.** There is a shared concern that the 10 aMW threshold currently identified may be too high for some utilities with sizeable retail loads that do not meet the alternative 10% threshold but (i) are still significant for both the utility and the community they serve; and (ii) are or were curtailed during FY 2023 due one or more of the factors identified above. While we understand BPA's concern that a lower threshold could result in an additional administrative burden for BPA, we also note that there are likely many utilities that experienced large legacy load losses during FY 2023 that still would not qualify for the economic adjustment under a 3 aMW threshold. For example, one such WPAG member is Pacific PUD, which saw a labor strike at one of the largest employers in its community result in an approximate 0.5 aMW reduction to that consumer's FY 2023 load compared to prior years. Although that is a significant reduction for a utility the size of Pacific PUD, it would not qualify for the economic adjustment even if 3 aMW

is used as the threshold. Another WPAG member example is Kittitas PUD, which lost about 0.5 aMW in FY 2023 in hay press sector load due to global economic conditions. While well below the possible 3 aMW threshold, if this load returns as expected it will have a significant impact on Kittitas PUD considering the utility's small size and already existing Tier 2 exposure due to other load growth.<sup>2</sup>

- **Expand the historic high load period to include FY 2012 through FY 2022.** BPA proposes to use FY 2019 through FY 2022 as the historic high load period used to calculate the maximum economic adjustment available for a given individual retail consumer's load. One of the chief concerns with this approach is that the preponderance of the proposed historic period occurred during the COVID pandemic and it only includes one year, i.e., FY 2019, that is representative of a normal operating year. Accordingly, WPAG recommends that the historic period be expanded to FY 2012 through FY 2022, which would have the added benefit of providing consistent treatment with the historic periods used to determine the conservation adjustment.
- **Adjust the recovery period to October 1, 2023 through March 31, 2026.** The atypical economic conditions in FY 2023 are impacting different industries differently and our understanding is that some large and important legacy retail loads in the region are projecting that their individual loads are unlikely to return to normal operations until after FY 2025. Accordingly, WPAG recommends that BPA monitor qualifying loads from October 1, 2023 through March 31, 2026, rather than through FY 2025 as proposed by BPA, to establish the highest 12 consecutive month recovery load amount used in the economic adjustment calculation. This would provide an additional six months for loads to recover compared to BPA's proposal while also still allowing BPA to perform and complete the CHWM process in FY 2026 as proposed in the Draft Policy.

## 6.2 Proportional Share Adjustment.

WPAG is particularly supportive of BPA's proposal to include a 200 aMW proportional share adjustment as part of the CHWM calculations. (Draft Policy § 2.4.1.8). The underlying principle of tiered rates that load growth pays for load growth requires that any augmentation of the Tier 1 System, whether during or between contracts, be (i) by broad consensus among public power; and, (ii) when such consensus is present, shared proportionally so that every utility that would pay for such augmentation in their Tier 1 Rates receives a corresponding proportional benefit. Except as noted below, BPA's proportional share adjustment generally meets this principle. In addition, the proposal provides some CHWM relief for utilities who temporarily lost all or portion of an industrial or commercial legacy load during FY 2023 due to the year's atypical economic conditions but who would not otherwise qualify for the economic adjustment, e.g., see the discussion regarding the situations of Pacific PUD and Kittitas PUD in Section III.6.1 above.

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<sup>2</sup> These outcomes under the economic adjustment demonstrate the importance of the proportional share adjustment to all utilities, including flat and declining utilities like Pacific PUD and growing utilities like Kittitas PUD. See Section III.6.2 below.

However, BPA also proposes that, in the event the aggregate CHWMs exceed 7,250 aMW, it will reduce individual CHWMs by an amount equal to the customer's pro rata share of the proportional share adjustment until the aggregate CHWMs equal 7,250 aMW or the 200 aMW proportional share is exhausted. (Draft Policy § 2.4.1.8). This means that the proportional share adjustment is BPA's proposed relief valve in the event aggregate CHWMs exceed 7,250 aMW. If exercised, this reduction would be to the benefit of BPA's other proposed adjustments (including the load growth, conservation, and new specified resource adjustments), which would not be subject to a similar reduction. From WPAG's perspective, and because increasing the size of the Tier 1 System to 7,250 aMW will require approximately 200 aMW of augmentation, the 200 aMW proportional share adjustment should not be the adjustment subject to reduction based on the above principle that any augmentation of the Tier 1 System must be shared proportionally. This is particularly important for those flat/declining utilities who are not eligible for the load growth, conservation, or new specified resource adjustments because the proportional share adjustment is the only upward CHWM adjustment that they are eligible for even though they would be paying to augment the Tier 1 System in their Tier 1 Rates.

On the other hand, we also acknowledge that the types and levels of the adjustments identified in the Draft Policy were a source of significant contention that left stakeholders on all sides dissatisfied. We further acknowledge that BPA's CHWM model currently forecasts aggregate CHWMs of approximately 7,125 aMW and that the final aggregate CHWMs may never exceed 7,250 aMW. Accordingly, rather than adopt its proposal to reduce only the proportional share adjustment in the event aggregate CHWMs exceed 7,250 aMW, WPAG recommends that BPA proceed with the following approach:

- In the event the calculated aggregate CHWMs equals 7,350 aMW or less, fix the final aggregate CHWMs and Tier 1 System size at the amount of the calculated aggregate CHWMs with no reductions to any adjustment.
- In the event the aggregate CHWMs exceeds 7,350 aMW, BPA would sum up the adjustments received by each customer under the load growth, conservation, new specified resource, and proportional share adjustments, and to the extent the sum of the CHWMs exceeds 7,350 aMW, reduce such summed amounts pro rata until 7,350 aMW is achieved.

The above recommendation is offered as a proposed compromise. As stated above, WPAG acknowledges that the types and levels of the adjustments identified in the Draft Policy were a source of significant contention that left stakeholders on all sides dissatisfied. Although we argued during the policy workshops that BPA should set the maximum Tier 1 System size at 7,250 aMW, we now propose as a compromise that BPA adopt 7,350 aMW as the maximum possible Tier 1 System size to better ensure that customers receive the full amount of the adjustments that they would qualify for as proposed in the Draft Policy. We may never need this additional amount, but including it in the Final Policy will provide BPA and customers a limited amount of additional room to collaboratively move forward rather than rehash the contentious CHWM adjustment debates of the last few years.



Finally, in the event the aggregate CHWMs nonetheless exceed 7,350 aMW, WPAG's proposal also provides BPA a more equitable backstop than the proposal in the Draft Policy because it shares the burden of the reduction across all the adjustments enabled by an augmented system rather than inequitably placing that burden entirely on the proportional share adjustment. Indeed, even if BPA does not adopt WPAG's proposal to increase the maximum possible system size to 7,350 aMW, we recommend that BPA nonetheless adopt WPAG's proposal to reduce the sums of the load growth, conservation, new specified resource, and proportional share adjustments pro rata if necessary to meet a system size of 7,250 aMW. One advantage of this approach is that nobody will like it. Sometimes that is the best that can be achieved in a zero-sum game.

### 6.3 Subsequent CHWM Adjustment Categories.

WPAG is generally supportive of the proposed new public utility and tribal utility adjustments and associated rate period and contract period limitations. (Draft Policy §§ 2.4.2.2 and 2.4.2.3).

We also approve of BPA's proposed small utility adjustment, which is intended to shield small utilities from the disproportionate impacts to them of a tiered rate structure. (Draft Policy § 2.4.2.1). We do note, however, that BPA's proposal to define "small utility customer" to include those utilities with PF-eligible load under 5 aMW or less will put the adjustment out of reach for other small utilities that will just miss the threshold but for whom a tiered rate structure could also have disproportionate impacts. One such WPAG member is Mason PUD #1, which based on BPA's CHWM calculation model has 8.84 aMW of PF-eligible load and, therefore, would not qualify for the small utility adjustment. Mason PUD #1's load has been flat or declining during the term of RD contracts, including through FY 2023. However, there is a real possibility that its load could double in the next 10 years due to planned commercial and residential development in its service territory. The only upward CHWM adjustment Mason PUD #1 would be eligible for under the CHWM proposal in the Draft Policy is the proportional share adjustment. However, given Mason PUD's #1 small size, its proportional share of the proportional adjustment will likewise be small at only 0.26 aMW. While certainly helpful, this modest amount will not go far to alleviate the extreme impacts that the tiered rate structure could have on this small utility if its load doubles as projected. WPAG recommends that BPA adopt a policy in the Final Policy to work with customers to identify ways to help small customers like Mason PUD #1 that may not qualify for the small utility adjustment as proposed by BPA but who are still exposed to disproportionate impacts under a tiered rate structure in the event their loads grow. This could include, for example, reexamining the qualifying criteria under the Low Density Discount, which Mason PUD #1 no longer qualifies for under the current criteria notwithstanding its small size and the very rural community it serves.

We do not support an adjustment for the U.S. Department of Energy's ("DOE") vitrification plant's load (Draft Policy § 2.4.2.4) and instead support prior proposals that would have the vitrification plant's load served with a *DOE backed* Small Modular Reactor ("SMR") potentially built, for example, by Grant PUD or Energy Northwest. This proposed approach would not only help protect the value of the existing federal system by helping to keep Tier 1 Rates low, but it would also facilitate DOE meeting both its high-priority objectives of (i) encouraging (by providing an immediate load to serve) the development of carbon-free SMRs that can help

maintain and improve reliability as part of the clean energy transition; and (ii) supporting the ongoing cleanup, defense materials production, and waste processing and disposal activities at the DOE Hanford site.

#### **6.4 Calculation of Preliminary CHWMs and Final CHWMs.**

For the reasons identified in Section III.6.2, which are incorporated into this section by this reference, WPAG recommends that BPA calculate final Provider of Choice CHWMs in the second half of FY 2026. We further recommend that BPA calculate preliminary CHWMs in FY 2024 based on (i) the CHWM calculation related determinations made in the Final Policy; and (ii) the information to be used in the CHWM calculation known as of June 1, 2024, or such other date in FY 2024 selected by the Administrator, such as FY 2023 measured retail loads, dedicated resources, NLSLs, and new specified resources, as well as self-funded conservation achievements from 2012 through 2023, BP-24 RHWs, etc. The calculation of preliminary CHWMs in FY 2024 will provide sufficient and useful information to customers to help them make various Above-CHWM and other service elections when the contracts are executed in late FY 2025 even though final CHWM amounts would not be precisely known until FY 2026. Given that BPA and customers will have most of the information needed to calculate CHWMs following the close of FY 2023, and WPAG's proposal under Section 6.2 to allow the maximum Tier 1 System size to go up to 7,350 aMW under certain conditions, the difference between the preliminary CHWMs calculated in FY 2024 and the final CHWMs calculated in FY 2026 is likely to be very small for most utilities except for those that may benefit from the economic adjustment.

Nonetheless, we further recommend that, during the period between when BPA calculates preliminary CHWMs in FY 2024 and the determination of final CHWMs in FY 2026, BPA monitor the economic adjustment, resource un-dedications, and other factors that may result in changes in the final CHWMs from the amounts calculated for preliminary CHWMs. BPA should update customers early and often as to whether, based on such monitoring, it expects any deviations between the two, and by how much, so they have sufficient time to act consistent with their Above-CHWM load service elections if necessary.

#### **6.5 Fixed CHWMs.**

Except as otherwise noted in these comments, WPAG supports BPA's proposal to fix CHWMs for the duration of the Provider of Choice contract period. (Draft Policy § 2.4.3). However, in the event the size of the Tier 1 System increases due to a mid-contract major increase in the output of existing Tier 1 resources, for example due to the proposed Extended Power Uprate at the Columbia Generating Station ("CGS") or return of all or a portion of the Canadian Entitlement, WPAG recommends that BPA share such major increases among all preference customers by proportionally increasing their respective CHWMs. This approach is superior to an alternative that would, for example, allocate such an increase exclusively to the Long-Term Tier 2 Rate pool. This is because all preference customers pay for the existing resources that make up the Tier 1 System in their Tier 1 Rates and share the risk that the output of such resources could be reduced, and, therefore, should share in the benefits when the output of the existing Tier 1 resources increases. It would be inequitable to customers who elect the Flexible Tier 2 Path at the start of the new contracts to be shut-out of sharing in the windfall benefit of a major increase in

the output of the existing Tier 1 System when they pay for such resources in their Tier 1 Rates and may have made a different election if they had known of the major increase in output at the time of their Above-CHWM election.

Furthermore, a policy that ensures that major increases in the output of the existing Tier 1 System are shared broadly among all customers via proportional CHWM increases will further BPA's Goal #4 that the Provider of Choice contracts "offer customers flexibility to invest in and integrate non-federal resources." This is because, absent such a policy, some customers may anchor themselves to the Long-Term Tier 2 Rate at the start of the contract rather than undertake the development of their own resources under the Flexible Tier 2 Rate Path in the off chance that they will miss their opportunity to share in the return of the Canadian Entitlement if they are not in the Long-Term Tier 2 Rate pool. This would be a bad outcome that could result in less non-federal resource development and some dissatisfied Long-Term Tier 2 Rate customers in the event they forwent their opportunity to pursue their own non-federal resource in exchange for a benefit that may never materialize. WPAG recommends that BPA give such customers the certainty they need to take action that furthers Goal #4 by taking the guesswork out of this issue. This can be done by adopting WPAG's equitable proposal to share major increases to the output of the existing Tier 1 System across all customers irrespective of their Above-CHWM selections.

Finally, in the event of a significant change to the Tier 1 System that reduces its output during the post-2028 period, e.g., due to the loss of a major Tier 1 resource, WPAG recommends that BPA and customers establish a process in the Public Rate Design Methodology ("PRDM") for determining how to manage such reductions, if they occur, including defining what type of event would trigger the process and what level of consensus would be required before moving forward with a proposed solution. This would be preferable than the rote replacement by BPA of a lost Tier 1 resource because it would allow BPA and customers to jointly review the circumstances that gave rise to the loss and consider more efficient and/or cost-effective alternatives for addressing it.

#### **7. Before Above-CHWM Load Service Options.**

The Draft Policy includes the following two proposals that would allow customers to add qualifying non-federal resources to offset load that what would otherwise be eligible for the Tier 1 Rate or subject to the take-or-pay provisions:

- Increasing the Non-federal Resource Minimum Threshold for a customer's non-federal resource to be included and tracked in the power sales contract from 200 kW to 1 MW (Draft Policy § 2.3.3.2); and
- Including a PF Tier 1 Non-federal Resource Allowance that would allow customers to dedicate generating resources of 1 MW or more, up to an aggregate nameplate of the lower of 5 MW or 50% of a utility's CHWM load, to serve load that would otherwise be eligible to be served by federal power priced at the PF Tier 1 Rate and without requiring RSS (Draft Policy § 2.3.3.1).



BPA should adopt both proposals and work with customers to further refine them during future phases on the basis that they will advance BPA's goals of ensuring that the Provider of Choice contracts "offer customers flexibility to invest in and integrate non-federal resources" and "support customers meeting national and regional objectives."<sup>3</sup>

However, with respect to the proposed PF Tier 1 Non-federal Resource Allowance, we further recommend that BPA remove the requirement that the resource(s) be connected to the BPA customer's distribution system. Adopting this recommendation would better advance the above referenced goals in at least two important ways. First, because not all BPA customers are similarly situated in their ability to locate renewable generating resources of more than 1 MW in their respective service territories (e.g., when the service territory is in an area with low solar potential), eliminating the requirement that an otherwise qualifying resource be connected to the customer's distribution system will ensure that all of BPA's customers have a reasonable opportunity to make use of the PF Tier 1 Non-federal Resource Allowance.

Second, eliminating the requirement will better allow customers to develop and own such resources jointly with other preference customers. This could prove particularly helpful for BPA's smaller customers, for example, who may have the desire to develop a resource of 1 MW or more but lack the wherewithal to do so on their own. Eliminating the requirement would allow such utilities to partner with one or more other BPA customers to share in the costs, risks, and benefits of developing an otherwise qualifying resource while still taking advantage of the PF Tier 1 Non-federal Resource Allowance.

In addition to adopting the proposed increase to the Non-federal Resource Minimum Threshold and the PF Tier 1 Non-federal Resource Allowance proposal, we recommend that BPA expressly affirm in the Final Policy that customers will retain the ability to apply BPA and customer funded energy efficiency without limit to reduce their take-or-pay obligations under the Provider of Choice contract. The continuation of this policy into the next contract will maintain the favored status of energy efficiency in resource planning, help BPA meet its energy efficiency obligations under the NWPA, and better incentivize conservation by customers.

#### 8. **Tier 1 Product Offerings.**

WPAG supports BPA's proposal to continue offering the Load Following, Slice/Block and Block products for the Provider of Choice contracts. (Draft Policy § 3.1). All BPA power customers benefit from BPA offering a suite of viable Tier 1 products. For instance, multiple product offerings for the Provider of Choice contracts will help BPA better meet the diverse post-2028 needs of its differently situated customers, support the development of new generating resources, and provide risk mitigation and revenue diversity benefits directly to BPA and indirectly to its customers. While some of WPAG's members are likely to continue with BPA's Load Following product for post-2028, others will also consider the Slice/Block and Block products as potential options and will not make a final election until late 2025 when the Provider of Choice contracts are signed. For this reason, WPAG is grateful that BPA has already commenced

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<sup>3</sup> As discussed above under Section III.1 WPAG recommends that "supporting BPA's customers to meet regional objectives, including existing and emerging state legal and regulatory requirements" be elevated to be a Provider of Choice principle rather than a goal.

workshops to discuss the details of product design and is looking forward to continuing to work with BPA and other customers to ensure that BPA offers:

- A balanced suite of viable products that provide approximate equivalent value between products;
- Clear definitions of the risks, benefits, and responsibilities for each product;
- Product enhancements to help preference customers meet the resource adequacy (including WRAP), carbon compliance, emerging market, and the other requirements and challenges that customers will face in the post-2028 operating environment; and
- Transparency as to how proposed changes to one or more of BPA's products will impact both the product that is proposed to be changed and BPA's other products.

#### **8.1 Product Offerings and Peak Net Requirements.**

Notwithstanding the above, WPAG has deep concerns and many questions regarding the possible impacts BPA's proposed peak net requirements calculation could have not only on the Slice/Block product but also on the Block and Load Following products. Although BPA proposes in the Draft Policy to calculate peak net requirements for the next contract for its base products, it provided very little information on how BPA would then apply or use that methodology. Indeed, BPA acknowledges in the Draft Policy that "there is a need to clearly articulate product design changes resulting from defining the peaking capability of dedicated resources" and indicated that such articulation will take place in future phases after the Final Policy is issued. (Draft Policy § 2.1.2). However, without such information, it is impossible for BPA's customers to make even a threshold determination as to whether BPA's proposed product offerings will or even could meet the objectives identified above in Section III.8.

For example, for the Slice/Block product, customers need to know now, as we are evaluating the peak net requirement calculation in the proposed Draft Policy, whether BPA still intends to implement the proposal included in its Concept Paper to claw-back capacity from Slice/Block customers when BPA determines such customers have capacity in excess of their calculated peak net requirement. The Draft Policy makes no mention of the claw-back proposal. If BPA still intends to move forward with the claw-back, then to evaluate the proposed calculation customers further need to know (i) what exact circumstances would trigger the claw-back, (ii) how much prior notice will they receive before "excess" capacity is recalled by BPA, and (iii) whether they will be compensated when the claw-back is triggered and, if so, how. Absent such information, it is not possible to evaluate BPA's peak net requirement proposal as it relates to the Slice/Block product or whether the Slice/Block product would even be a viable product moving forward if BPA's proposed calculation is implemented.

Transparency as to how BPA intends to use the peak net requirement calculation with respect to the Load Following product is also needed. BPA has thus far been unresponsive to prior requests by WPAG to clarify whether it intends to use the proposed peak net requirements methodology to tier capacity based on 1:2 forecasted monthly peak loads for purposes of applying

the demand rate and, if so, how. This creates the concern that a decision in the Final Policy to establish a peak net requirements methodology based on 1:2 forecasted monthly peak loads for all customers could have unforeseen and deleterious rate or other impacts on many of BPA's Load Following customers. There is a real possibility that such impacts will only become apparent to customers after the start of the product development and rates discussions in the subsequent phases of the Provider of Choice process. Under such circumstances, there could be significant demand from BPA's Load Following customers to revisit any peak net requirement methodology adopted in the Final Policy.

## **8.2 Product Offerings and Emerging Markets.**

WPAG supports BPA's proposal to design Provider of Choice firm power products to operate and accommodate potential changes that may arise from emerging markets. (Draft Policy § 3.1.2). WPAG also supports BPA's recent decision to schedule product design workshops before the Final Policy is issued so that BPA and customers can start now to discuss how BPA's post-2028 products might interface with future markets and what changes may be necessary to do so. This proactive approach should benefit both BPA and its customers. That being said, and similar to the discussion in Section III.8.1 above regarding BPA's peak net requirements proposal, WPAG is concerned whether the potential changes that BPA may require to the Slice/Block product could render the product unworkable for customers. (Draft Policy § 3.4). As stated above, WPAG strongly supports BPA offering a suite of viable products for the Provider of Choice contract, including viable Load Following, Block, and Slice/Block products, which diversifies risk and revenue for the agency and provides other benefits to both BPA and its customers. For this reason, WPAG encourages BPA to work with customers to make refinements to the Slice/Block product to accommodate the changing landscape but in a way that maintains the desirability and workability of the product.

## **8.3 Requirement Slice Output Test.**

Consistent with the objectives identified in Section III.8 above, WPAG recommends that BPA commit in the Final Policy to reexamine how it implements the Requirements Slice Output ("RSO") test under the Slice/Block product. Under the RD contracts, Slice is allocated based on the annual amount of critical Slice energy necessary to meet a customer's forecasted *annual* Net Requirement. However, as currently implemented, the RSO test is used to ensure that the critical component of Slice energy is being used to serve Net Requirement load on a *monthly* basis. Due to the inherent uncertainty during any given month around the amount of Slice output and load, the disconnect between the allocation of critical Slice based on an annual forecast and the implementation of the RSO test on a monthly basis has created a situation where it can be mathematically impossible to pass the monthly RSO test. This impossibility has resulted in (i) the need to create a deeming requirement for Slice/Block customers just to pass the test; and (ii) a disincentive for Slice/Block customers to use non-federal power (including other carbon-free resources) to serve their loads to meet the test and/or the deeming requirements.

In addition, there are significant questions as to whether retaining the RSO test would be appropriate, or even possible, in the event BPA decides to the join day-ahead market where (i) the critical component of Slice energy would be bid into and dispatched by the market, just like any



other resource, including federal resources by BPA on behalf of Load Following customers; and (ii) the Net Requirement load of Slice/Block customers would also be bid into the market to be served by the market rather than directly by critical Slice energy.

For the above reasons, WPAG is supportive of recommendations made by Slice/Block customers to revisit the need for the test in the first instance. If the test is still deemed necessary, WPAG recommends that BPA work with customers to restructure the RSO test so that it is mathematically possible to pass or, at the very least, to revisit the current deeming criteria. One potential option to explore, for example, is whether the RSO test should instead be conducted on an annual or rate period basis rather than the current, unworkable, monthly basis.

#### **8.4 Product Switching.**

WPAG supports BPA's proposal to include a one-time right for customers to request a change to their product election during the term of the contract (Draft Policy § 3.1.1), which is consistent with WPAG's proposed adaptable contracts principle discussed in Section III.1 above.

#### **8.5 Replacement Required Off-Ramp.**

WPAG recommends that BPA commit in the Final Policy and Final Policy Record of Decision ("ROD") to working with customers to design a "replacement required off-ramp" as proposed in BPA's Provider of Choice Concept Paper at § 8.5. Under this concept, customers could terminate their power sales agreement without being subject to the take-or-pay provisions provided they find another preference customer that is willing to assume their BPA contract purchase obligation. Provided it can be done in an equitable manner, we think this proposal would facilitate non-federal resource development by BPA's preference customers, reallocate Tier 1 power to *preference customers* who want it, and keep BPA whole from a revenue perspective. And, for these reasons, adopting a replacement required off-ramp would be consistent with WPAG's proposed adaptable contracts principle discussed in Section III.1 above. Such win-win opportunities are rare and should be eagerly seized upon for further development. We also propose that BPA consider a partial replacement required off-ramp whereby customers could assign a portion of their Tier 1 allocation to another willing customer rather than terminate their entire contract altogether as it appears would be required under the replacement off-ramp proposal in BPA's Concept Paper.

#### **9. Above-CHWM Load Service.**

WPAG supports the Above-CHWM load service options proposed in the Draft Policy. (Draft Policy § 3.5). These options are a considerable improvement over the single option initially proposed by BPA in its Concept Paper. Furthermore, BPA's Above-CHWM proposal makes significant strides towards meeting WPAG's proposed principle that the next contracts be "adaptable to emerging markets, regulatory changes, and evolving end-user needs." This is because they present a greater range of options and much more flexibility (at least under the Flexible Above-CHWM Path) to adjust how Above-CHWM load is served from rate period to rate period. We appreciate BPA listening and being responsive to customer demands for more and better options.

Nonetheless, we recommend that BPA and customers work on further refinements during the next Provider of Choice phases to provide additional Above-CHWM load service customer optionality and flexibility where possible to do so without cost shifts. This includes allowing customers to move during the contract term from the Flexible Above-CHWM Path to the Long-Term Tier 2 Rate pool under circumstances where other customers are held harmless and/or it would benefit existing Long-Term Tier 2 Rate customers. For example, potential high-level concepts for future development and discussion include:

- Allowing Flexible Above-CHWM Path customers to join the Long-Term Tier 2 Rate pool when the Long-Term Tier 2 Rate pool is long on energy and adding additional load to the pool could help reduce and/or stabilize the Long-Term Tier 2 Rate.
- Allowing a Flexible Above-CHWM Path customer to exchange places with a current Long-Term Tier 2 Rate customer who wishes to exit the Long-Term Tier 2 rate pool to instead use the Flexible Above-CHWM Path.
- Allowing a Flexible Above-CHWM Path customer whose non-federal resource is acquired by BPA following a BPA RFO (Draft Policy § 2.3.2.1) to augment the Long-Term Tier 2 Rate pool to join the Long-Term Tier 2 Rate pool at the time its resource is included in the pool.

Finally, as discussed in Section III.13 below, the success of the Provider of Choice contracts will largely depend on their ability to help BPA's preference customers in meeting their respective decarbonization goals and obligations. BPA's Tier 2 products will be a critical component of meeting this objective. WPAG strongly supports the commitment made by BPA in the Draft Policy that it will "strive to meet future load needs with cost-effective, carbon-free resources when acquisitions are required." (Draft Policy § 7). However, we recommend that in the Final Policy BPA clarify that it intends to meet this commitment for all acquisitions irrespective as to whether they are being made to augment Tier 1, the Long-Term Tier 2 Rate pool, or the Short-Term Tier 2 Rate pool.

#### 9.1 Early-Bird Vintage Resource Tier 2 Rate Option.

Some BPA customers already know that they will start the Provider of Choice contracts with significant amounts of Above-CHWM load<sup>4</sup> and are interested in pursuing a Vintage Resource Tier 2 rate option with BPA based on carbon-free resources (e.g., wind, solar, geothermal, SMR) with service to commence on October 1, 2028, or as soon as reasonably practicable thereafter. Based on the recent experience of some WPAG members in procuring solar generation, the shortest possible lead time for the acquisition of existing resources is 3-4 years with the lead time for new resources being much longer. Given such long lead times, we are

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<sup>4</sup> For example, BPA's CHWM calculation model projects that, based on today's numbers, five utilities will start the next contracts with at least 10 aMW or more of Above-CHWM for a total amount of Above-CHWM load among those five utilities of 189 aMW. However, the number of utilities who will start the next contracts with 10 aMW or more of Above-CHWM will likely increase between now and October 1, 2028, as will the aggregate amount of Above-CHWM load across such utilities.

concerned that unless BPA acts soon, it will not be able to offer anything other than Long-Term and Short-Term Tier 2 options that are sourced by the market during the first rate period under the new contract and, as such, have the carbon content associated with market purchases.

Accordingly, we recommend that within three (3) months of the later of issuing the Final Policy or calculating the preliminary CHWMs in FY 2024 (if BPA adopts WPAG's preliminary CHWM proposal), BPA formally solicit its customers to see who may be interested in and willing to contractually commit to a day-one, carbon-free Vintage Resource Tier 2 rate product so that BPA can commence the necessary contracting, statutory, and RFO processes with such customers and selected counterparties. This would advance non-federal resource development in the region, help BPA's customers meet their carbon compliance obligations under state law, and advance the efforts of both BPA and customers in securing carbon-free physical resource(s) to meet their respective load obligations on day-one of the next contracts.

#### 10. **Peak Net Requirements.**

In the Draft Policy, BPA proposes to adopt a new peak net requirements calculation for the purposes of determining the annual peak net requirement of each customer based on (i) the customer's monthly total retail load peak using the customer's forecast monthly P50 peak hour load; and (ii) the peaking capability of the customer's dedicated resources using a modified version of WRAP's Qualified Capacity Contribution ("QCC") methodology. (Draft Policy § 2.1.2). BPA's peak net requirements proposal is one of the most controversial and concerning proposals in the Draft Policy. This is due to the lack of information and certainty as to why BPA is proposing to adopt a peak net requirement calculation and how BPA intends to use and apply it. For these reasons, WPAG believes that BPA must address the following in the Final Policy ROD before it can or should adopt any peak net requirements methodology:

- Assuming BP-24 product elections and no growth of the federal system, analysis prepared by BPA and provided to the peak net requirements task force shows that BPA does not expect capacity constraints on its system through the 2043 time frame.<sup>5</sup> Given this analysis, why does BPA believe that it needs to establish a peak net requirement methodology now? We note that BPA took a wait-and-see approach under the RD contracts and, to date, it has not been necessary to develop a peak net requirements methodology for the current contracts. Further, based on BPA's own projections, it appears it may not be needed for another 20 years. Under these circumstances, why not take another wait-and-see approach to peak net requirements this time around?
- BPA states in the Draft Policy that it "will implement a peak net requirements calculation during the Provider of Choice contract period due to the potential for significant future load growth in the region and anticipated capacity constraints." (Draft Policy § 2.1.2). In the event BPA's current Slice/Block customers switch to the Load Following product for the Provider of Choice period due, for example, to BPA's adoption of its proposed peak net requirement methodology, how would the forecasted capacity constraints shown in the analysis prepared by BPA and provided to the peak

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<sup>5</sup> Peak Net Requirement Development Presentation at 6 (Jan. 23, 2023).



net requirements task force change in both the timing and magnitude? If the migration of Slice/Block customers to the Load Following product due to the peak net requirements proposal causes BPA's system to experience earlier and larger capacity constraints, would this not undermine the purpose and intent of adopting a peak net requirement in the first instance?

- BPA's Concept Paper indicated that in months where a Slice/Block customer receives firm capacity from BPA in excess of its calculated peak net requirement for the month, BPA would have the right to claw-back the excess firm capacity.<sup>6</sup> Is this still BPA's proposal? If so, (i) what exact circumstances would trigger the claw-back, (ii) how much prior notice will customers receive before "excess" capacity is recalled by BPA, and (iii) will customers subject to the claw-back be compensated and, if so, how?
- It appears that BPA intends to use its proposed peak net requirements calculation to only establish a maximum amount of capacity that BPA is required to provide a Slice/Block customer for any given month. However, net requirements under §5(b)(1) establishes both a maximum amount that BPA is required to provide and minimum amount that BPA must provide if requested. Accordingly, in those months where a customer's calculated peak net requirement exceeds the firm capacity amount that BPA is obligated to sell to such customer under its Slice/Block contract, will BPA allow the customer to request that BPA provide capacity on a planning basis pursuant to §5(b)(1) up to the customer's forecasted peak net requirement for the month? From a statutory perspective, this is necessary to meet the balanced duality of BPA's obligation to serve and the customer's right to request under §5(b)(1). In addition, it would mirror BPA's proposal to reduce excess firm capacity when a customer is forecasted to be long on capacity with a countervailing obligation to serve when a customer is forecasted to be short.
- Does BPA intend to use its proposed peak net requirements methodology to tier capacity for purposes of applying the demand rate and, if so, how?
- Explanation as to why BPA proposes to use 50% of the monthly WRAP Planning Reserve Margin rather than 100% as the basis for the reduction to a dedicated resource's QCC value under the proposed peak net requirement calculation.

#### 10.1 **Peak Net Requirements and the Load Following Product.**

Under Draft Policy § 2.1.2, BPA proposes to adopt an *annual* peak net requirement calculation for the Provider of Choice contracts. In addition, under Draft Policy § 3.1, BPA states:

Under the Load Following product, [BPA] will meet a customer's energy and peak net requirements. In contrast, under planned products, [BPA] will meet a customer's energy and peak net requirements based on a forecast planned annual amount, but the

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<sup>6</sup> BPA Provider of Choice Concept Paper at 31.

customer is responsible for meeting its hourly energy and peak net requirements.

WPAG respectfully requests that BPA clarify in the Final Policy that, notwithstanding its adoption of an annual peak net requirement calculation, it will still meet the hourly energy and hourly peak net requirements of its Load Following customers. Arguably, this could be reasonably inferred from the above quoted language, but given the uncertainty discussed above about how BPA intends to implement peak net requirements, we believe it is incumbent on BPA to be crystal clear as to how it will continue to serve the *hourly* energy and *hourly* peak net requirements of Load Following customers under the Provider of Choice contracts. The requested clarification would be consistent with NWPA §5(b)(1) and its legislative history, which in relevant part states that the term “firm power load” under §5(b)(1) is “intended to mean the power the [BPA] customer is obligated to make *continuously available* to its purchasers (subject to the effect of force majeure or uncontrollable events clauses).”<sup>7</sup> It is also consistent with BPA’s historic implementation of the Load Following product and the original 5(b)/9(c) Record of Decision issued in 2000, which in relevant part states:

BPA believes that any sales under section 5(b)(1) for any purpose must be reasonably based upon a customer’s actual hourly or planned net loads and related to serving those loads . . . BPA offered products in its initial power sales contracts based on both types of service, planned and actual loads.<sup>8</sup>

For the Provider of Choice contract, the Load Following product is the product based on actual loads. It is for this reason that BPA should clarify that the peak and energy §5(b)(1) net requirements of Load Following customers will continue to be determined based on the actual hourly measured load of such customers during the Provider of Choice contracts. On the other hand, if this is not BPA’s intent, then BPA must make such alternative intent clear in the Final Policy and Final Policy ROD to put Load Following customers on notice. If so, this would be a staggering change in BPA’s interpretation and application of §5(b)(1) because it converts what is currently a statutory and contractual right of Load Following customers to have BPA meet their hour-to-hour loads to a mere contractual one. This would be of enormous concern because contractual rights expire, statutory ones do not. For the above reasons, we repeat our request that BPA provide clarification on this issue in the Final Policy and ROD.

#### 10.2 **Stand-alone Planning Reserve Margin (“PRM”) Product.**

WRAP compliance will be important for all BPA customers during the Provider of Choice contracts not only for resource adequacy purposes but also for potential day-ahead market participation purposes. Indeed, the continued viability of BPA’s planned products may in large part depend on whether there are reasonable avenues for BPA’s customers taking such products to be able to demonstrate WRAP compliance. For these reasons, WPAG appreciates and supports BPA’s proposal to explore an additional stand-alone PRM product to help planned product

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<sup>7</sup> S. Rep. No. 96-272, 96th Cong. 1st Sess., 26 (1979) (emphasis added).

<sup>8</sup> Administrator’s Record of Decision for Policy on Determining Net Requirements of Northwest Utility Customers Under Sections 5(b)(1) and 9(c) of the NWPA at 77-78 (May 2000) (emphasis added).

customers meet WRAP requirements. (Draft Policy § 3.1). While we understand that the details of any such additional service will need to be worked out in subsequent phases, we also acknowledge that BPA's willingness to explore the possibility is an important first step.

#### 11. **Rate Discounts.**

WPAG supports BPA's proposals to continue to provide the Irrigation Rate Discount ("IRD") (Draft Policy § 5.1) and Low Density Discount ("LDD") (Draft Policy § 5.2).

In the Draft Policy, BPA states that it intends to review implementation details for the LDD such as eligibility criteria, discount level, and applicable rates in future rate proceedings. Nonetheless, we recommend that in the Final Policy ROD, BPA specify that among the items to be considered is whether adjustments should be made to the LDD eligibility criteria to account for the fact that BPA's rural, low density preference customers are increasingly locating their distribution facilities underground due to reliability and other concerns, including wildfire mitigation and increasing the useful life of such facilities. Although locating distribution facilities underground rather than overhead is more expensive by a factor of five or more per line mile, it does have the benefit of allowing utilities to create more efficient distribution systems with less total line miles compared to systems that rely primarily on overhead facilities. This is because, whereas overhead facilities must largely follow public rights-of-way when moving from point A to point B, underground facilities do not. Unfortunately, such efficiencies can be disqualifying under BPA's current LDD criteria, even when they occur in the service territories of some of BPA's most rural and sparsely populated preference customers. This is likely to become a greater issue during the Provider of Choice contracts as utilities increasingly locate facilities underground for the reasons stated above. Accordingly, WPAG recommends that BPA commit in the Final Policy ROD to reviewing the LDD eligibility criteria with customers to determine whether changes are warranted to account for the increasing use of underground distribution facilities by BPA's rural customers.

In addition, WPAG recommends that in the review of the implementation details for the LDD, BPA and customers seek to ensure stable and gradual rate changes for LDD utilities. Such utilities can currently face sudden and significant increases in their BPA power bills in the event a somewhat modest change in circumstances results in their failure of either the K/I ratio test or the C/M ratio test notwithstanding their continued compliance with the other. For this reason, WPAG recommends that BPA and customers work together to develop an LDD Phase-Out Adjustment that helps utilities avoid the "LDD cliff" as they transition out of the discount. In addition to ensuring stable and gradual rate changes, WPAG further recommends that any potential changes to the LDD program should also include a review of whether 12 customers per pole mile should continue as the threshold for receiving a benefit, or whether something higher should qualify. At a minimum, more support is needed as to why 12 customers per pole mile is an appropriate threshold for "low density."



## 12. Power Delivery.

### 12.1 Transmission.

The Draft Policy expressly does not address BPA's Transmission products and services, which BPA states are outside the scope of the Draft Policy. (Draft Policy § 6.1). WPAG joins PPC, NRU, and other preference customers to request BPA include a more affirmative statement in the Final Policy as to its obligation to ensure that there is sufficient capacity for the transmission of federal power to satisfy BPA's contractual obligations to its preference customers. Specifically, we recommend that BPA include the following language in the Final Policy:

Whenever requested by a public body or cooperative entitled to preference and priority under the Bonneville Project Act, BPA is obligated to offer to sell electric power to that public body or cooperative through contracts that cannot exceed 20-year terms. Congress also authorized BPA to construct, own, and operate transmission or to purchase transmission to deliver the electric power in satisfaction of this contractual obligation. In exercising its authority to market and transmit electric power, BPA's statutes provide that there be sufficient capacity for the transmission of federal power—generated or acquired—to satisfy BPA's contractual obligation. Prior to 1996, BPA fulfilled this obligation through a bundled power and transmission contract. With the advent of transmission deregulation in 1996, BPA has fulfilled this obligation by and through its adoption of the Open Access Transmission Tariff. Under its OATT contracts, BPA has a legal obligation to provide transmission service, consistent with the terms of the Tariff and contracts.

We further urge both BPA business lines to ensure that they are ready following release of the Final Policy to begin positioning Transmission's policies and processes so that they facilitate rather than hinder the full implementation of the Provider of Choice policies and contracts by but not limited to:

- Determining how BPA-Transmission intends to employ BPA's NT Memorandum of Agreement to secure firm transmission to deliver specific generating non-federal resources used to serve the Above-CHWM load of preference customers;
- Identifying how the policies, timelines, and procedures to be codified in the various Provider of Choice records of decision will align with BPA's Tariff and its obligations to plan and build its transmission system to meet the 10-year load and resource forecasts that are annually submitted by its customers;
- Working both internally and with other transmission providers in the region to ensure the timely development of the gigawatts of high voltage transfer capability that will be necessary to meet the aggregated requirements of state renewable portfolio standards,

greenhouse gas regulations, electrification plans (transportation and buildings), and growing industrial loads; and

- Evaluating with customers the use of Load Aggregation Point (“LAP”) prices and/or other prices as appropriate established in the energy imbalance market or potential day-ahead market to establish the pricing of those BPA products and services that are currently based on a market price index or assess non-cost-based penalties (e.g., UAI, ESS, etc.), similar to BPA’s recent move to use applicable hourly LAP prices for financial loss returns.

WPAG fully acknowledges and appreciates that BPA has already started some of the requested coordination and work in, for example, BPA-Transmission’s Network Operating Committee and Evolving Grid processes. We thank BPA for its proactiveness and are looking forward to more collaboration in the future.

### **12.2 Transmission – Incentivizing Local Resource Development.**

WPAG recommends that the Final Policy establish “incentivizing local resource development to alleviate regional transmission constraints” as a key policy for BPA-Transmission under Provider of Choice. More resources sited closer to loads will ultimately alleviate pressure for larger regional transmission builds, which will save both BPA and customers time and money over the long run. Once established in the Final Policy, BPA and customers should discuss various means to implement the policy including, for example, potential enhancements to the Short Distance Discounts for both the NT and PTP products as well as potential options to fast-track the interconnection process for resources that are to be located next to the loads they are intended to serve.

### **12.3 Transfer Service.**

WPAG supports BPA’s proposal under Draft Policy § 6 to continue to provide transfer service for federal and non-federal power deliveries and that transfer customers pay the same, or similar, categories of costs as those paid by directly connected customers. Providing transfer service for non-federal resources is essential for ensuring that such resources are put on a level playing field with federal alternatives, i.e., Tier 2 services from BPA, and would support the goal of ensuring that the next contracts “offer customers flexibility to invest in and integrate non-federal resources.” However, WPAG also agrees with BPA’s proposal to place a maximum cap of 41 incremental MWs per fiscal year on transfer service for non-federal deliveries, as is included under the RD contracts today, as well as limiting eligibility of transfer service for non-federal resources to a single leg.

## **13. Carbon and Other Environmental Attributes.**

The success of the Provider of Choice contracts will largely depend on their ability to help BPA’s preference customers meet their respective decarbonization goals and obligations. While there remains a lot of work to be done in this area, we believe that the proposals made by BPA in the Draft Policy related to carbon and environmental attributes are a significant first step and that

they will prove to be among the most consequential policies adopted by BPA in the Final Policy. Indeed, from a WPAG member perspective, a substantial portion of the value proposition of the Provider of Choice contracts includes the following carbon/environmental attribute commitments made by BPA in the Draft Policy:

- Commitment to “strive to meet future load needs with cost-effective, carbon-free resources when acquisitions are required.” (Draft Policy § 7).
- Commitment to “provide information through its Resource Program and other public forums on ways [BPA] is achieving its strategic goals related to decarbonization, which in turn customers can use to demonstrate progress toward their state targets.” (Draft Policy § 7).
- Commitment to “convey the environmental attributes of the power sold, including emissions and any renewable energy credits (RECs), commensurate with a customer’s firm power purchase amount and rate elections.” (Draft Policy § 7.1). This includes the conveyance of RECs based on the actual amount of power purchased by a customer at PF Tier 1 rates, PF Tier 2 rates, the NR rate, and the IP rate based on the number of RECs generated by the resources assigned to the respective rate’s cost pool. (Draft Policy § 7.1.1).
- Commitment to allow customers to “elect whether [BPA] transfers their RECs to them, to another customer, to a third-party-managed REC market or to a BPA-managed subaccount.” (Draft Policy § 7.1.1).
- Commitment “to provide separate emissions accounting for power purchased at PF Tier 1 rates, PF Tier 2 rates, the NR rate, and the IP rate based on the emissions attributed to the resources assigned to the respective rate’s cost pool.” (Draft Policy § 7.1.2).
- Commitment to provide transparent accountings of the fuel mix and conveyance of environmental attributes and to do so in a manner that is flexible enough to adapt to the wide variety of existing and evolving needs. (Draft Policy § 7.1.2).

WPAG recommends and supports BPA’s adoption in the Final Policy of each of the above listed carbon/environmental attribute related proposals. Specifically, with respect to the issue of environmental attributes, we reemphasize our support of the policies expressed in Draft Policy § 7.1, which affirm that the environmental attributes of the federal system will be conveyed “commensurate with a customer’s firm power purchase amount and rate elections.” This approach, at a high level, is consistent with BPA’s statutory obligation to provide public body and cooperative customers “preference and priority in the sale of *federally generated power*”<sup>9</sup> and is equitable under commonly accepted ratemaking principles.

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<sup>9</sup> See, e.g., NWPA §§ 10(c) and 5(a) and Bonneville Project Act §§ 4 and 5.



WPAG does not support, and would strongly object to, any post-2028 allocation of power and/or environmental attributes from the federal system to the investor-owned utilities (“IOUs”).<sup>10</sup> All indications at this time are that all firm power from the federal system and associated environmental attributes will be needed to meet the net requirements of preference customers during the Provider of Choice contract timeframe. Under such circumstances, allocating a portion of the power and/or environmental attributes of the federal system to the IOUs would be a clear violation of preference rights under the Bonneville Project Act §§ 4 and 5 as well as NWPA §§ 5(a) and 10(c).

14. **New Large Single Loads.**

The integration of New Large Single Loads (“NLSLs”) is an important consideration for some customers, including some WPAG members. WPAG supports exploring potential efficiencies in the NLSL policies and practices that do not create cost shifts. This includes, but is not necessarily limited to, BPA’s proposal under Draft Policy § 4.2 “to continue to examine ways to improve NLSL policy implementation as part of the policy implementation and contract development phase.”

15. **Conservation.**

BPA states in Draft Policy § 9 that it will hold a separate process ahead of October 1, 2028 to discuss potential changes to its conservation program and that it is open to discussing conservation program improvements that, among other things, are more adaptive to a changing energy landscape. To this end, WPAG recommends that BPA and its preference customers have reached the point where we need to revisit what qualifies for reimbursement under BPA’s Energy Efficiency Incentive (“EEI”) program to better capture projects that enhance the management and control of load, demand, and shaping. Specifically, we recommend utility scale battery storage be eligible for EEI funding post-2028.

This would be consistent with recent trends in the industry, including the Federal Energy Regulatory Commission’s (“FERC”) recent determination that battery storage is not generation and can be used for load management as either demand-response or demand-side management. *North Carolina Eastern Municipal Power Agency (“NCEMPA”),* 172 FERC P 61249 (2020). In that case, NCEMPA filed a petition for declaratory order requesting that FERC interpret NCEMPA’s Power Purchase Agreement (“PPA”) with Duke Energy so as to permit NCEMPA to utilize battery storage technology on its systems on the basis that such technology qualified as both demand-response and demand-side management as defined under the PPA, which defined “demand-side management” as “energy and load-shape modifying activities ... designed to encourage consumers to modify patterns of electricity usage, including the timing and level of electricity demand.”<sup>11</sup> FERC determined that battery storage technology met this definition stating in relevant part:

We find that NCEMPA’s proposed use of battery storage technology to modify the timing of the peak may be considered [demand-side

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<sup>10</sup> See, e.g., [WPAG-and-PPC-comments-to-June-Workshop.pdf \(bpa.gov\)](#).

<sup>11</sup> *NCEMPA*, 172 FERC P 61249 at ¶ 33.

management]. Battery storage technology by its very nature does not generate electricity, but rather withdraws energy at one point in time and discharges energy at a later point. Thus, when used as NCEMPA proposes, battery storage technology is inherently a load-shape modifying device, designed not to reduce a customer's overall load but to shift the incidence of such load, i.e., to manage the customer's demands.

Furthermore, we note that section 9.4 of the [PPA] does not limit the kinds of technology that may be used as Demand-Side Management. Rather, the language of section 9.4 appears to be drafted so as to capture a broad range of technologies, including those existing, nascent, and even those that do not yet exist, all of which are capable of providing Demand-Side Management products and services. We find that a range of storage technologies may generally fit within this definition, including battery storage technology when used as NCEMPA proposes to do so here. As discussed above, battery storage technology does not independently generate energy, but rather charges and discharges in different time intervals. Similar to other demand-side management activities, such as pre-cooling buildings overnight or midday to avoid withdrawing energy to provide air conditioning during afternoon peak load conditions, NCEMPA's proposed use of battery storage technology simply determines *when* energy is consumed.<sup>12</sup>

The definition of “conservation” under the NWPA can be reasonably read to include demand-side management activities as contemplated by FERC in the above discussion. This is because the NWPA defines “conservation” to mean “any reduction in electric power consumption as a result of increases in the efficiency of energy use, production, or distribution.”<sup>13</sup> Further, the NWPA defines “electric power” to mean “electric peaking capacity, or electric energy, or both.”<sup>14</sup> Accordingly, to qualify as conservation under the NWPA, an increase in the efficiency of energy use must only reduce either the consumption of electric peaking capacity or the consumption of electric energy. It need not do both. Demand-side management, including the use of battery storage technology for demand-side management purposes, as acknowledged by FERC, would meet this definition because *it would result in a reduction of a BPA customer's consumption of electric peaking capacity from an increase in the efficiency of energy use, i.e., by shifting such customer's consumption of energy from periods of peak demand to off-peak periods*. This is all it needs to do to qualify as conservation under the Act.

Furthermore, like the definition of “Demand-Side Management” reviewed by FERC in NCEMPA, the definition of “conservation” under the NWPA does not limit the kinds of technology that may be used as conservation, but instead such definition is drafted to capture a broad range of technologies, including those existing, nascent, and even those that did not yet exist when the

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<sup>12</sup> *Id.* at ¶¶ 33-34.

<sup>13</sup> 16 U.S.C.A. § 839a(3) (emphasis added).

<sup>14</sup> 16 U.S.C.A. § 839a(9) (emphasis added).

NWPA was adopted in 1980, so long as they are capable of providing conservation as defined under the Act.<sup>15</sup> For the reasons stated above, this now includes battery storage technology.

While FERC precedent is not binding on BPA, it can be persuasive and is indicative of how energy efficiency is evolving within the industry to include battery storage. Utility sized battery storage projects could be located within preference customer substations or at large customer sites and our recommendation is that, because their potential use for demand-side management purposes brings them reasonably within the definition of conservation under the NWPA, they could be funded, at least in part, with redirected post-2028 EEI budgets. Potentially, these utility-scale storage projects could help:

- (i) Address the capacity concerns BPA identified in its Provider of Choice Concept Paper, Draft Policy, and Provider of Choice workshops by reducing peak demand loads (and thus the consumption of electric peaking capacity);
- (ii) Provide daily and monthly shaping;
- (iii) Enhance frequency control;
- (iv) Mitigate transmission constraints;
- (v) Provide customers with a way to limit their exposure to potential changes as to how BPA will price capacity; and
- (vi) Provide increased opportunities for BPA preference customers to achieve the aggressive carbon reduction mandates found in western state energy policies (e.g., WA's CETA, CA's AB 2625, OR's HB 2021) by storing renewable energy that may otherwise be spilled for lack of load during non-peak periods and releasing it during peak periods, which can reduce natural gas or coal generation during such peak periods. Furthermore, it is important to acknowledge that reducing natural gas and coal generation with battery storage not only has the benefit of reducing greenhouse gas emissions but also, importantly, reduces generation in energy burdened communities.

Accordingly, for the above reasons, WPAG recommends that utility scale battery storage be eligible for EEI funding post-2028 and respectfully requests that BPA commit to implementing this proposal during the separate public process for conservation that BPA intends to hold in advance of October 1, 2028.

16. **Cost Control.**

Some of the cost control lessons learned by preference customers during the RD contracts include that:

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<sup>15</sup> See *NCEMPA*, 172 FERC P 61249 at ¶ 34.



- (i) BPA's long-term take or pay contracts, in their current form, places the risk that costs could rise excessively squarely on preference customers;
- (ii) When such costs do rise excessively, the take-or-pay construct means that preference customers have no direct means to limit their exposure (e.g., customers cannot reduce their BPA power bill by reducing their demand) but instead must rely on BPA to agree that there is a problem and then hope for BPA to act;
- (iii) BPA can and will take steps to address the cost concerns of its customers, but only when BPA determines that it is in BPA's business interest (rather than in the interests of its customers) to do so, but that realization and follow-through may come too late for Pacific Northwest communities and businesses;
- (iv) BPA's Integrated Program Review and Capital Investment Review processes, in and of themselves, do not offer preference customers a level of cost protection and control commensurate with the level of cost risk they assumed in the RD contracts; and
- (v) BPA's statutory obligation to provide preference customers power at cost does not prohibit BPA from adding new cost categories that raise its revenue requirement.

Based on the above, the Provider of Choice contracts must provide a more equitable and balanced allocation of both cost risk and cost control between BPA and customers than the current contracts. To this end, we recommend that BPA adopt in the Final Policy the following proposals, many of which were included in the Public Power Post-2028 Concept Paper submitted to BPA on March 30, 2022:

- **Defining Targets Directly in Contract or Policy Documents.** BPA's adoption of its 2018-2023 Strategic Plan and, specifically, the commitment within the plan to keep the sum of BPA's program costs at or below the rate of inflation through 2028 was a watershed moment that brought the cost management discipline that had been lacking in the early years of the current contract. BPA should include a similar commitment in the Provider of Choice contracts. Such a commitment could include, for example, capping rate period to rate period increases in power rates and/or program costs to the rate of inflation, or otherwise fixing rate period program cost or rate levels.
- **Setting BPA's Financial Policies for the Duration of the Provider of Choice contracts.** As discussed above, while certain elements of the 2018-2023 Strategic Plan did bring needed cost-management discipline to the power business line, the building financial resiliency objective of the plan has proven to be a source of upward rate pressure as BPA has sought to meet the objective by adopting various policies targeting its debt utilization, debt capacity, and liquidity (including by adopting its Financial Reserve and Leverage Policies). Due, in part, to the policies adopted by BPA and, in good part, to a secondary energy market that has rebounded, BPA's financial health has improved since the adoption of the 2018-2023 Strategic Plan and its 2018 Financial Plan counterpart. However, that BPA would adopt such policies to improve its own

financial condition – and unilaterally impose the resulting costs on its preference customers to do so – was not contemplated during the negotiation of the RD contracts. To avoid a similar set of surprises during the term of the Provider of Choice contracts, the next contracts should fix the financial policies that will be in place during the term of the contract and any amendments or additions thereto should be limited to only those that are agreed to by BPA and a super-majority of its preference customers.

- **Cost Management Advisory Groups.** BPA and customers should revisit the concept explored during the RD process of Cost Management Advisory Groups (“CMAG(s)”). CMAGs would be made up of a defined number of knowledgeable and qualified representatives selected by the customers. The CMAGs would provide input to BPA on cost levels used for rate setting, major policy decisions that drive future costs, and the capital program; review financial performance of the agency; and provide input to Corps, Bureau, Energy Northwest and other entities that manage costs in BPA’s rates as well as BPA. BPA would provide information to the members of the CMAGs so they can provide informed input. There could be one CMAG for all costs or, in the alternative, multiple CMAGs for type of costs (e.g., CMAGs for hydro O&M and capital, Fish & Wildlife, Transmission, etc.). In the event of a disagreement between the CMAG and BPA, the dispute could be reviewed by an independent panel of knowledgeable persons that would provide a recommendation to the Administrator, who would retain final decision-making authority.
- **Share the Pain Mechanisms and Cost-Based Off-Ramps.** As mentioned, one of the lessons under the current contracts is that BPA can and does take action to control its costs when it perceives that there is a risk to its business interests if it does not. However, our further experience is that this risk signal is too attenuated under the current framework and that it takes at least three two-year rate periods of constantly badgering BPA about cost control before it responds to customer demands that it reign in its costs. Accordingly, the next contracts should include share the pain mechanisms and/or off-ramps to provide not only more price certainty to customers but also a better and more urgent signal to BPA to change its cost course when necessary. Options that should be adopted in the Final Policy and scheduled for further development in the next phases of the Provider of Choice process include (i) contractual off-ramps tied to cost management that would allow preference customers to reduce their load on BPA if BPA’s rates exceed a defined benchmark; and (ii) provisions that require BPA to match rate period to rate period rate increases with cost reductions.

While we understand BPA has concerns regarding the risks of off-ramps tied to cost management, we believe that BPA can mitigate those risks by proactively controlling its costs so that the off-ramp does not trigger, which is the entire intent and purpose of the off-ramp. This approach has the benefit of aligning cost control with cost risk because it places both the ability to control costs and a greater share of the risk for failing to do so on BPA. This contrasts with the status quo, which places the former exclusively with BPA but the latter principally with BPA’s customers. In addition, in the event the off-ramp does trigger, BPA can further protect itself and its remaining customers by undertaking additional cost control actions, redistributing released

CHWMs to remaining customers who request it, and/or requiring make-whole payments as a condition of exercising the off-ramp.

- **Reduce BPA's Post-2028 Non-IPR Costs.** Non-IPR Costs should not be given a pass from cost control efforts. Replicating the RD's take or pay rate construct without additional certainty regarding BPA's post-2028 non-IPR costs, such as the expected post-2028 costs associated with the Residential Exchange Program, Fish Accords, and Canadian Entitlement, is a losing proposition for BPA and its preference customers post-2028. Steps must be taken as soon as possible to reduce and provide post-2028 certainty around these enduring cost burdens so that BPA and its customers can nimbly manage the new opportunities and risks of the post-2028 period while keeping power rates low.

#### 17. Emerging Markets.

There are currently three ongoing processes the outcomes of which will have profound impacts as to how BPA serves its customers during post-2028 period: (1) Provider of Choice policy and contracts, (2) WRAP implementation, and (3) BPA's day-ahead market process. BPA must "square the circle" by being clear as to exactly how the policy and contracts, WRAP, and any market will work together to ensure system reliability and value to BPA's preference customers before tendering the Provider of Choice contracts. For example, BPA proposes to design its Provider of Choice firm power products to operate and accommodate potential changes that emerging markets may bring. (Draft Policy § 3.1.2). Although the decision as to whether BPA will join a day-ahead market will be made in a separate process, WPAG recommends that any changes to BPA products in the Provider of Choice process to accommodate BPA's participation in a day-ahead market be informed and consistent with WPAG's proposed principles in BPA's day-ahead market process that BPA's participation in a day-ahead market:

- Preserve and enhance the value of BPA's products and services;
- Be consistent with BPA's statutory, regulatory, and contractual obligations; and
- Enable and in no way hinder BPA's ability to deliver on the promises it makes to preference customers in the Final Policy and Final Policy ROD.

This includes but is not limited to ensuring that the environmental attributes of the federal system are delivered to preference customers consistent with the commitments made in the Draft Policy, ensuring power rates are based on the cost of the federal system, effectuating preference to surplus and to firm power in moments of scarcity within the market footprint, and maintaining a firm and deliverable power supply to BPA's preference customers.

BPA has also recently indicated that it will propose contractual language in a future Provider of Choice phase whereby preference customers would agree that, if BPA joins a day-ahead market, they could be served directly by the market rather than directly by BPA. While BPA has not yet released its proposed language, our limited understanding of what BPA intends to propose presages a foundational shift in how preference customer loads would be served by



BPA during the Provider of Choice contracts and, potentially, how preference rights will be applied (or not) in the future. As preference customers who value their 80-plus year business and legal relationships with BPA, this is fraught ground that must be navigated with a full (i) upfront acknowledgement by BPA of the statutory and other legal rights of BPA's preference customers; (ii) shared and transparent understanding among BPA and its preference customers as to the purpose of BPA's to be proposed day-ahead market contract language as well as the statutory and legal rights of preference customers potentially implicated/altered by it; and (iii) shared and transparent understanding among BPA and its power customers as to the potential impacts and changes that BPA joining a day-ahead market will have on BPA's firm power products, rates, and risk and financial policies.

Absent such an approach, negotiating and achieving consensus on such language may prove very difficult. Based on this possibility, WPAG recommends that, in the workshops beginning later this fall, BPA and customers also address the question of whether BPA should be ready to develop alternative contracts in the event some BPA customers do not agree to BPA's proposal to include contract language allowing BPA to serve them through market dispatches. These workshops should explore what options may exist for customers who do not wish to be served through market purchases, including whether a day-ahead market accommodates this possibility, what design features would be required to enable this, etc. In addition, absent the ability of the market to accommodate such an approach, BPA should outline what other options may exist for customers to schedule their generation to their load consistent with historic practice and to minimize settlement costs associated with a market. To be clear, this is not intended to presuppose the need for such an outcome, but instead to acknowledge the possibility, similar to how BPA offered under RD to develop a non-CHWM contract in the event a preference customer refused to take service under tiered rates or forgo their ability to receive billing credits or participate in the Residential Exchange.<sup>16</sup>

#### **IV. CONCLUSION.**

The post-2028 challenges facing BPA and its customers are as significant as those that led to the adoption of the NWPA. Adaptable contracts will be essential to ensure that BPA, its preference customers, and the communities they serve are in the best possible position to meet these challenges during what promises to be a dynamic post-2028 period. The Draft Policy includes a number of proposals that we believe will help BPA and its customers meet this objective. We also believe that the moment calls for even bolder action by BPA to ensure that it and its customers have the necessary tools to deftly manage an uncertain future. Adopting the concepts and proposals laid out in these comments in the Final Policy would be a good start towards meeting this end. Even after doing so, many tough issues will remain, including rates, product definitions, and contract language. WPAG looks forward to working with BPA to confront those outstanding issues in the next phases of the Provider of Choice Process. We are pleased with how the process has been conducted to date and again thank BPA staff for their hard work. Finally, thank you for the opportunity to comment.

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<sup>16</sup> Long-Term Regional Dialogue Contract Policy Record of Decision at 4, 29-30 (Oct. 31, 2008).

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**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Wednesday, January 31, 2024 11:51 AM  
**To:** Harkins, Brian A  
**Cc:** Rimmer, William T (BPA) - PSE-MEAD-GOB; Normandeau, Mike (BPA) - PSE-ROAN  
**Subject:** RE: [EXTERNAL] RE: [EXTERNAL] RE: BPA's Provider of Choice - policy connection with DOE Richland

Hi Brian – Thanks for perusing the comments and contract. Let's see if I can help on your questions. I will be out of the office from approximately 12:30-2:30 today, but if you've got additional questions, give me a ring any other time.

1. When is BPA going to issue its policy and ROD?

We are planning to publish no later than the beginning of April. Specific date has *some* fluidity, but unless there something significant intervenes, we will be publishing in the latter half of March.

2. What is BPA is reducing Hanford's Contract High Water Mark to?

I am not purposely deflecting your question on what your future CHWM will be – there are some variables we will need to determine before I could accurately/firmly answer that question.

Our draft policy outlined the proposed approach to CHWM calculations and our final policy will reflect any updates. When we publish the final policy, we will also publish a tool that you could use to *estimate* your CHWM. If you'd like to read the approach BPA proposed in the draft policy, it begins on page 13 at [this link](#).

BPA will be calculating future CHWM in 2026, according to a process and approach that will be outlined in the final policy. Those future CHWM will become effective at the start of power deliveries under the new contract (Oct. 1, 2028). BPA will perform final CHWM calculations and integrate the final CHWM into contracts in 2026. That timing allows several envisioned process steps to occur (calculating eligible economic adjustments, weather-normalizing the loads used in the calculation, processing any resource removals, etc).

3. Are you going to revise Exhibit B (attached)?

Yes; BPA's current contract expires at the end of FY26 and a new contract will be executed. That new contract will include updated terms, conditions, and exhibits.

Best Regards,

**Kim Thompson** (she/her/hers)

Vice President | Northwest Requirements Marketing

**BONNEVILLE POWER ADMINISTRATION**

[bpa.gov](http://bpa.gov) | P 503-230-3408 | C (b)(6)



---

**From:** Harkins, Brian A <brian.harkins@rl.doe.gov>

**Sent:** Wednesday, January 31, 2024 6:48 AM

**To:** Thompson, Kim T (BPA) - PS-6 <ktthompson@bpa.gov>

**Subject:** [EXTERNAL] RE: [EXTERNAL] RE: BPA's Provider of Choice - policy connection with DOE Richland

Kim,

---

**From:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>  
**Sent:** Tuesday, January 30, 2024 8:52 AM  
**To:** Harkins, Brian A <[brian.harkins@rl.doe.gov](mailto:brian.harkins@rl.doe.gov)>  
**Cc:** Rimmer, William T (BPA) - PSE-MEAD-GOB <[wtrimmer@bpa.gov](mailto:wtrimmer@bpa.gov)>; Normandeau, Mike (BPA) - PSE-ROAN  
<[mrnormandeau@bpa.gov](mailto:mrnormandeau@bpa.gov)>  
**Subject:** [EXTERNAL]RE: BPA's Provider of Choice - policy connection with DOE Richland

Hi Brian – Thank you for the conversation this morning. In follow-up, I am attaching a few references for you. First are the comments which include inputs on DOE Richland and the CHWM adjustment. There isn't an easy way for me to point you to specific comments on BPA's website, so I have attached the relevant set as PDFs. The documents include broad inputs on BPA's draft policy, but you could search for references to DOE Richland.

I also thought you may appreciate a link to the [Provider of Choice website](#), which includes all workshop materials and the draft policy. This is also the site to which the final policy and record of decision will be published, once complete.

Best Regards,  
**Kim Thompson** (she/her/hers)  
Vice President | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
[bpa.gov](http://bpa.gov) | P 503-230-3408 | C (b)(6)





**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Monday, January 29, 2024 4:33 PM  
**To:** [brian.harkins@rl.doe.gov](mailto:brian.harkins@rl.doe.gov)  
**Cc:** Rimmer, William T (BPA) - PSE-MEAD-GOB <[wtrimmer@bpa.gov](mailto:wtrimmer@bpa.gov)>; Normandeau, Mike (BPA) - PSE-ROAN  
<[mrnormandeau@bpa.gov](mailto:mrnormandeau@bpa.gov)>  
**Subject:** BPA's Provider of Choice - policy connection with DOE Richland

Hi Brian – We haven't had an opportunity to meet yet. I am accountable for BPA's Provider of Choice effort, developing BPA's next long-term power sale agreements. In advance of issuing BPA's Provider of Choice power sale policy and associated Record of Decision, I am writing to apprise you of a policy decision that impacts DOE Richland.

I would be happy to discuss this live with you – and thought an email summary would be an appropriate first step so you have an opportunity to reflect in advance of a call.

Today, DOE Richland is eligible for a Contract High Water Mark (CHWM) adjustment when its forecasted defense materials production and waste processing/disposal loads grow. Its CHWM may be adjusted by up to 70 aMW above its initial CHWM amount. This ensured load up to the adjusted CHWM amounts were eligible for power priced at BPA's PF Tier 1 rate under the Regional Dialogue contract.

In the draft Provider of Choice policy, BPA proposed preserving the CHWM adjustment category for DOE Richland. We received no comments supporting and six comments opposing continuation of the DOE Richland CHWM adjustment. The commenting organizations represent the majority of BPA's customers. The commenters' concern was that the proposed DOE Richland CHWM adjustment provides a single customer with superior terms compared to those available to all other customers.

(b)(5)

I did not want BPA's policy decision to surprise you upon publication. If you would like to connect live, please let me know and we can coordinate a time.

I am copying William Rimmer, BPA's Power Account Executive for DOE Richland, as well as Mike Normandeau, who is backing up William while he is briefly out of the office.

Best Regards,  
**Kim Thompson** (she/her/hers)  
Vice President | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
[bpa.gov](http://bpa.gov) | P 503-230-3408 | C (b)(6)



This message originated from an external sender. Use caution when clicking on links or opening attachments.

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**From:** Cooper,Suzanne B (BPA) - P-6  
**Sent:** Wednesday, January 31, 2024 12:43 PM  
**To:** Spraggins,Melanie (BPA) - P-6  
**Subject:** FW: [EXTERNAL] RP-24 Workshop Comments from the NLSL Group  
**Attachments:** NLSL Group RP24 Comments Final.docx

FYI – this is connected to the requested P/T VP meeting re resource program per earlier discussion. Gen Inputs is the 'who acquires' issue.

Cooper,Suzanne B (BPA) - P-6 10:57 AM:

Hi Ryan - can you remind me the purpose for having a meeting with T VPs on the RP?

Egerdahl,Ryan J (BPA) - PGPR-5 11:00 AM:

Hi, you bet. It is to discuss the NLSL Group paper where they are asking BPAP and BPAT to work with the BPA customers seeing data center growth to tackle their needs holistically. They want this modelled in RP24. Shaping services for NR load. Gen Inputs growing on FCRPS. Steve Kerns is leading that NLSL Group of customers. We actually met with them all on a web call yesterday to hear more

Cooper,Suzanne B (BPA) - P-6 11:01 AM:

Can you send me the NLSL group paper?

Egerdahl,Ryan J (BPA) - PGPR-5 11:01 AM:

you bet.

ESP.....I knew that was coming....)

---

**From:** Egerdahl,Ryan J (BPA) - PGPR-5 <[rjeagerdahl@bpa.gov](mailto:rjeagerdahl@bpa.gov)>  
**Sent:** Wednesday, January 31, 2024 11:03 AM  
**To:** Cooper,Suzanne B (BPA) - P-6 <[sbcooper@bpa.gov](mailto:sbcooper@bpa.gov)>  
**Subject:** FW: [EXTERNAL] RP-24 Workshop Comments from the NLSL Group

Hi. Here you go.

---

**From:** Steve Kerns <[sandpiper@kernsfunk.net](mailto:sandpiper@kernsfunk.net)>  
**Sent:** Tuesday, January 2, 2024 1:42 PM  
**To:** Egerdahl,Ryan J (BPA) - PGPR-5 <[rjeagerdahl@bpa.gov](mailto:rjeagerdahl@bpa.gov)>; Dombeck,Brian J (BPA) - PGPR-5 <[bjdombeck@bpa.gov](mailto:bjdombeck@bpa.gov)>; BPA Resource Program <[ResourceProgram@bpa.gov](mailto:ResourceProgram@bpa.gov)>  
**Cc:** Miller,Andrew J (BPA) - PSE-6 <[ajmiller@bpa.gov](mailto:ajmiller@bpa.gov)>  
**Subject:** [EXTERNAL] RP-24 Workshop Comments from the NLSL Group

Greeting all and Happy New Year! I have attached formal written comments from the NLSL Group that we would like posted.

Please let me know if you have any questions

**Steve Kerns**  
Sandpiper Solutions, LLC  
503-593-5472  
[sandpiper@kernsfunk.net](mailto:sandpiper@kernsfunk.net)



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**From:** Cooper,Suzanne B (BPA) - P-6  
**Sent:** Friday, February 2, 2024 3:21 PM  
**To:** Thompson,Kim T (BPA) - PS-6  
**Subject:** FW: QPMC SS: POC Final Policy Decisions - Question on Thompson Creek Mine

Hi Kim – Is this the topic for Tuesday's SQPMC?

---

**From:** Cook,Joel D (BPA) - K-7 <jdcook@bpa.gov>  
**Sent:** Monday, January 29, 2024 11:18 AM  
**To:** Johnson,Tim A (BPA) - LP-7 <tajohnson@bpa.gov>; Thompson,Kim T (BPA) - PS-6 <ktthompson@bpa.gov>; Lichtenfels,Michelle E (BPA) - PS-6 <melichtenfels@bpa.gov>; Cooper,Suzanne B (BPA) - P-6 <sbcooper@bpa.gov>; Bodine-Watts,Mary C (BPA) - LP-7 <mcbodine@bpa.gov>; Burczak,Sarah E (BPA) - PS-6 <seburczak@bpa.gov>; Burr,Robert A (BPA) - PS-6 <raburr@bpa.gov>; Cathcart,Michelle M (BPA) - PG-5 <mmcathcart@bpa.gov>; Chong Tim,Marcus H (BPA) - L-7 <mhchongtim@bpa.gov>; Dibble,Rachel L (BPA) - PT-5 <rldibble@bpa.gov>; Doot,Erika A (BPA) - LP-7 <eadoot@bpa.gov>; EPMO <EPMO@bpa.gov>; Furrer,Robin R (BPA) - N-7 <rrfurrer@bpa.gov>; Hairston,John L (BPA) - A-7 <jlhairston@bpa.gov>; Harris,Marcus A (BPA) - F-2 <maharris@bpa.gov>; Hilliard Creecy,Jamae (BPA) - PE-6 <jlhilliard@bpa.gov>; James,Daniel M (BPA) - D-7 <dmjames@bpa.gov>; Koehler,Birgit G (BPA) - PG-5 <bgkoehler@bpa.gov>; Manary,Michelle L (BPA) - TS-DITT-2 <mlmanary@bpa.gov>; McDonald,Thomas A (BPA) - C-7 <tamcdonald@bpa.gov>; Olive,Kelly J (BPA) - PSS-6 <kjmason@bpa.gov>; Scruggs,Joel L (BPA) - DK-7 <jlscruggs@bpa.gov>; Shaheen,Richard L (BPA) - T-DITT-2 <rlshaheen@bpa.gov>; Spraggins,Melanie (BPA) - P-6 <mspraggins@bpa.gov>; Moody,David F (BPA) - PE-6 <dfmoody@bpa.gov>  
**Cc:** Mace,Allison R (BPA) - PTM-5 <armace@bpa.gov>; Stancliff,Tracey L (BPA) - P-6 <tstancliff@bpa.gov>  
**Subject:** RE: QPMC SS: POC Final Policy Decisions - Question on Thompson Creek Mine

Thank you Tim !  
Your depth of knowledge is impressive.

**Joel D. Cook**  
Chief Operating Officer, K-7  
**BONNEVILLE POWER ADMINISTRATION**  
C (b)(6) | P: 503-230-7640 | [jdcook@bpa.gov](mailto:jdcook@bpa.gov)

---

**From:** Johnson,Tim A (BPA) - LP-7 <tajohnson@bpa.gov>  
**Sent:** Monday, January 29, 2024 9:55 AM  
**To:** Thompson,Kim T (BPA) - PS-6 <ktthompson@bpa.gov>; Lichtenfels,Michelle E (BPA) - PS-6 <melichtenfels@bpa.gov>; Cooper,Suzanne B (BPA) - P-6 <sbcooper@bpa.gov>; Bodine-Watts,Mary C (BPA) - LP-7 <mcbodine@bpa.gov>; Burczak,Sarah E (BPA) - PS-6 <seburczak@bpa.gov>; Burr,Robert A (BPA) - PS-6 <raburr@bpa.gov>; Cathcart,Michelle M (BPA) - PG-5 <mmcathcart@bpa.gov>; Chong Tim,Marcus H (BPA) - L-7 <mhchongtim@bpa.gov>; Cook,Joel D (BPA) - K-7 <jdcook@bpa.gov>; Dibble,Rachel L (BPA) - PT-5 <rldibble@bpa.gov>; Doot,Erika A (BPA) - LP-7 <eadoot@bpa.gov>; EPMO <EPMO@bpa.gov>; Furrer,Robin R (BPA) - N-7 <rrfurrer@bpa.gov>; Hairston,John L (BPA) - A-7 <jlhairston@bpa.gov>; Harris,Marcus A (BPA) - F-2 <maharris@bpa.gov>; Hilliard Creecy,Jamae (BPA) - PE-6 <jlhilliard@bpa.gov>; James,Daniel M (BPA) - D-7 <dmjames@bpa.gov>; Koehler,Birgit G (BPA) - PG-5 <bgkoehler@bpa.gov>; Manary,Michelle L (BPA) - TS-DITT-2 <mlmanary@bpa.gov>; McDonald,Thomas A (BPA) - C-7 <tamcdonald@bpa.gov>; Olive,Kelly J (BPA) - PSS-6 <kjmason@bpa.gov>; Scruggs,Joel L (BPA) - DK-7 <jlscruggs@bpa.gov>; Shaheen,Richard L (BPA) - T-DITT-2 <rlshaheen@bpa.gov>; Spraggins,Melanie (BPA) - P-6 <mspraggins@bpa.gov>; Moody,David F (BPA) - PE-6 <dfmoody@bpa.gov>



**Cc:** Mace,Allison R (BPA) - PTM-5 <[armace@bpa.gov](mailto:armace@bpa.gov)>; Stancliff,Tracey L (BPA) - P-6 <[tlstancliff@bpa.gov](mailto:tlstancliff@bpa.gov)>  
**Subject:** RE: QPMC SS: POC Final Policy Decisions - Question on Thompson Creek Mine

(b)(5)

**From:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>

**Sent:** Friday, January 26, 2024 8:37 AM

**To:** Lichtenfels,Michelle E (BPA) - PS-6 <[melichtenfels@bpa.gov](mailto:melichtenfels@bpa.gov)>; Cooper,Suzanne B (BPA) - P-6 <[sbcooper@bpa.gov](mailto:sbcooper@bpa.gov)>;  
Bodine-Watts,Mary C (BPA) - LP-7 <[mcbodine@bpa.gov](mailto:mcbodine@bpa.gov)>; Burczak,Sarah E (BPA) - PS-6 <[seburczak@bpa.gov](mailto:seburczak@bpa.gov)>;  
Burr,Robert A (BPA) - PS-6 <[raburr@bpa.gov](mailto:raburr@bpa.gov)>; Cathcart,Michelle M (BPA) - PG-5 <[mmcathcart@bpa.gov](mailto:mmcathcart@bpa.gov)>; Chong  
Tim,Marcus H (BPA) - L-7 <[mhchongtim@bpa.gov](mailto:mhchongtim@bpa.gov)>; Cook,Joel D (BPA) - K-7 <[jdcCook@bpa.gov](mailto:jdcCook@bpa.gov)>; Dibble,Rachel L (BPA) -  
PT-5 <[rldibble@bpa.gov](mailto:rldibble@bpa.gov)>; Doot,Erika A (BPA) - LP-7 <[eadoot@bpa.gov](mailto:eadoot@bpa.gov)>; EPMO <[EPMO@bpa.gov](mailto:EPMO@bpa.gov)>; Furrer,Robin R (BPA) -  
N-7 <[rrfurrer@bpa.gov](mailto:rrfurrer@bpa.gov)>; Hairston,John L (BPA) - A-7 <[jlhairston@bpa.gov](mailto:jlhairston@bpa.gov)>; Harris,Marcus A (BPA) - F-2  
<[maharris@bpa.gov](mailto:maharris@bpa.gov)>; Hilliard Creecy,Jamae (BPA) - PE-6 <[jllhiillard@bpa.gov](mailto:jllhiillard@bpa.gov)>; James,Daniel M (BPA) - D-7  
<[dmjames@bpa.gov](mailto:dmjames@bpa.gov)>; Johnson,Tim A (BPA) - LP-7 <[tajohnson@bpa.gov](mailto:tajohnson@bpa.gov)>; Koehler,Birgit G (BPA) - PG-5  
<[bgkoehler@bpa.gov](mailto:bgkoehler@bpa.gov)>; Manary,Michelle L (BPA) - TS-DITT-2 <[mlmanary@bpa.gov](mailto:mlmanary@bpa.gov)>; McDonald,Thomas A (BPA) - C-7  
<[tamcdonald@bpa.gov](mailto:tamcdonald@bpa.gov)>; Olive,Kelly J (BPA) - PSS-6 <[kjmason@bpa.gov](mailto:kjmason@bpa.gov)>; Scruggs,Joel L (BPA) - DK-7  
<[jlsruggs@bpa.gov](mailto:jlsruggs@bpa.gov)>; Shaheen,Richard L (BPA) - T-DITT-2 <[rlshaheen@bpa.gov](mailto:rlshaheen@bpa.gov)>; Spraggins,Melanie (BPA) - P-6  
<[mspraggins@bpa.gov](mailto:mspraggins@bpa.gov)>; Moody,David F (BPA) - PE-6 <[dfmoody@bpa.gov](mailto:dfmoody@bpa.gov)>

**Cc:** Mace,Allison R (BPA) - PTM-5 <[armace@bpa.gov](mailto:armace@bpa.gov)>; Stancliff,Tracey L (BPA) - P-6 <[tlstancliff@bpa.gov](mailto:tlstancliff@bpa.gov)>

**Subject:** RE: QPMC SS: POC Final Policy Decisions - Question on Thompson Creek Mine

(b)(5)

Best Regards,

**Kim Thompson** (she/her/hers)

Vice President | Northwest Requirements Marketing

**BONNEVILLE POWER ADMINISTRATION**

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**From:** Lichtenfels,Michelle E (BPA) - PS-6 <[melichtenfels@bpa.gov](mailto:melichtenfels@bpa.gov)>

**Sent:** Wednesday, January 24, 2024 1:33 PM

**To:** Cooper,Suzanne B (BPA) - P-6 <[sbcooper@bpa.gov](mailto:sbcooper@bpa.gov)>; Bodine-Watts,Mary C (BPA) - LP-7 <[mcbodine@bpa.gov](mailto:mcbodine@bpa.gov)>; Burczak,Sarah E (BPA) - PS-6 <[seburczak@bpa.gov](mailto:seburczak@bpa.gov)>; Burr,Robert A (BPA) - PS-6 <[raburr@bpa.gov](mailto:raburr@bpa.gov)>; Cathcart,Michelle M (BPA) - PG-5 <[mmcathcart@bpa.gov](mailto:mmcathcart@bpa.gov)>; Chong Tim,Marcus H (BPA) - L-7 <[mhchongtim@bpa.gov](mailto:mhchongtim@bpa.gov)>; Cook,Joel D (BPA) - K-7 <[jdcCook@bpa.gov](mailto:jdcCook@bpa.gov)>; Dibble,Rachel L (BPA) - PT-5 <[rlDibble@bpa.gov](mailto:rlDibble@bpa.gov)>; Doot,Erika A (BPA) - LP-7 <[eadoot@bpa.gov](mailto:eadoot@bpa.gov)>; EPMO <[EPMO@bpa.gov](mailto:EPMO@bpa.gov)>; Furrer,Robin R (BPA) - N-7 <[rrfurrer@bpa.gov](mailto:rrfurrer@bpa.gov)>; Hairston,John L (BPA) - A-7 <[jlhairston@bpa.gov](mailto:jlhairston@bpa.gov)>; Harris,Marcus A (BPA) - F-2 <[maharris@bpa.gov](mailto:maharris@bpa.gov)>; Hilliard Creecy,Jamae (BPA) - PE-6 <[jlhiliard@bpa.gov](mailto:jlhiliard@bpa.gov)>; James,Daniel M (BPA) - D-7 <[dmjames@bpa.gov](mailto:dmjames@bpa.gov)>; Johnson,Tim A (BPA) - LP-7 <[tajohnson@bpa.gov](mailto:tajohnson@bpa.gov)>; Koehler,Birgit G (BPA) - PG-5 <[bgkoehler@bpa.gov](mailto:bgkoehler@bpa.gov)>; Manary,Michelle L (BPA) - TS-DITT-2 <[mlmanary@bpa.gov](mailto:mlmanary@bpa.gov)>; McDonald,Thomas A (BPA) - C-7 <[tamcdonald@bpa.gov](mailto:tamcdonald@bpa.gov)>; Olive,Kelly J (BPA) - PSS-6 <[kjmason@bpa.gov](mailto:kjmason@bpa.gov)>; Scruggs,Joel L (BPA) - DK-7 <[jlsruggs@bpa.gov](mailto:jlsruggs@bpa.gov)>; Shaheen,Richard L (BPA) - T-DITT-2 <[rlshaheen@bpa.gov](mailto:rlshaheen@bpa.gov)>; Spraggins,Melanie (BPA) - P-6 <[mspraggins@bpa.gov](mailto:mspraggins@bpa.gov)>; Thompson,Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>; Moody,David F (BPA) - PE-6 <[dfmoody@bpa.gov](mailto:dfmoody@bpa.gov)>  
**Cc:** Mace,Allison R (BPA) - PTM-5 <[armace@bpa.gov](mailto:armace@bpa.gov)>; Stancliff,Tracey L (BPA) - P-6 <[tlstancliff@bpa.gov](mailto:tlstancliff@bpa.gov)>  
**Subject:** RE: QPMC SS: POC Final Policy Decisions - Links to documents below

Hello QPMC-

We have a special session QPMC tomorrow afternoon. Please note there is a room reserved (HQ 670) and we will also have the Webex open.

The discussion will focus on Provider of Choice contract duration. Recent customer feedback has suggested that some customers may like to see shorter contracts or explore contract off-ramps. The goal of the meeting will be to provide a better understanding of the risks and concerns around different contract approaches including: shorter duration contracts, contracts with renewals, and contracts with off-ramps.

To support the discussion, staff and legal have pulled together two documents, linked below. **Please note these documents are marked as privileged attorney client communications.**

- **[Contract term options:](#)** Timeline to demonstrate contract length and high-level risks.
- **[Contract alternatives and risks:](#)** Table weighing four alternative contract durations against a variety of criteria

Please take a moment to review the documents, and they will be discussed in detail during the meeting.

Thank you,  
Michelle

**Michelle Lichtenfels** (she/her)

Program Manager, Provider of Choice | Northwest Requirements Marketing

**BONNEVILLE POWER ADMINISTRATION**

[melichtenfels@bpa.gov](mailto:melichtenfels@bpa.gov) | O: 503-230-5453 | C: (b)(6)

-----Original Appointment-----

**From:** Cooper,Suzanne B (BPA) - P-6 <[sbcooper@bpa.gov](mailto:sbcooper@bpa.gov)>

**Sent:** Friday, January 5, 2024 10:13 AM

**To:** Cooper,Suzanne B (BPA) - P-6; Bodine-Watts,Mary C (BPA) - LP-7; Burczak,Sarah E (BPA) - PS-6; Burr,Robert A (BPA) - PS-6; Cathcart,Michelle M (BPA) - PG-5; Chong Tim,Marcus H (BPA) - L-7; Cook,Joel D (BPA) - K-7; Dibble,Rachel L (BPA) - PT-5; Doot,Erika A (BPA) - LP-7; EPMO; Furrer,Robin R (BPA) - N-7; Hairston,John L (BPA) - A-7; Harris,Marcus A (BPA) - F-2; Hilliard Creecy,Jamae (BPA) - PE-6; James,Daniel M (BPA) - D-7; Johnson,Tim A (BPA) - LP-7; Koehler,Birgit G (BPA) - PG-5; Lichtenfels,Michelle E (BPA) - PS-6; Manary,Michelle L (BPA) - TS-DITT-2; McDonald,Thomas A (BPA) - C-7;



Olive,Kelly J (BPA) - PSS-6; Scruggs,Joel L (BPA) - DK-7; Shaheen,Richard L (BPA) - T-DITT-2; Spraggins,Melanie (BPA) - P-6; Thompson,Kim T (BPA) - PS-6; Moody,David F (BPA) - PE-6

**Cc:** Mace,Allison R (BPA) - PTM-5

**Subject:** QPMC SS: POC Final Policy Decisions

**When:** Thursday, January 25, 2024 1:00 PM-2:30 PM (UTC-08:00) Pacific Time (US & Canada).

**Where:** Webex; HQ 670 Exec VTC (36)

**Meeting link:**

(b)(6)

**Join by phone:**

+1-415-527-5035 US Toll

+1-929-251-9612 USA Toll 2

Access code: (b)(6)



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**Subject:** Materials

**Start:** Tue 2/6/2024 9:00 AM  
**End:** Tue 2/6/2024 9:30 AM

**Recurrence:** (none)

**Organizer:** Cooper,Suzanne B (BPA) - P-6



02.06.24 EB  
meeting materia..

# Enterprise Board

Strategic Alignment | Prioritization | Communication | Execution

**February 6, 2024**

9 a.m. – 12 p.m.

DITT 211 and WebEx

PLEASE DO NOT DISSEMINATE



# BPA Enterprise Board Members

<b>Chairperson:</b>	<b>John Hairston</b> Administrator & CEO (A)
<b>Members:</b>	<b>Scott Armentrout</b> Executive Vice President Environment, Fish & Wildlife (E)
	<b>Sonya Baskerville</b> Director Intergovernmental Affairs (AI)
	<b>Marcus Chong Tim</b> Executive Vice President & General Counsel General Counsel (L)
	<b>Joel Cook</b> Chief Operating Officer (K)
	<b>Suzanne Cooper</b> Senior Vice President Power Services (P)
	<b>Robin Furrer</b> Chief Administrative Officer (N)
	<b>Marcus Harris</b> Executive Vice President & Chief Financial Officer Finance (F)
	<b>Dan James</b> Chief Workforce and Strategy Officer (D)
	<b>Tom McDonald</b> Executive Vice President Compliance, Audit, Risk Management (C)
	<b>Lizá Rosa</b> Director Human Resources Service Center (H)
	<b>Joel Scruggs</b> Director Communications (DK)
	<b>Richard Shaheen</b> Senior Vice President Transmission Services (T)
	<b>Christopher Wilk</b> Executive Vice President & Chief Information Officer (Acting) Information Technology (J)
	<b>Nita Zimmerman</b> Chief Business Transformation Officer Business Transformation Office (B)
<b>Meeting Coordinator:</b>	<b>Karen-Maria Conforti</b> Enterprise Program Management Officer Chief Operating Officer (K)



# Enterprise Board

Strategic Alignment | Prioritization | Communication | Execution



<b>Date:</b>	February 6, 2024	<b>Meeting Objectives:</b> <ul style="list-style-type: none"><li>(1) Receive update on telework policy issues</li><li>(2) Discuss Provider of Choice timing and TAC expectations</li><li>(3) Receive quarterly Transmission long-term planning activities update</li><li>(4) Receive Generator Interconnection Queue Reform update</li></ul>
<b>Time:</b>	9 a.m. – 12 p.m.	
<b>Room:</b>	DITT 211 + WebEx	
<b>SharePoint:</b>	<a href="#">Enterprise Board</a>	

<b>Absent:</b>	
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Time	Topic	Objective	EB Member Sponsor	Presenters & Guests	EB Page #
Not Responsive					
9:20 – 10:10	Provider of Choice	Inform: Provide status update on final policy and ROD and discuss updated release schedule and communications plan.	S. Cooper	S Burczak M. Lichtenfels K. Olive K. Thompson	7-17

Not Responsive					
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Value People • Consider it Done • Pass it On • Connect to the Mission • Come Together • Stick to Priorities • Listen More Than Talk



Table of Contents

Topic	Document Title	EB Page #
Not Responsive		
Provider of Choice	Provider of Choice briefing memo	7
	Provider of Choice slide presentation	8-17
Not Responsive		

Committee reports

<ul style="list-style-type: none"><li>• <a href="#">ACGC</a> &amp; <a href="#">ITSERRB</a></li><li>• <a href="#">ESC</a> &amp; <a href="#">SLC</a></li><li>• <a href="#">FC</a></li><li>• <a href="#">RITS</a></li><li>• <a href="#">EAGC</a> &amp; <a href="#">GEM</a></li><li>• <a href="#">QPMC</a></li><li>• <a href="#">QTMC</a></li><li>• <a href="#">WSC</a></li><li>• Enterprise Board &amp; Executive Team</li></ul>	<p>T. McDonald R. Furrer M. Harris S. Cooper, M. Harris, R. Shaheen N. Zimmerman S. Cooper R. Shaheen L. Rosa K. Conforti</p>
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Upcoming Enterprise Board Agendas

Date	Planned agenda topics	Enterprise Board sponsors
February 20	Markets development monthly update Provider of Choice final policy and ROD	Nita Zimmerman Suzanne Cooper
Not Responsive		
March 19	Markets decision Provider of Choice monthly update	Nita Zimmerman Suzanne Cooper
Not Responsive		

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## Upcoming Executive Team Agendas

Date	Planned agenda topics	Executive Team sponsors
Not Responsive		



**Bonneville Power Administration Enterprise Board**  
**Strategic Alignment | Prioritization | Communication | Execution**

**Briefing Memo (Guidance, Discussion, Recommendation)**

Not Responsive



Not Responsive



Not Responsive





Not Responsive



Not Responsive



Not Responsive





**Bonneville Power Administration Enterprise Board**  
**Strategic Alignment | Prioritization | Communication | Execution**

**Briefing Memo (Guidance, Discussion, Recommendation)**

**Expected Outcome:** Discussion

**Topic:** Provider of Choice - Update

**Date:** 2/6/2024

**Executive Sponsor:** Suzanne Cooper, Senior Vice President of Power Services

**Presenters:** Michelle Lichtenfels, Program Manager, Provider of Choice and Kelly Olive, Contract Lead, Provider of Choice

**Executive Committee Review:** Material was pre-briefed with Suzanne Cooper prior to sharing, as well as the Power Leadership Board on 1/29/2024. Given material is largely process-oriented, as well as timing constraints, it was not brought to the full QPMC.

**Objective:** Informational briefing to give a status update on the Provider of Choice Final Policy & ROD. The updated release schedule and communications plan will be discussed and help set expectations for next steps in the process.

**Supplemental Material:** PowerPoint slides attached.

**Connection to BPA Strategy and/or Key Strategic Initiative (KSI):** Strategic Goal: Enhance the Value of Products and Services.

Strategic Objective: Remain public power's provider of choice by fully subscribing the federal base system in long-term contracts.

**Background & Current Issues:** The draft Provider of Choice Policy was released in July 2023, with a public comment period that closed on October 13, 2023. The final Provider of Choice Policy and Record of Decision are in development based on comments received.

**Risks:** N/A

**Request for Guidance/Recommendation[s]:** N/A

**Next Steps:** Feb 20 presentation to the Enterprise Board on the Final Policy.



# Provider of Choice Update to the Enterprise Board

Kim Thompson, Vice President, NW Requirements Marketing  
Sarah Burczak, Policy Lead, Provider of Choice  
Kelly Olive, Contract Lead, Provider of Choice  
Michelle Lichtenfels, Program Manager, Provider of Choice

**PROVIDER OF CHOICE**

**POST  
2028**

February 6, 2024  
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EB page #8

# Agenda

- Final Policy & ROD updates
- Next Phase: Policy Implementation & Contract Development



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EP page #9  
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# Final Policy & ROD Important Dates

- **TAC: Federal Register Notice**
  - Starts Feb. 6; with Front Office by Feb. 15
- **Enterprise Board presentation: Overview of Final Policy**
  - Feb. 20
- **TAC: Final Policy & ROD**
  - Starts Feb. 22; with Front Office by March 14
  - Note: Markets TAC est'd to start while the PoC TAC is in front office review
- **Release Final Policy & ROD**
  - Thursday March 21, 2024

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# Final Policy & ROD Package

- **FRN**
  - Supplemental Information will include a summary of policy highlights
- **Final Policy**
  - About 45 pages
  - All final policy decisions approved during QPMC Special Sessions Nov. 2023 through Jan. 2024
- **ROD**
  - About 150 individual responses
  - Every response reviewed and approved by Suzanne Cooper, Kim Thompson, and Tim Johnson
- **Letter from the Administrator**

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2028

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# Communications

- Early outreach to DOE
- Media planning in flight
- Public meeting to provide overview of Final Policy:  
**April 9**



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# **Policy Implementation & Contract Development Phase**

LB page #13

# Provider of Choice Timeline

Last updated 1/31/2024



# Post-2028 and Other Related Processes

Last updated 1/31/2024







# Thank you.



## Provider of Choice Lead Sponsor:

Kim Thompson, Vice President,  
Northwest Requirements Marketing, [ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)

## Provider of Choice Team Leads:

Sarah Burczak, Policy Lead, [seburczak@bpa.gov](mailto:seburczak@bpa.gov)  
Kelly Olive, Contract Lead, [kimason@bpa.gov](mailto:kimason@bpa.gov)  
Michelle Lichtenfels, Program Manager, [melichtenfels@bpa.gov](mailto:melichtenfels@bpa.gov)

## Find Us:

Internal: [Provider of Choice SharePoint site](#)

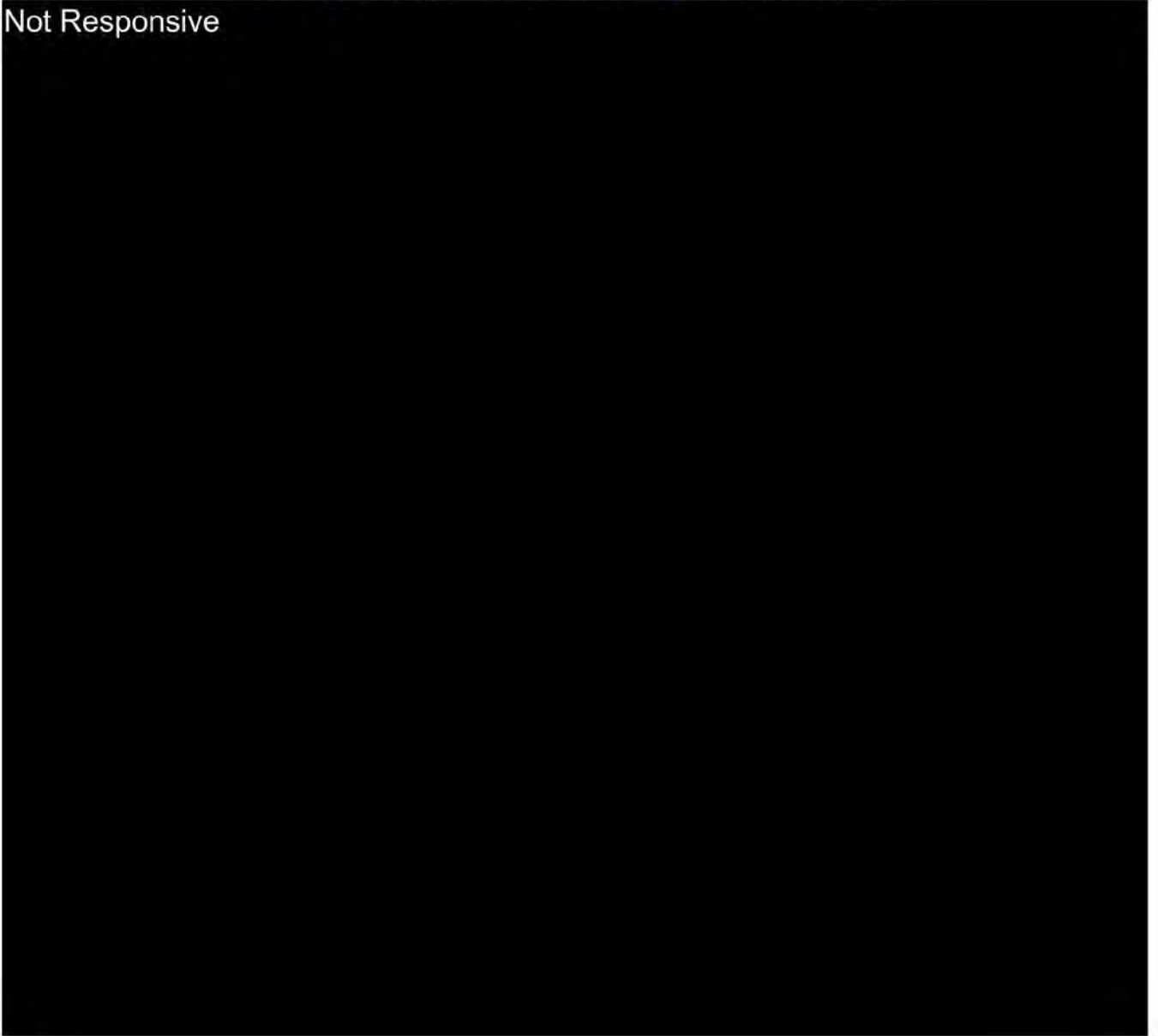
Email: [post2028@bpa.gov](mailto:post2028@bpa.gov)

External: [Provider of Choice - Bonneville Power Administration \(bpa.gov\)](#)

EB page #17

**Briefing Memo (Guidance, Discussion, Recommendation)**

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**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Monday, February 5, 2024 12:38 PM  
**To:** Lichtenfels, Michelle E (BPA) - PS-6  
**Subject:** RE: FRN cover letter - electronic signature requested  
**Attachments:** Provider of Choice Final Policy FRN Cover Letter.pdf

Here you go!

Best Regards,  
**Kim Thompson** (she/her/hers)  
Vice President | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
[bpa.gov](http://bpa.gov) | P 503-230-3408 | (b)(6)



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**From:** Lichtenfels, Michelle E (BPA) - PS-6 <[melichtenfels@bpa.gov](mailto:melichtenfels@bpa.gov)>  
**Sent:** Monday, February 5, 2024 11:13 AM  
**To:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>  
**Cc:** Burczak, Sarah E (BPA) - PS-6 <[seburczak@bpa.gov](mailto:seburczak@bpa.gov)>  
**Subject:** FRN cover letter - electronic signature requested

Hi Kim, will you please sign the FRN cover letter and return it to me? I will be using the signed version for the TAC.

And by the way, we are resolved on the NEPA flag. Mary ran it to ground with legal and it's not needed.

Thank you!  
Michelle

**Michelle Lichtenfels** (she/her)  
Program Manager, Provider of Choice | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
[melichtenfels@bpa.gov](mailto:melichtenfels@bpa.gov) | O: 503-230-5453 | C: (b)(6)

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**From:** Cooper,Suzanne B (BPA) - P-6  
**Sent:** Sunday, February 11, 2024 9:16 AM  
**To:** Cooper,Suzanne B (BPA) - P-6  
**Subject:** Policy-ROD-v011224-Product-Basics-Load-Following  
**Attachments:** Policy-ROD-v011224-Product-Basics-Load-Following.docx

#### 4. Products and Services at Priority Firm Rates

Section 3 of the draft Policy describes the product options Bonneville will offer public body, cooperative and federal agency customers to purchase firm power at a PF Tier 1 rate up to their CHWM load and options to purchase power for Above-CHWM load at PF Tier 2 rate(s). Bonneville intends to offer contracts for the following products: Load Following, Block, and Slice/Block. Bonneville also proposed to offer customers choices in how they serve their Above-CHWM load. The draft Policy stated that customers would elect to serve Above-CHWM load with federal power, non-federal resources, or a combination of the two.

Issue 4.1.#: Should Bonneville offer a suite of product options? Should the suite of products be equitable?

##### **Policy Proposal**

In Section 1 of the draft Policy, Bonneville explained that it is statutorily obligated under section 5(b) of the Northwest Power Act to offer contracts to sell firm power to meet the needs, when requested, of eligible regional public power utilities and IOUs. For PF-eligible customers, Bonneville has proposed to meet its 5(b) obligation through the following suite of product-based contract offerings (Draft Policy § 3.1): Load Following, Block and Slice/Block products.

In Section 3.1 of the draft Policy, Bonneville noted that an updated set of products could provide additional benefits or risks not contemplated under the Regional Dialogue products and services and that any detailed product discussions would take place during the policy implementation and contract development phase. In addition, Bonneville specified that product pricing mechanisms would be developed in the PRDM rate design phase of the process.

##### **Public Comments**

WPAG, Klickitat, AWEC, PPC, Snohomish and Tacoma expressed support for Bonneville offering a suite of products including, Load Following, Block and Slice/Block product options and highlighted that Bonneville should provide diverse product offerings with optionality in how customers choose to serve their load. (POC-045-WPAG; POC-056-Klickitat; POC-050-AWEC; POC-029-PPC; POC-033-Snohomish; POC-042-Tacoma). EWEB and Modern acknowledged that Bonneville should meet different customer needs through the provision of a diverse range of products. (POC-044-EWEB; POC-007 Modern). Modern stated that “products should be priced equitably based on the value they deliver.” (POC-007-Modern). WPAG stated that Bonneville needs to provide a “balanced suite of viable products to provide approximate equivalent value between products: Clear definitions of the risks, benefits, and responsibilities for each product.” (POC-045-WPAG).

Snohomish and Fall River commented that Bonneville should offer products under Provider of Choice that leave customers “no worse off” than they are under Regional Dialogue and requested a product that allows them to meet load service obligations and enable participation in future markets. (POC-033-Snohomish, POC-035-Fall River). EWEB added that Bonneville “has not fundamentally renovated the



product offerings or basic design of products to date.” (POC-044-EWEB). Cowlitz commented that Bonneville should offer products that “are workable for the duration of the contract, do not create undue cost shifts, preserve the value of the federal system, and maintain product equitability.” Cowlitz commented that future products should allow customers flexibility to incorporate new loads and resources.” (POC-014-Cowlitz).

WPAG noted that, “multiple product offerings for the Provider of Choice contracts will help BPA better meet the diverse post-2028 needs of its differently situated customers, support the development of new generating resources, and provide risk mitigation and revenue diversity benefits directly to BPA and indirectly to its customers.” (POC-045 WPAG). PPC supported Bonneville offering an array of products as well as “equitable value proposition across product types achieved through the specifics of products features and rate design.” (POC-029-PPC).

Franklin PUD expressed concerns about how the value between products is being assessed, specifically stating that the draft Policy “appears to encourage load following preference over Slice/Block preference.” (POC-026-Franklin).

### **Evaluation and Decision**

Commenters supported Bonneville offering a suite of products but noted concerns around potential changes to products as well as product equity. Bonneville recognizes that it has not provided product design details to allow full consideration of the specific products and their associated design features. Bonneville explained in numerous workshops and stated in the draft Policy that product design details will be developed during the policy implementation and contract development phase. After publication of this Policy, Bonneville will work with customers to design the Load Following, Block (including Block with Shaping Capacity option), and Slice/Block products. Bonneville and customers will consider the risks and benefits associated with each product during the product design phase.

Regarding product equity, Bonneville does not intend that all products offer the same features or the same value propositions. Bonneville designs various products to provide customers with options for serving their loads with varying levels of flexibility in operating non-federal resources. Bonneville will design products that clearly delineate what features and benefits each product provides, and customers will have an opportunity to determine which product is the best fit for them. Bonneville recognizes that a product a customer selected under Regional Dialogue may no longer meet its needs for Provider of Choice, and each customer will make that evaluation.

Bonneville did not propose how products would be priced since applicable rates for such power sales and services have yet to be established. Bonneville understands customers feel that is an important aspect to consider when assessing whether the offerings are equitable. Bonneville expects that firm power products that provide more features will be subject to higher rates than those that provide a limited level of service. Under Regional Dialogue, for example, Bonneville meets the variability in loads for load following customers and therefore those customers pay a higher final rate than planned product customers. Some commenters acknowledged this paradigm in their comments in urging Bonneville to offer a balanced or equitable product offering. The PRDM will establish the rate

framework and rate cases will establish the pricing of Provider of Choice products and services. Bonneville will conduct the PRDM process in tandem with the policy implementation and contract development phase.

Issue 4.1.#: Should Bonneville re-evaluate its position on how non-federal resources are dedicated and applied to meet load across products?

### **Policy Proposal**

In Section 3.1 of the draft Policy, Bonneville proposed different frameworks for the application of non-federal resources under each product. For the Load Following product, Bonneville would offer customers defined flexibility to add non-federal resources to serve load. Bonneville would require that customers provide Bonneville information regarding how those resources will be applied to serve load. To account for the value of the resource shape and other characteristics, Bonneville would require RSS, or its future equivalent as developed in the PRDM, as discussed in Section 2.3.3.5 of the draft Policy.

In contrast, Bonneville's planned products (Block, Block with Shaping Capacity and Slice/Block) would offer customers greater flexibility in how they use non-federal resources to serve load. Customers electing a planned product would not be required to purchase RSS. Bonneville would only be responsible for providing firm requirements power to meet the customer's net requirement based on a forecasted annual amount. Planned product customers would be responsible for meeting any monthly, daily or hourly shaping needs to ensure reliable service for their customers. (Draft Policy § 3.1).

### **Public Comments**

PNGC and OPALCO commented that the requirement for load following customers to dedicate resources to load is inequitable compared to planned product customers. They claimed that when CHWMs are set, load following customers see dedicated resources as a reduction in CHWM while planned product customers are able to retain their CHWM by avoiding that deduction. They suggested this "creates a strong incentive for all BPA customers to avoid dedicating nonfederal resources to load due to the uncertainty of how the resources will be treated in the subsequent BPA contracts." (POC-046-PNGC; POC-013-OPALCO). PNGC suggested that Bonneville should require all non-federal resources used to serve load be dedicated regardless of product type and/or not require load following customers to "irrevocably dedicate resources serving AHWL load." (POC-046-PNGC).

Flathead commented that Bonneville's proposed requirement to dedicate non-federal resources was inequitable compared to planned products. Flathead requested that Bonneville "make clear policy statements stating their position that developing and dedicating non-federal resources does not force a load following customer to decrement their Tier 1 allocation." (POC-034-Flathead). The AHWL Group similarly commented "since load following customers are required to dedicate any non-federal resources procured to meet load, there is far less ability for these customers to acquire resources in advance for load growth or run the risk of losing valuable Tier 1 allocation in the next contract period." The AHWL Group argued that this approach is not balanced since planned product customers do not face the same requirements and therefore could invest in non-federal resources but not dedicate them.

The group requested clarification on Bonneville's "intent on the balance between products." (POC-024-AHWM-Group).

Snohomish "supports the development of non-federal resources to meet load growth, and views viable Planned Products as central to accomplishing this goal." They commented that the construct provided under Regional Dialogue allowed planned product customers the ability to integrate their non-federal resources and requested that Bonneville preserves that framework under Provider of Choice. (POC-033-Snohomish).

### **Evaluation and Decision**

There is a marked difference between the risk assumed by customers depending on the customer's product choice. The difference in product requirements for dedicating non-federal resources reflects the resource and supply risk accepted by customers that elect a planned product compared to customers that choose the Load Following product. Load Following customers receive the benefit of Bonneville's management of that risk.

Planned product customers are responsible for meeting their hourly load obligation above the planned power amounts Bonneville provides. In contrast, customers that choose the Load Following contract have the right to choose and dedicate non-federal resources to serve their load but those resources are, by the contract, expected to be used according to their forecast amounts since Bonneville's obligation is to meet the customer's needs in every hour net of the customer's resources. Should a Load Following customer's resource not produce power as forecasted, arrive as scheduled, experience an unplanned outage, or if a peak load event, such as a deep cold freeze, increases demand unexpectedly, Bonneville assumes that risk through its obligation to supply all the electric power needed by the customer to serve its load when such events occur. In order to plan for this load obligation, Bonneville needs to know how Load Following customers' non-federal resources will be used to serve load. Bonneville believes it is reasonable to maintain its policy proposal for dedicating non-federal resources as a key product design feature. As Snohomish acknowledged, the Policy is intended to allow customers flexibility in non-federal resources for the Provider of Choice contract period.

The concerns that several commenters raised were not focused on non-federal resource flexibility within product design but rather focused on how Bonneville has proposed to treat non-federal resources in determining a customer's CHWM. Flathead, PNGC, OPALCO and the AHWM Group suggested that if planned product customers do not have to dedicate all non-federal resources to load then it unfairly advantages those customers in setting CHWMs for the next power sales contracts because those resources do not count towards their eligible load. Bonneville does not believe that it should shift its product design requirements to influence future choices for subsequent long-term power sales policy and contracts.

Bonneville does not agree with the comment by PNGC and OPALCO that Load Following customers are treated inequitably regarding dedication of resources. Regardless of their product, all customers dedicate non-federal resources (specified and unspecified) they elect to use to serve their retail load pursuant to terms and conditions in their Regional Dialogue power sales contract. Under the Regional Dialogue contracts, all customers are subject to the same application of resources that become dedicated during the term of the power sales contract. Resources that are dedicated will continue to serve a customer's load under subsequent Section 5(b) contracts. Bonneville and its customers



negotiated these terms to provide for flexibility in the types of resources that could be used by customers during the term of the contract and not necessarily continue their use in a subsequent contract. Customers have latitude in choosing their resources which can be actual physical generating resources they develop, own, and operate, or a resource can be a contract right to purchase either an amount of power from a resource over a period of time, such as past 50-year purchases of power produced by the Mid-Columbia non-federal dams, or unspecified resource amounts that represent a megawatt amount of power the customer is obligated to serve its load with. Many of these contracts are expected to expire at the same time as the Regional Dialogue contracts. As such, upon termination of the Regional Dialogue contracts, customers have no obligation to continue to apply their associated unspecified resources amounts.

Bonneville will maintain its draft Policy approaches for dedicating non-federal resources under the various product offerings.

Issue #: Should Bonneville provide all product offerings to customers that operate a balancing authority?

#### **Policy Proposal**

The draft Policy did not address whether it should offer all products to all PF-eligible customers, including those which operate their own balancing authority.

#### **Public Comment**

Grant commented that it "should have access to the same suite of products and services as any other PF customer." (POC- 012-Grant).

Seattle commented that the Load Following product is the "only preference BPA product that meets BPA's hourly firm load obligations." Seattle requested that Bonneville "develop and offer a product option that would allow BAs to meet their hourly firm load and without waivers" since Seattle could not take the Load Following product under the Regional Dialogue contract as Seattle operates its own balancing authority. (POC-039-Seattle).

Tacoma commented that Bonneville attempts to solve this statutory failure of the peak net requirements calculation by "erroneously rely[ing] on its offering of a load following product to satisfy its statutory obligations." Tacoma stated that this solution is erroneous because Tacoma is a NERC recognized balancing authority and, by policy, Bonneville "... has excluded Tacoma Power from purchasing a load following product." (POC-042-Tacoma).

#### **Evaluation and Decision**

Grant, Seattle and Tacoma are NERC recognized balancing authorities. A balancing authority is the responsible entity that integrates resource plans ahead of time, maintains load and resource balance within a balancing authority area, and supports Interconnection frequency in real-time. Bonneville also operates its own balancing authority area.



All three commenters requested that Bonneville make the Load Following product, or a comparable offering, available to balancing authority customers. There is no requirement for any customer to operate as a balancing authority. A balancing authority which is also a Bonneville customer could change its status as a balancing authority area and have its electric power supply needs net of its non-federal resources supplied by Bonneville on an hourly basis. In doing so, that customer's resources would be operated in coordination with Bonneville's larger system of resources – both federal and non-federal. If any such customer would like to consider the Load Following product, Bonneville is open to discussing it. However, Bonneville understands a customer's reasons for remaining a balancing authority area, such as its active participation in the spot power market, as both a source of additional supplies of power and for selling its surplus non-federal supplies of power. Bonneville recognizes that in the future, relying on spot market purchases of power may no longer be considered a firm resource. As such, entities that now rely on such purchases to balance short-term imbalance needs between their loads and resources will be looking for resource replacement alternatives.

Bonneville will not guarantee that all product and service offerings described in the Policy are available to balancing authorities.

Issue 4.1.#: Should BPA commit that products will fit emerging needs and will change as needs change?

#### **Policy Proposal**

In Section 3.1.2 of the draft Policy, Bonneville acknowledged that emerging markets would have implications for the Provider of Choice products and services design. Bonneville explained that it would design Provider of Choice firm power products to accommodate potential changes that emerging markets may bring. Customers would need to evaluate which product offering is the best fit for them under Provider of Choice and weigh the costs, benefits, and risks associated with different products in light of the emerging market landscape. Bonneville may need to address foundational product characteristics to align products with emerging markets as requirements unfold. Bonneville anticipated discussing how product offerings will adapt to align with emerging markets during the policy implementation and contract development phase and in the PRDM process as emerging market designs mature.

Bonneville did not address how other emerging landscape topics like the WRAP may impact product offerings.

#### **Public Comments**

Commenters did not discourage Bonneville from making products compatible with emerging markets but requested Bonneville to provide additional details on what compatibility will mean. Grant PUD requested that Bonneville provide clarity on how its products would be compatible with the WRAP. (POC-012-Grant). Franklin PUD commented that they have concerns about how several issues could impact the “value between products” including “expanding markets, day-ahead market compatibility with the Slice product and WRAP.” (POC-026-Franklin).

PPC commented that it believes all “product offerings must be adaptable to evolving market structures while maintaining the core value of net requirements service at cost and preference for public power utilities.” PPC recommended that Bonneville provide initial details of how products would change to be compatible with a market. PPC also expressed that the Slice product could be compatible with a day-ahead market. (POC-029-PPC).

Seattle acknowledged that “BPA must exhibit flexibility in its products and processes in order to maximize benefits from emerging markets.” Seattle encouraged Bonneville to adopt new approaches and power products that would facilitate its market participation. Seattle “appreciates that BPA has laid the groundwork with customers throughout the POC process that there may need to be future changes made to anticipated planned products and operations in order to ensure market compatibility[,]” and “[t]hese changes may also impact load following customers.” (POC-039-Seattle).

WPAG commented in support of the policy proposal to design power products compatible with emerging markets. WPAG commented that Bonneville should continue to work with customers to offer a suite of market-compatible products. (POC-045-WPAG).

Snohomish supports Bonneville’s decision to participate in WRAP and its exploration of day-ahead markets. Snohomish believes that products should be compatible with whatever programs or markets Bonneville joins and that the benefit is shared amongst customers regardless of product type. In addition, Snohomish commented that “planned products must be designed to facilitate customers’ ability to meet WRAP and day-ahead market requirements, including obligations to offer sufficient capacity and flexibility to the market.” (POC-033-Snohomish). Several commenters focused on specific products and their compatibility with emerging markets. EWEB commented that it does not support keeping the Load Following product the same as it was under Regional Dialogue. EWEB commented that nothing inherent about the Load Following product precludes direct settlements therefore Bonneville should explore alternative designs to offer more customer optionality, including market dispatch and settlement. Additionally, EWEB cautioned that “adding complex dispatchable hydro to the Load Following product would increase operational challenges for BPA.” (POC-044-EWEB)

Modern, PPC, WPAG, Lewis, Franklin and Snohomish submitted comments on Bonneville’s proposal to make the Slice/Block product compatible with emerging markets. (POC-007 Modern; POC-029-PPC; POC-045-WPAG; POC-055-Lewis; POC-026 Franklin; POC-033-Snohomish).

Modern requested Bonneville reconsider its approach for the Slice/Block product and compatibility with day-ahead markets stating that “we find the reasoning provided thus far lacking.” (POC-007-Modern). PPC commented that it has not seen a “compelling reason that the [Slice/Block] product would be fundamentally incompatible with a day-ahead market.” PPC urged Bonneville to weigh the administrative complexity and risk of Slice/Block customers switching to the Load Following product when redesigning the Slice/Block product. (POC-029-PPC).

WPAG encouraged Bonneville to work with customers to make refinements to the Slice/Block product to accommodate the changing landscape but in a way that maintains the desirability and workability of the product. WPAG expressed concern “whether the potential changes that BPA may require to the Slice-Block product could render the product unworkable for customers.” (POC-045-WPAG). Lewis expressed similar concerns. (POC-055-Lewis).



Franklin PUD commented that it was concerned about the future of Slice/Block revolving around peak net requirements, day-ahead market compatibility, and WRAP compatibility as well as resolving these concerns in the current process timeline. (POC-026-Franklin).

Snohomish stated that the slice portion of the Slice/Block product “must be able to participate directly or indirectly in a Day-ahead market.” (POC-033-Snohomish).

The NWECC Group expressed concern that Tier 2 product design details are not included in the draft Policy for public comment. The NWECC Group stated that “[t]o the extent that Tier 2 product design is being driven or informed by day-ahead market design, it would be prudent to wait until relevant market design components are approved prior to making a policy decision, and subsequently seeking public comment, on Tier 2 product design.” (POC-028-NWECC-Group).

### **Evaluation and Decision**

Some commenters requested that Bonneville commit to ensuring that products meet needs established by emerging programs and markets while others did not oppose this direction but expressed reservations.

Bonneville did not mention WRAP compatibility in the draft Policy but recognizes that WRAP is an emerging program in the region that is still evolving as utilities in the region determine when and whether to join and participate in the binding program. Bonneville addresses how WRAP will factor into net requirements determinations and products in **Issue #**. Bonneville’s products will vary in design and establish different load and planning obligations that Bonneville must serve. Bonneville will ensure that it is clear in its offering how planning obligations may translate to WRAP compliance. Bonneville will not commit to every product providing customers guaranteed WRAP compliance, as many customers have resource portfolios that could contribute to the forward showing.

Bonneville acknowledges commenters’ interest in understanding how products will be compatible with emerging markets under future contracts. This includes compatibility for Load Following, Block, Slice/Block and Above-CHWM service offerings at a Tier 2 rate. Bonneville will work with customers to address the issues of product design and provide additional clarification on how products would function in a day-ahead market during the policy implementation and contract development phase. Bonneville is closely monitoring emerging market development and is committed to engaging customers in ongoing discussions as market design features mature. If needed, Bonneville may also address compatibility issues in the PRDM and/or subsequent rate setting processes. Bonneville will consider the issues raised by commenters in subsequent Provider of Choice processes including how the Load Following and Slice/Block products would function in an emerging market.

[Issue 4.1.#: Should Bonneville offer a PF rate resource adequacy \(RA\) transfer product?](#)

### **Policy Proposal**

Bonneville did not propose an RA transfer product at any rate in the draft Policy.

### **Public Comments**

E3 advocated for an RA transfer product to address a mismatch between a customer's WRAP forward showing requirement and the amount of WRAP-accredited federal capacity it is allocated by Bonneville. Under E3's proposal, the transfer product would re-allocate capacity amongst customers based on who is long and short with corresponding sales and purchases. Bonneville would facilitate market purchases if there was no available capacity to re-allocated. (POC-018-E3).

Seattle commented that Bonneville should offer a new Block with RA Transfer product where the RA transfer would be a hold back similar to the WRAP's RA transfer product mechanism. If the customer needs to call upon the transfer product for any amount beyond its scheduled energy delivery to its PNR, it would be priced at a PF rate. Any capacity needed beyond a customer's PNR would be priced at the FPS rate and therefore subject to availability of offered surplus similar to Bonneville's current PRM proposal. (POC-039-Seattle).

### **Evaluation and Decision**

Bonneville does not allocate physical amounts of power (energy and/or capacity) when supplying electric power to serve customer net requirements under Northwest Power Act section 5(b) long term contracts. The passage of the 1980 Northwest Power Act granted the Administrator the authority to acquire cost-effective resources on a long-term basis to expressly avoid allocating the physical capability of the FCRPS. The planned products Bonneville now offers customers (Slice and Block) limit the amount of power Bonneville is obligated to supply on a planning basis because the customers choosing such products are contractually obligated to ensure that they have non-federal resources that are adequate and sufficient to meet their needs net of Bonneville's supply of electric power. In order for E3's RA transfer product proposal to be viable, Bonneville would need to allocate its system amongst customers and tier capacity. While Bonneville cannot do that it can allocate costs among different rates. Bonneville's CHWM construct allocates costs, not a physical share of resources. Bonneville has also not agreed to tier capacity as discussed in [Issue #](#). Therefore, Bonneville cannot consider a RA transfer product as proposed by E3.

Seattle had proposed a new add-on to the Block product that would provide an RA transfer product. One feature of this product leverages a proposed PRM product as discussed in [Issue #](#). Bonneville would prefer to keep these concepts separate, especially as the PRM product, if offered, would only be offered in rate periods where Bonneville determines it has firm power that is surplus and available. In addition, Bonneville has proposed other products that provide additional capacity support, including a Block product with Shaping Capacity option.

Bonneville also believes that the Block product with Shaping Capacity option could provide some of the additional capacity requested if paired with a newly proposed load variance service. Bonneville believes that the combination of this product and service could help meet peak loads of a planned product customer during extreme peaking events in addition to the customer's non-federal resource use to supply capacity. Bonneville will explore these concepts during the policy implementation and contract development phase.

Finally, if a customer is a participant in the WRAP, it may pursue an RA transfer product under the WRAP program to meet its needs.



#### Issue 4.1.#: Should Bonneville explore a firm surplus PRM service?

##### Policy Proposal

In Section 3.1 of the draft Policy, Bonneville stated that it was open to exploring an additional stand-alone PRM product to help planned product customers meet WRAP requirements, provided Bonneville determines it has (1) firm capacity that is surplus and available, and (2) the firm capacity is not obligated on a planning basis to be offered to the Long-term Tier 2 rate. Bonneville stated that any specific details would be part of detailed product and rate design discussions but that it intended to sell the product at a yet to be established Firm Power Products and Services (FPS) rate.

##### Public Comments

WPAG emphasized that "WRAP compliance will be important for all Bonneville customers during the Provider of Choice contracts not only for resource adequacy purposes but also for potential day-ahead market participation purposes." WPAG was encouraged by Bonneville's offer to explore a PRM product that could support planned products and keep them viable options. (POC-045-WPAG). Mason 3 said it was encouraged that Bonneville would offer a PRM product to help planned product customers meet WRAP requirements. (POC-022-Mason-3).

##### Evaluation and Decision

Bonneville is willing to explore, in development of the PRDM, a PRM service that leverages surplus firm power when Bonneville determines there is surplus firm power available. The balance of the designation of surplus firm power between the PRM product and the Long-term Tier 2 rate pool will be an important consideration as discussed in **Issue#**. To avoid confusion, Bonneville has updated the Policy to read "PRM service" as opposed to "PRM product" to reflect that this would be an add on service to accompany other product offerings. Bonneville does not intend it would be a standalone product offering.

#### Issue 4.1.#: Should Bonneville clarify the timeline for product switching?

##### Policy Proposal

In Section 3.1.1 of the draft Policy, Bonneville stated that it would include a one-time right for customers to request a change to their product election during the term of the contract. However, any customer request to change products will be subject to cost-shift assessments and conditions such as defined election windows and/or requiring the start of power deliveries under the new product to align with the start of a rate period. Bonneville will develop specific product switching requirements during the policy implementation and contract development phase.

##### Public Comments

Bonneville received multiple comments supporting a one-time right to switch products under Provider of Choice contracts. (POC-031-NRU; POC-042-Tacoma; POC-046-PNGC; POC-060-AWEC; POC-045-WPAG). WPAG commented that Bonneville's proposal is consistent with WPAG's proposed adaptable contracts principle, which recognizes the need to allow a product switch option so customers can,

“successfully navigate the evolving energy landscape and challenges they will face during the post-2028 period.” (POC-045-WPAG).

AWEC supported Bonneville’s proposal to develop specific product switching requirements and consideration of cost shifts. AWEC added that product switching options should be priced in such a way to avoid, “offering of free ‘options’ to customers for purely economic benefit.” They also commented that the policy should include [p]roduct switching to meet customer needs within the changing realities of organized market participation or necessary new products like low or carbon-free energy[.].” (POC-050-AWEC).

PNGC requested that Bonneville specify the timing for a product switch suggesting that since “customers are being asked to sign the new contract in 2025, we suggest notice in 2032 for implementation in 2034 may be appropriate.” (POC-046-PNGC). Tacoma requested that if BPA proposes to implement a recall or restriction then the customers should be permitted to switch products and have a viable alternative product to switch to. (POC-042-Tacoma).

NRU had no objections to the product switching approach outlined in the draft Policy. (POC-031-NRU).

### **Evaluation and Decision**

Bonneville believes that product switching windows, eligibility, and requirements are better suited for development in concert with the development of other important contract terms during the policy implementation and contract development phase. There are many situations where a customer may find it makes sense for them to switch products and as AWEC noted, any product switching option must consider multiple factors. AWEC and WPAG added that contracts will need to be adaptable to future needs and specifically consider the impacts of Bonneville’s day-ahead market policy direction, carbon legislation, and electrification across the region. Bonneville agrees that these and other considerations could inform the design and timing of when a customer could have a contractual right to switch products. For example, anticipated timing around regional electrification could impact when an appropriate election window may be considered for a customer to change products. PNGC suggested a product switch option that provides notice in 2032 for implementation in 2034. Bonneville would like to better understand the details behind the suggested timing along with input from other commenters during the policy implementation and contract development phase.

Tacoma requested a product switch option if Bonneville decides to implement a recall or restriction. (POC-042-Tacoma). Bonneville assumes Tacoma is referring to what has been colloquially referred to by customers as a “claw back” of surplus capacity the Slice/Block product customers may be receiving during a period in which the non-Slice system is capacity deficit, which had been discussed in Bonneville’s concept paper. Alternatively, Tacoma may be referring to an actual need to restrict and curtail the sale of firm power due to insufficient resources available to the Administrator to meet their contract obligations. In either event Bonneville is not amenable to giving a right in the contract to switch products. Therefore, Bonneville does not believe a product switch provision based on recall or restriction related to peak net requirements should be included in the Policy.



The draft Policy included some key considerations for assessing the timing of product switching. These considerations include cost-shift assessments, defined election windows and/or requiring the start of power deliveries under the new product to align with the start of a rate period. The intent behind a successfully designed product switch would be to isolate any stranded costs from impacting other customers while providing optionality for customers to meet their internal business needs considering Bonneville's product offerings. Bonneville and customers will engage in more detailed conversations about appropriate conditions for a customer to switch products in the policy implementation and contract development phase.

## 4.1 Load Following

Issue 4.1.#: Do commenters support the Load Following product as proposed?

### Policy Proposal

In Section 3.2 of the draft Policy, Bonneville proposed that it would offer the Load Following product and did not anticipate major changes to the product from the Regional Dialogue construct.

### Public Comments

Mason 3, WREC, SUB, Surprise Valley, Inland and NRU commented that they support the draft Policy proposal to offer the Load Following product and in particular appreciated that Bonneville does not anticipate major changes to the product. (POC-022-Mason-3; POC-027-WREC; POC-036-SUB; POC-060-Surprise Valley; POC-001-Inland; POC-031-NRU). Inland expressed support for continuation of the Load Following product primarily as it operates under the Regional Dialogue contract but with modifications to support non-federal resources. (POC-001-Inland). Lewis commented in support and also noted that the Load Following and Block products are "foundational components of product choice". (POC-055-Lewis). Snohomish commented that it appreciates the certainty Bonneville has provided on the load service aspects of the Load Following product. (POC-033- Snohomish).

While NRU noted general support for the product, it expressed concern about the lack of clarity around peak net requirements relative to the Load Following product. This issue has been addressed in **Issue #**. (POC-031-NRU).

### Evaluation and Decision

Bonneville appreciates the comments in support of retaining the Load Following product without major changes to the product from the Regional Dialogue construct.

Issue 4.1.#: Should Bonneville clarify in the final Policy that the Load Following product will continue to serve a customer's hourly energy and peak net requirements load?

### Policy Proposal

In the draft Policy, Bonneville stated that the Load Following product would meet a customer's energy and peak net requirements. The draft Policy did not specifically state that Bonneville would serve a load following customer's hourly firm power load requirements.

### **Public Comments**

Multiple commenters requested for Bonneville to include language clarifying that the load following product will cover customer's hourly energy and peak net requirement load. WPAG stated that Bonneville should be "crystal clear as to how it will continue to serve the *hourly* energy and *hourly* peak net requirements of Load Following customers under the Provider of Choice contracts." WPAG explained that this change is necessary and would be consistent with the Section 5(b)(1) of the Northwest Power Act, its legislative history, and Bonneville's 5(b)/9(c) policy. (POC-045-WPAG).

NRU commented that given the uncertainty around the peak net requirements section, it was concerned that the draft Policy did not state the Load Following product would cover a customer's net requirements on an hourly basis. NRU requested that the final Policy include the language: "Bonneville will offer the Load Following product, which will serve a customer's net requirements load, including peak load, on an hourly basis." (POC-031-NRU). McMinnville similarly requested Bonneville to add clarifying language and supports the language offered by NRU. (POC-015-McMinnville). Finally, PPC commented that "[a] load following product is essential to meet customer net requirements on an hourly basis and provide certainty of load service." (POC-029-PPC).

### **Evaluation and Decision**

Bonneville's exclusion of the word "hourly" in relationship to the service that it provides under the Load Following product was not intended to suggest that Bonneville would not meet a load following customer's energy and peak net requirements need on an hourly basis. To the contrary, under the Load Following product Bonneville sells firm power to supply all of the customer's firm power load, net of the customer's resources, on an actual metered load basis.

Bonneville's load following product design obligates Bonneville to supply power to meet the variations in the customer's actual hourly load. Each load following customer receives from Bonneville exactly the hourly firm power amount it needs for load service beyond power provided by the customer's dedicated resources. If the customer has a dedicated resource, then Bonneville accounts for the amount of firm energy and peaking capability from the dedicated resource for each hour as required by the power sales contract. Bonneville provides firm power to meet the customer's energy and peak net requirements on an hourly basis. This is consistent with the Northwest Power Act's directive to offer contracts to meet a customer's firm power load to the extent that such firm power load exceeds its 5(b)(1)(a) and (b) resources.

The final Policy reflects that the Load Following product will meet a customer's load on an hourly basis.



Issue 4.1.#: Should Bonneville define the contractual shape requirements of non-federal resources for the Load Following product as well as the applicability of charges that would apply to non-federal resources?

### **Policy Proposal**

Bonneville stated in Section 2.3.3.5 of the draft Policy that it is important to maintain cost causation principles when allocating costs associated with integrating and shaping customers' non-federal resources under a tiered rate construct. Bonneville achieved this under Regional Dialogue by requiring customers to purchase RSS and by not allocating such costs to either the Tier 1 or Tier 2 cost pools. Bonneville proposed that it would continue to account for the costs associated with shaping non-federal resources during the Provider of Choice contract period. During the policy implementation and contract development phase as well as the PRDM process, Bonneville would determine whether it will maintain the RSS requirement or propose a broader shift in capacity rate design based on a similar cost-causation principle.

Section 3.1 of the draft Policy also discussed how the Load Following product would offer customers defined flexibility to add non-federal resources to serve load. Bonneville would require that customers provide information regarding how non-federal resources will be applied to serve load. To account for the value of the resource shape and other characteristics, Bonneville would require RSS, or its future equivalent as developed in the PRDM, as discussed in Section 2.3.3.5.

### **Public Comments**

Flathead requested that Bonneville "not require the Load Following customer to bring in resources on a flat block basis and encumbered by RSS." Flathead commented that these requirements make developing and operating non-federal resources more complex and expensive. Flathead suggested that Bonneville should allow different renewable resource shapes and should "consider clearing variances between scheduled and actual generation using the EIM rather than RSS." (POC-034-Flathead).

### **Evaluation and Decision**

Bonneville specified in the draft Policy that its intent was to require RSS, or its future equivalent, for customers electing the Load Following product. Bonneville would make the service available to planned product customers but not require RSS based on the nature of the planned product where customers are contractually obligated to serve their hourly loads and meet planning obligations. Bonneville stopped short of committing to specific RSS implementation but expressed that further discussion of load shapes and other characteristics would be needed.

Flathead requested that Bonneville not require customers' non-federal resources be applied in flat blocks. Under Regional Dialogue, Bonneville provided customers flexibility to apply various non-federal resource shapes to load. Bonneville did not limit resource shapes to a flat block. Bonneville offered shapes that included "the ability to directly apply the actual output of non-dispatchable resources to load in whatever shape that resource actually produces power." (Regional Dialogue Contract ROD at 13). This approach ensured that customers could pursue a wide variety of non-federal resource development and were not limited based on a single shape. Bonneville did, however, evaluate the costs and benefits of differently shaped resources as compared to a common benchmark which is a flat block of power. Resources that provided predefined shapes were expected to cost less to integrate to a load's actual

shape compared to those that are highly intermittent or have uncertain generating profiles. Bonneville's approach for determining costs and benefits based on product integration options allowed for standardized and equitable treatment across all customers in order to support the principle of cost causation.

Bonneville will apply a similar approach during the Provider of Choice contract period, whether that is through RSS or a subsequent equivalent service. Bonneville intends to build on the approach used for Regional Dialogue as it has worked well to ensure cost causation is maintained to insulate customers from the costs associated with other customers' non-federal resource decisions. Bonneville will not define allowable resource shapes nor the financial impacts in the Policy or in this ROD. While Bonneville believes the approach and method for determining allowable non-federal shapes worked well under Regional Dialogue, Bonneville will discuss this approach with customers during the policy implementation and contract development phase to explore whether there should be any changes to that approach. Bonneville will address rate-related specifics with respect to different resource shapes in the PRDM process and/or future 7(i) processes when these rate-related issues become ripe for decision.

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**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Monday, February 12, 2024 7:27 AM  
**To:** Lichtenfels, Michelle E (BPA) - PS-6  
**Subject:** RE: Kim's signature requested on final FRN Cover Letter  
**Attachments:** Provider of Choice Final Policy FRN Cover Letter.pdf

Here's an updated signature!

Best Regards,  
**Kim Thompson** (she/her/hers)  
Vice President | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
[bpa.gov](http://bpa.gov) | P 503-230-3408 | C (b)(6)



---

**From:** Lichtenfels, Michelle E (BPA) - PS-6 <[melichtenfels@bpa.gov](mailto:melichtenfels@bpa.gov)>  
**Sent:** Friday, February 9, 2024 4:58 PM  
**To:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>  
**Subject:** Kim's signature requested on final FRN Cover Letter  
**Importance:** High

Hi Kim-

The FRN Cover Letter and FRN flew through TAC this week; I have sign off from Marcus Chong Tim. I'm ready to send it to the front office, but first, will need an updated electronic signature from you to facilitate that!

Attached is a clean version of both documents. Please electronically sign the cover letter and return to me.

Here are [copies of both the de minimis redlines and clean copies](#) of both documents for reference.

Thanks so much,  
Michelle

**Michelle Lichtenfels** (she/her)  
Program Manager, Provider of Choice | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
[melichtenfels@bpa.gov](mailto:melichtenfels@bpa.gov) | O: 503-230-5453 | C: (b)(6)



**From:** Cook,Joel D (BPA) - K-7  
**Sent:** Tuesday, February 13, 2024 11:48 AM  
**To:** Executive Correspondence Officer; Furrer,Robin R (BPA) - N-7; Estep,Judith A (BPA) - DS-3  
**Cc:** Hannigan IV,Benjamin R (BPA) - A-7; Johnston,Chanelle M P (BPA) - K-7; Jones,Carolyn T (BPA) - N-7; Khan,Lindsay N (BPA) - D-7; James,Daniel M (BPA) - D-7  
**Subject:** RE: TAC (Due 9am on 2/14): PoC Federal Register Notice (PS-2024-POCFP)  
**Attachments:** ExecSum\_Provider\_of\_Choice\_Final\_Policy\_FRN.pdf; TAC Form\_Provider\_of\_Choice\_Final\_Policy\_FRN.pdf

No comments  
My initials attached

**From:** Executive Correspondence Officer <[eco@bpa.gov](mailto:eco@bpa.gov)>  
**Sent:** Monday, February 12, 2024 4:31 PM  
**To:** Cook,Joel D (BPA) - K-7 <[jdcook@bpa.gov](mailto:jdcook@bpa.gov)>; Furrer,Robin R (BPA) - N-7 <[rrfurrer@bpa.gov](mailto:rrfurrer@bpa.gov)>; Estep,Judith A (BPA) - DS-3 <[jaestep@bpa.gov](mailto:jaestep@bpa.gov)>  
**Cc:** Hannigan IV,Benjamin R (BPA) - A-7 <[brhannigan@bpa.gov](mailto:brhannigan@bpa.gov)>; Johnston,Chanelle M P (BPA) - K-7 <[CMJohnston@bpa.gov](mailto:CMJohnston@bpa.gov)>; Jones,Carolyn T (BPA) - N-7 <[ctjones@bpa.gov](mailto:ctjones@bpa.gov)>; Khan,Lindsay N (BPA) - D-7 <[lnkhan@bpa.gov](mailto:lnkhan@bpa.gov)>; James,Daniel M (BPA) - D-7 <[dmjames@bpa.gov](mailto:dmjames@bpa.gov)>  
**Subject:** TAC (Due 9am on 2/14): PoC Federal Register Notice (PS-2024-POCFP)  
**Importance:** High

Good afternoon,

The attached TAC is for the Federal Register Notice (FRN) that will be published at the same time as the final Provider of Choice Policy and Record of Decision (ROD). **Please review by 9am on 2/14.** (This will need to be signed by John by 9am on 2/15.)

**From the Org:**  
Please note this TAC is associated with the FRN **\*only\***. The Policy and ROD TAC is expected to start Feb. 22, with a public release slated for the third week of March.

**Attachments:**

Document	Actions Requested
TAC Form	Sign and return to Michelle Lichtenfels
TAC Executive Summary	Review
FRN Cover Letter	Review
FRN	Review; Date and sign by Administrator; return to Michelle Lichtenfels

During earlier simultaneous TAC review, a few minor edits were suggested and those comments/redlines are available for review in Word version here: [Cover letter-redlines](#); [FRN-redlines](#)

Let me know if you have any questions.



Thank you,

**Chanelle Johnston**

Executive Correspondence Officer and

Executive Associate Officer to

Joel Cook, Chief Operating Officer

**BONNEVILLE POWER ADMINISTRATION**

[cmjohnston@bpa.gov](mailto:cmjohnston@bpa.gov) | Office: 503-230-4314

U.S. DEPARTMENT OF ENERGY- BONNEVILLE POWER ADMINISTRATION (BPA)  
TRANSMITTAL FOR ADMINISTRATOR/CEO ACTION EXECUTIVE SUMMARY

BPA/ES Control Number:	TAC/568 NO.: PS 2024 POCFP-1
AUTHOR: Michelle Lichtenfels	POC: M. Lichtenfels (x5453), Tara Schaefer (x5062)
DATE SUBMITTED: 02/06/2024	REQUESTED SIGNATURE DATE: 02/21/2024
TOPIC: Provider of Choice Final Policy and ROD Federal Register Notice (FRN)	

☒ BACKGROUND & CURRENT ISSUES: ☐ SENSITIVITIES: ☐ POLICY IMPACT

BPA is publishing a final Provider of Choice policy that describes the agency's long-term power sales policies for the period following the expiration of existing long-term power sales contracts on September 30, 2028. The final policy describes the agency's products and service offerings for this next contract period and how the agency proposes to distribute the costs and benefits from its system of federal resources, which includes the Federal Columbia River Power System, the Columbia Generating Station, as well as non-federal resources and market acquisitions.

The Record of Decision accompanies the final Policy.

With this FRN, Bonneville is seeking publication of the notice in the Federal Register no later than March 21, 2024. This TAC does not include review of the Policy and ROD; those will be initiated on TAC est'd Feb 22, 2024.

SIGNATURE	Date		Initials	Comments
	IN	OUT		
A - Executive Correspondence Officer:	2/12/24	2/12/24	CMJ	
N - Chief Administrator Officer:				
K - Chief Operating Officer:	2/12/24	2/12/24	JDC	
D - Chief Workforce Strategy Officer:				
A - Administrator:				

File Code; SS-11-11 Retention; Retain for 20 years and then dispose. NARA Permanent: Offer when retention is met.

U.S. DEPARTMENT OF ENERGY - BONNEVILLE POWER ADMINISTRATION (BPA)  
TRANSMITTAL FOR ADMINISTRATOR/CEO ACTION

1. DATE 02/06/2024		2. 568 NO (Org Code-Year-Ref#) PS 2024 POCFP	
3. ADDRESSEE Michelle Lichtenfels, PS-6		4. TYPE OF DOCUMENT AND BRIEF DESCRIPTION OF SUBJECT MATTER Provider of Choice Final Policy and ROD Federal Register Notice (FRN)	
5. AUTHOR (Name, Phone & Org. Code). Michelle Lichtenfels (x5453, PS-6)		6. POC (Name, Phone, and Location) M. Lichtenfels (x5435), T. Schaefer (x5062)	
7. BPA CONTROL NO.	8. CONCURRENCE DUE DATE 02/15/2024	9. SIGNATURE DUE DATE 2/15/24	10. ES CONTROL NO. (DOE)

11. SEQUENCE/CONCURRENCE

ROUTING		TO	DATE		INITIALS	SUMMARY/SPECIAL INSTRUCTIONS
ORDER	SYMBOL		IN	OUT		
X	AI-Intergovernmental Affairs		02/06/2024			The Federal Register Notice (FRN) announcing the publication of the Provider of Choice Final Policy will be published on March 21, 2024
X	C-Chair of the ACGC		02/06/2024	02/08/2024	TM	
X	DK-Communications		02/06/2024	02/08/2024	JS	
X	E-Environment Fish & Wildlife		02/06/2024	02/08/2024	SA	For Simultaneous TAC review: Please review and approve by Thursday, February 8 at 9am.
X	P-Power Services		02/06/2024	02/06/2024	MS	
X	PS-NW Requirements Marketing		02/06/2024			
X	T-Transmission Services		02/06/2024	02/06/2024	MM	Finance TAC review: review and approve by Monday, February 12 at 9am
	Choose an Item					
	Choose an Item					
	Choose an Item					Legal TAC review: Please review and approve by Thursday, February 15 at 9am
	Choose an Item					
	Choose an Item					
	Choose an Item					Concurrence of the TAC will be assumed if the TAC has not been returned by the due date.
	Choose an Item					
	Choose an Item					
X	F-Finance		02/06/2024	2/8/24	VW	F - Veronica Wittig FA - Kyna Alders FR - Kevin Owen FT - Nadine Coseo
X	FA-Financial Planning & Analysis		2/6/24	2/6/24	KA	
X	FR-Accounting		2/6/24	2/8/24	KO	
X	FT-Financial Strategy & Operations		2/6/24	02/08/2024	NC	
Req'd	F	Finance	2/8/24	2/8/24		LP - Tim Johnson LN - Ann Senters LT - Sarah Kufil LG - Kevin Bell
Req'd	L	Legal	2/8/24	2/9/24	MHCT	
X	LP	AGC-Power	2/6/24	2/8/24	TAJ	
X	LN	AGC-Natural Resources	2/6/24	2/8/24	AS	
X	LT	AGC-Transmission	2/6/24	2/8/24	SMK	Updated signature.
X	LG	AGC-General	2/6/24	2/8/24	KB	
	A	Executive Correspondence	2/12/24	2/12/24	CMJ	
	N	Chief Administrative Officer				
	K	Chief Operating Officer	2/12/24	2/12/24	JDC	
	D	Chief Workforce Strategy Officer				
	A	Administrator/CEO				

## INSTRUCTIONS

**See BPA Correspondence Manual for more detailed instructions and a sample. All items not identified below are self-explanatory.**

1. **DATE:** The date transmittal is initiated.
2. **568 No:** Your Org code, year, and reference number to identify/track the TAC. Reference # is created by originating org and can be sequential or month/day. \*Reference # examples: DI-2019-0001 (sequence) or DI-2019-0328 (date)
7. **CONTROL NUMBER:** For use with BPA controlled correspondence only. Assigned by Executive Correspondence Officer to individual responsible for researching/drafting response to inquiring agency.
8. **CONCURRENCE DUE DATE:** The date comments and concurrence/non-concurrence are due back to the originator.
9. **SIGNATURE DUE DATE:** The date the Front Office signature, acknowledgment, or concurrence is needed by. This date needs to allow for 5 working days to process through the Executive Office.

**DROP DOWN INSTRUCTIONS:** To utilize just the keyboard and tabbing through the drop down menu, you will need to use ALT + arrow keys to navigate to your selected organization.

**SUMMARY/SPECIAL INSTRUCTIONS:** A more detailed description of the subject matter (*see Block 4*) if required. You may set TAB markers in this field; however, you will need to use the CTRL + TAB keys to move to the next TAB marker. To add blank lines press the Enter key until your cursor is where you need it to be.

**INITIALS:** Do not pre-populate the initials of the individual you believe will be concurring on the TAC. Allow the business line to appoint and sign-off as they deem appropriate, after they have reviewed the specified document.

10. **ES CONTROL NO. (DOE):** For use with controlled correspondence assigned by the Department of Energy (DOE).

11. **SEQUENCE/CONCURRENCE:** Indicate by number the routing order. Use routing symbol and name on blank lines for additional reviewers. Simultaneous review may be used to expedite the process and give reviewers more time individually. (*Prepare copies of entire BPA F 1325.68e package for each simultaneous reviewer.*) NOTE: The Executive Office **DOES NOT** receive documents for simultaneous review. All TACS go to **A - Executive Correspondence Officer** for distribution to the front office executives.

**FAX NUMBER:** Fax number is required when interacting with Customer Service Centers.


**DC (Washington, DC Office):** For concurrence with DC office. The name of the individual contacted (*or faxed to*) and date of concurrence.



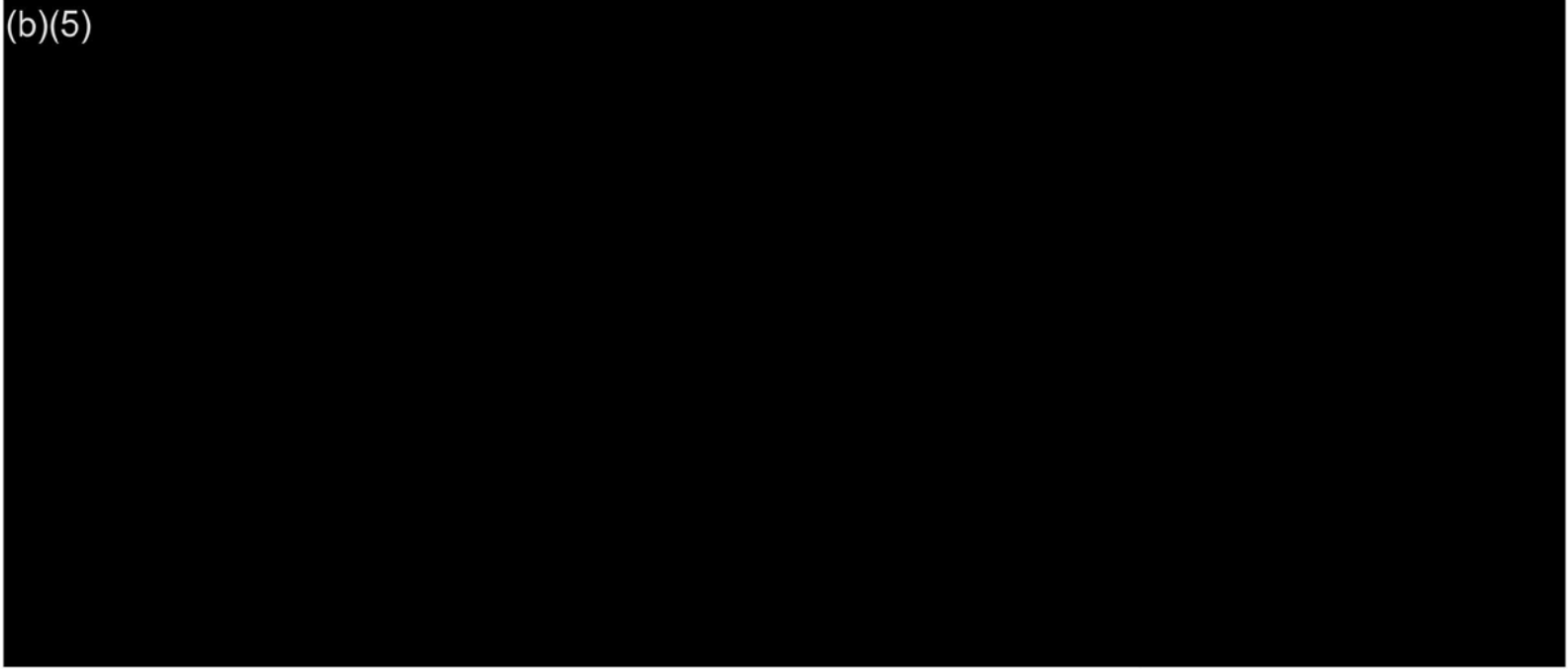
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**From:** Cooper,Suzanne B (BPA) - P-6  
**Sent:** Wednesday, February 14, 2024 12:50 PM  
**To:** Cooper,Suzanne B (BPA) - P-6  
**Subject:** Provider-of-Choice-Final-Policy-Letter-v021324  
**Attachments:** Provider-of-Choice-Final-Policy-Letter-v021324.docx

(b)(5)



(b)(5)



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**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Thursday, February 15, 2024 1:03 PM  
**To:** Burczak, Sarah E (BPA) - PS-6  
**Subject:** RE: Rates ROD Follow Up on Economic Rate

Phew!

BTW – I finished going through Serving Load yesterday & NR/IP today. Will work through conservation this afternoon.

Best Regards,  
**Kim Thompson** (she/her/hers)  
Vice President | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
[bpa.gov](https://bpa.gov) | P 503-230-3408 | C (b)(6)



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**From:** Burczak, Sarah E (BPA) - PS-6 <[seburczak@bpa.gov](mailto:seburczak@bpa.gov)>  
**Sent:** Thursday, February 15, 2024 1:01 PM  
**To:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>  
**Subject:** RE: Rates ROD Follow Up on Economic Rate

Looks like that will work! Thanks!

---

**From:** Burczak, Sarah E (BPA) - PS-6  
**Sent:** Thursday, February 15, 2024 11:30 AM  
**To:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>  
**Subject:** RE: Rates ROD Follow Up on Economic Rate

Let me see what we can get in. Figured I would check with you before I pushed back on this to see direction.

---

**From:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>  
**Sent:** Thursday, February 15, 2024 11:25 AM  
**To:** Burczak, Sarah E (BPA) - PS-6 <[seburczak@bpa.gov](mailto:seburczak@bpa.gov)>  
**Subject:** RE: Rates ROD Follow Up on Economic Rate

(b)(5)

Best Regards,  
**Kim Thompson** (she/her/hers)  
Vice President | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
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**From:** Burczak, Sarah E (BPA) - PS-6 <[seburczak@bpa.gov](mailto:seburczak@bpa.gov)>  
**Sent:** Thursday, February 15, 2024 10:14 AM



**To:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>  
**Subject:** RE: Rates ROD Follow Up on Economic Rate

(b)(5)

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**From:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>  
**Sent:** Thursday, February 15, 2024 9:48 AM  
**To:** Burczak, Sarah E (BPA) - PS-6 <[seburczak@bpa.gov](mailto:seburczak@bpa.gov)>  
**Subject:** RE: Rates ROD Follow Up on Economic Rate

(b)(5)

Best Regards,  
**Kim Thompson** (she/her/hers)  
Vice President | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
[bpa.gov](http://bpa.gov) | P 503-230-3408 | C (b)(6)



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**From:** Burczak, Sarah E (BPA) - PS-6 <[seburczak@bpa.gov](mailto:seburczak@bpa.gov)>  
**Sent:** Thursday, February 15, 2024 9:36 AM  
**To:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>  
**Subject:** FW: Rates ROD Follow Up on Economic Rate

(b)(5)

Sarah

---

**From:** Greene, Richard A (BPA) - LP-7 <[ragreene@bpa.gov](mailto:ragreene@bpa.gov)>  
**Sent:** Wednesday, February 14, 2024 12:38 PM  
**To:** Burczak, Sarah E (BPA) - PS-6 <[seburczak@bpa.gov](mailto:seburczak@bpa.gov)>  
**Cc:** Bodine-Watts, Mary C (BPA) - LP-7 <[mcbodine@bpa.gov](mailto:mcbodine@bpa.gov)>  
**Subject:** RE: Rates ROD Follow Up on Economic Rate

(b)(5)

**From:** Burczak, Sarah E (BPA) - PS-6 <[seburczak@bpa.gov](mailto:seburczak@bpa.gov)>  
**Sent:** Wednesday, February 14, 2024 10:52 AM  
**To:** Greene, Richard A (BPA) - LP-7 <[ragreene@bpa.gov](mailto:ragreene@bpa.gov)>  
**Cc:** Bodine-Watts, Mary C (BPA) - LP-7 <[mcbodine@bpa.gov](mailto:mcbodine@bpa.gov)>  
**Subject:** Rates ROD Follow Up on Economic Rate

Hi Rich –

(b)(5)

Sarah

**Sarah Burczak**

Provider of Choice Policy Lead | NW Requirements Marketing

[BONNEVILLE POWER ADMINISTRATION](#)

[seburczak@bpa.gov](mailto:seburczak@bpa.gov) | O: 503-230-3264 | C: (b)(6)



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**From:** Cooper,Suzanne B (BPA) - P-6  
**Sent:** Thursday, February 15, 2024 4:48 PM  
**To:** Bodine-Watts,Mary C (BPA) - LP-7; Thompson,Kim T (BPA) - PS-6  
**Subject:** FW: Quick review-1 paragraph w/redline  
**Attachments:** Section 6\_Billing Credits.docx

Hi Mary – This looks good to me. I did suggest 2 edits for your consideration, not wedded to them. Thanks!

**From:** Bodine-Watts,Mary C (BPA) - LP-7 <[mcbodine@bpa.gov](mailto:mcbodine@bpa.gov)>  
**Sent:** Wednesday, February 14, 2024 5:06 PM  
**To:** Cooper,Suzanne B (BPA) - P-6 <[sbcooper@bpa.gov](mailto:sbcooper@bpa.gov)>; Thompson,Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>  
**Subject:** Quick review-1 paragraph w/redline

Hello,

I believe you have both already reviewed and approved an issue on waiving billing credits—Kim you might have JUST reviewed this. A later chapter that addresses REP also includes discussion about waiver of a statutory rights. (b)(5)

(b)(5)

(b)(5) The edits are in a separate word document because I didn't want to insert a paragraph re-write without first checking. If you are ok with the edit, please let me know and I will incorporate in the SharePoint clean version.

Thanks,  
Mary

Mary C. Bodine-Watts  
Attorney-Adviser, Office of General Counsel  
Bonneville Power Administration  
503-230-5827

Section 6(h) of the Northwest Power Act authorizes Bonneville, if requested by a customer, to grant billing credits for certain costs incurred by the customer for activities they independently undertake to conserve or develop resources, completed or acquired after December 5, 1980, that reduce Bonneville's load obligation. Under Regional Dialogue, which was Bonneville's first adoption of the tiered rate construct, customers agreed to contractually waive their statutory right to request billing credits for non-federal resources; the parties broadly agreed billing credits are misaligned with the tiered rate construct. During Provider of Choice workshops, Bonneville expressed concern that ~~not precluding allowing~~ the cost of billing credits ~~into the PF Tier 1 rate cost pool would~~ undermine ~~s-a~~ a foundational tenet of tiered rates. In addition, Bonneville anticipates that the value of resource characteristics including environmental attributes, energy shape, location and capacity availability will increase in the future. Therefore, implementing billing credits and socializing the cost of any customer resources could become at odds with other customer preferences for resource acquisitions.


Under tiered rates, Bonneville adopted a tenet to insulate one customer from another customer's non-federal resource decisions. If Bonneville offers billing credits, the costs of billing credits based on one customer's resource investment would be included in Bonneville's rates and recovered from Bonneville's firm power customers. Bonneville could allocate the cost to either the PF Tier 1 rate cost pool or an applicable PF Tier 2 rate cost pool. Section 7(g) provides that the cost of billing credits be equitably allocated to power rates. If allocated to the PF Tier 1 cost pool it could result in an increase in the applicable PF rate regardless of whether Bonneville had a need to acquire resources to serve load at that rate. If billing credits were allocated to a limited PF Tier 2 cost pool, it would place the burden of paying those costs to a more limited group of customers. In either case, the effect would be to recover costs incurred by a customer to independently undertake conservation and non-federal resource actions to serve its load growth, i.e., Above-CHWM load, onto other customers. This would be inapposite to the tenet of insulating customers from other customers' non-federal resource investment choices underlying the Policy, power sales contracts, and tiered rate construct.

Bonneville proposed in the ~~P~~ policy that if it needed to acquire resource(s) on a long-term basis it would issue an RFO. Through an RFO Bonneville could describe characteristics of resources that would best meet its need such as generation profile, proximity to load, reduction to transmission constraints, and could then consider giving preference to public customer developed or sponsored' non-federal resources. Under this scenario, a customer would respond and submit its resource to an RFO for full transparency and if selected and acquired, that resource would be included in Bonneville's resource portfolio used to meet its customer firm power load obligations. Bonneville believes this approach provides the most transparency and provides flexibility to ensure requirements, ~~whether such as~~ load shape or environmental attributes, can change throughout the contract period as regional sentiments or needs change.

Finally, billing credits were originally included in the Northwest Power Act to incentivize customers to develop conservation and other resources independently of Bonneville. Today there are several regional laws that require investments in conservation measures or provide incentives for conservation improvements. For non-federal resource development, the IRA is an example of how new funding opportunities and incentives have evolved for utilities to pursue non-federal resource development. In light of these developments, Bonneville disagrees with commenters that waiving statutory right to billing credits would limit a customer's ability to invest in conservation or non-federal resources. Instead, customers have the option to purchase or develop non-federal resources without cost impacts on other customers.



(b)(5)



As described in the draft Policy, Bonneville will include a provision in the Provider of Choice contracts requesting customers to waive their rights to billing credits.

---

**From:** Cook,Joel D (BPA) - K-7  
**Sent:** Friday, February 16, 2024 3:59 PM  
**To:** Harris,Marcus A (BPA) - F-2  
**Subject:** FW: ENW SMR RequestI  
**Attachments:** ENW SMR Request\_fiinal.docx

Marcus,  
Attached is the legal opinion/review on the EN funding request.  
Enjoy!

**Joel D. Cook**  
Chief Operating Officer, K-7  
**BONNEVILLE POWER ADMINISTRATION**  
C: (b)(6) P: 503-230-7640 | [jdcook@bpa.gov](mailto:jdcook@bpa.gov)

---

**From:** Chong Tim,Marcus H (BPA) - L-7 <[mhchongtim@bpa.gov](mailto:mhchongtim@bpa.gov)>  
**Sent:** Thursday, October 19, 2023 11:47 AM  
**To:** Cook,Joel D (BPA) - K-7 <[jdcook@bpa.gov](mailto:jdcook@bpa.gov)>  
**Cc:** Johnson,Tim A (BPA) - LP-7 <[tajohnson@bpa.gov](mailto:tajohnson@bpa.gov)>; Cathcart,Michelle M (BPA) - PG-5 <[mmcathcart@bpa.gov](mailto:mmcathcart@bpa.gov)>;  
Cooper,Suzanne B (BPA) - P-6 <[sbcooper@bpa.gov](mailto:sbcooper@bpa.gov)>  
**Subject:** Fwd: ENW SMR RequestI

----- Forwarded message -----

From: "Johnson,Tim A (BPA) - LP-7" <[tajohnson@bpa.gov](mailto:tajohnson@bpa.gov)>  
Date: Oct 18, 2023 10:18 AM  
Subject: ENW SMR RequestI  
To: "Cathcart,Michelle M (BPA) - PG-5" <[mmcathcart@bpa.gov](mailto:mmcathcart@bpa.gov)>  
Cc: "Chong Tim,Marcus H (BPA) - L-7" <[mhchongtim@bpa.gov](mailto:mhchongtim@bpa.gov)>, "Cooper,Suzanne B (BPA) - P-6" <[sbcooper@bpa.gov](mailto:sbcooper@bpa.gov)>

(b)(5)



Tim

P.S. just saw your email one second ago. Here is the memo for Joel but I think talking points may be in order too.

---

**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Tuesday, February 20, 2024 7:55 AM  
**To:** Bas, JoAnn L (BPA) - P-6  
**Subject:** RE: Pr. of Ch. | Final Policy Cover Letter | Update  
**Attachments:** Oliver Potts Letter re POC.pdf

Thank you JoAnn – here is the signed version.

Best Regards,  
**Kim Thompson** (she/her/hers)  
Vice President | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
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**From:** Bas, JoAnn L (BPA) - P-6 <[jlb@bpa.gov](mailto:jlb@bpa.gov)>  
**Sent:** Tuesday, February 20, 2024 7:47 AM  
**To:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>  
**Subject:** FW: Pr. of Ch. | Final Policy Cover Letter | Update

I've prepared for your signature.

**JoAnn Bas**  
Executive Associate Officer to Suzanne B. Cooper, Senior VP | Power Services  
Executive Associate Officer to Melanie Spraggins, Deputy SVP | Power Services  
Executive Associate Officer to Kim Thompson, VP | NW Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
[jlb@bpa.gov](mailto:jlb@bpa.gov) | P 503.230.4983



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**From:** Schaefer, Tara C (CONTR) - PS-6 <[TCSchaefer@bpa.gov](mailto:TCSchaefer@bpa.gov)>  
**Sent:** Friday, February 16, 2024 1:35 PM  
**To:** Bas, JoAnn L (BPA) - P-6 <[jlb@bpa.gov](mailto:jlb@bpa.gov)>  
**Cc:** Lichtenfels, Michelle E (BPA) - PS-6 <[melichtenfels@bpa.gov](mailto:melichtenfels@bpa.gov)>  
**Subject:** Pr. of Ch. | Final Policy Cover Letter | Update

Hi JoAnn,

We've been informed that the attached FRN cover letter with Kim's signature needs to be on BPA letterhead. Is that something you can help me with?

Thanks,

**Tara Schaefer** (she/her)  
(CONTR) CorSource  
Program Specialist, Provider of Choice | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
[tcschaefer@bpa.gov](mailto:tcschaefer@bpa.gov) | P 503-230-5062 | C(b)(6)







## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

POWER SERVICES

February 20, 2024

In reply refer to: PS-6

Mr. Oliver Potts  
Director  
Office of the Federal Register  
The National Archives and Records Administration  
8601 Adelphi Road  
College Park, MD 20740-6001

Dear Mr. Potts,

This letter is to certify that the attached Word document is a true copy of the Provider of Choice Policy (Policy) and Record of Decision (ROD) Federal Register Notice. A PDF copy of the notice is also enclosed. The Word version of the document should be used by the Government Printing Office in preparing the document for publication. We are requesting that you make arrangements for publication of the notice in the Federal Register no later than March 21, 2024. The Provider of Choice Policy is Bonneville's power sales policy for fiscal year 2029 through fiscal year 2044. The Policy and ROD highlight several important policy positions.

**Develop contracts based on tiered rates construct.** The Policy finalizes the decision to continue tiered rates for the Provider of Choice contract period. The tiered rate construct sets a two-tier framework for an allocation of costs, not an allocation of power. As described in the Policy, Bonneville is conducting a process to develop the 2029 Public Rate Design Methodology (PRDM) that will update and replace the Tiered Rates Methodology that expires September 30, 2028. The PRDM is a stand-alone document that defines the rate design applicable to customers that purchase Priority Firm power. Bonneville is drafting the PRDM through the public process before it formally adopts the methodology in a Northwest Power Act Section 7(i) process, concurrent with the BP-26 Rate Case proceedings.

**Customer flexibility to invest and integrate non-federal resources.** Bonneville balances the flexibility offered with the tiered rates foundational tenet to insulate customers from costs associated with other customers' resource choices for serving load growth. Some of the flexibilities Bonneville will provide include the following.

- Bonneville will allow customers to add a defined amount of non-federal resources to offset their Contract High Water Mark (CHWM) load. This will reduce the power a customer is required to purchase from Bonneville without triggering

take-or-pay provisions and without a reduction to the customer's associated CHWM.

- Bonneville will not track non-federal resources with a nameplate capacity of less than one megawatt in the contract.

Bonneville will continue to provide customers the option to serve their Above-CHWM load with non-federal resources.

Please note that the Federal Register Notice includes Supplemental Information that provides a summary of the Provider of Choice Policy.

Sincerely,

Kim Thompson  
Vice President for NW Requirements Marketing

2 Attachments:

1. Word version of Federal Register Notice
2. PDF version of Federal Register Notice

cc:

Treana Garrett – GC-71  
DOE Federal Register  
Certifying Official

---

**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Tuesday, February 27, 2024 2:52 PM  
**To:** Johnson, Tim A (BPA) - LP-7; Bodine-Watts, Mary C (BPA) - LP-7  
**Cc:** Burczak, Sarah E (BPA) - PS-6  
**Subject:** DOE questions  
**Attachments:** DOE questions on BPA Provider of Choice policy - SBEdits.docx

Hi Tim and Mary – Could one of you please review the Q/A we received from DOE? (as referenced in earlier email)?

We're hoping to turn this back today if at all possible.

Best Regards,

**Kim Thompson** (she/her/hers)

Vice President | Northwest Requirements Marketing

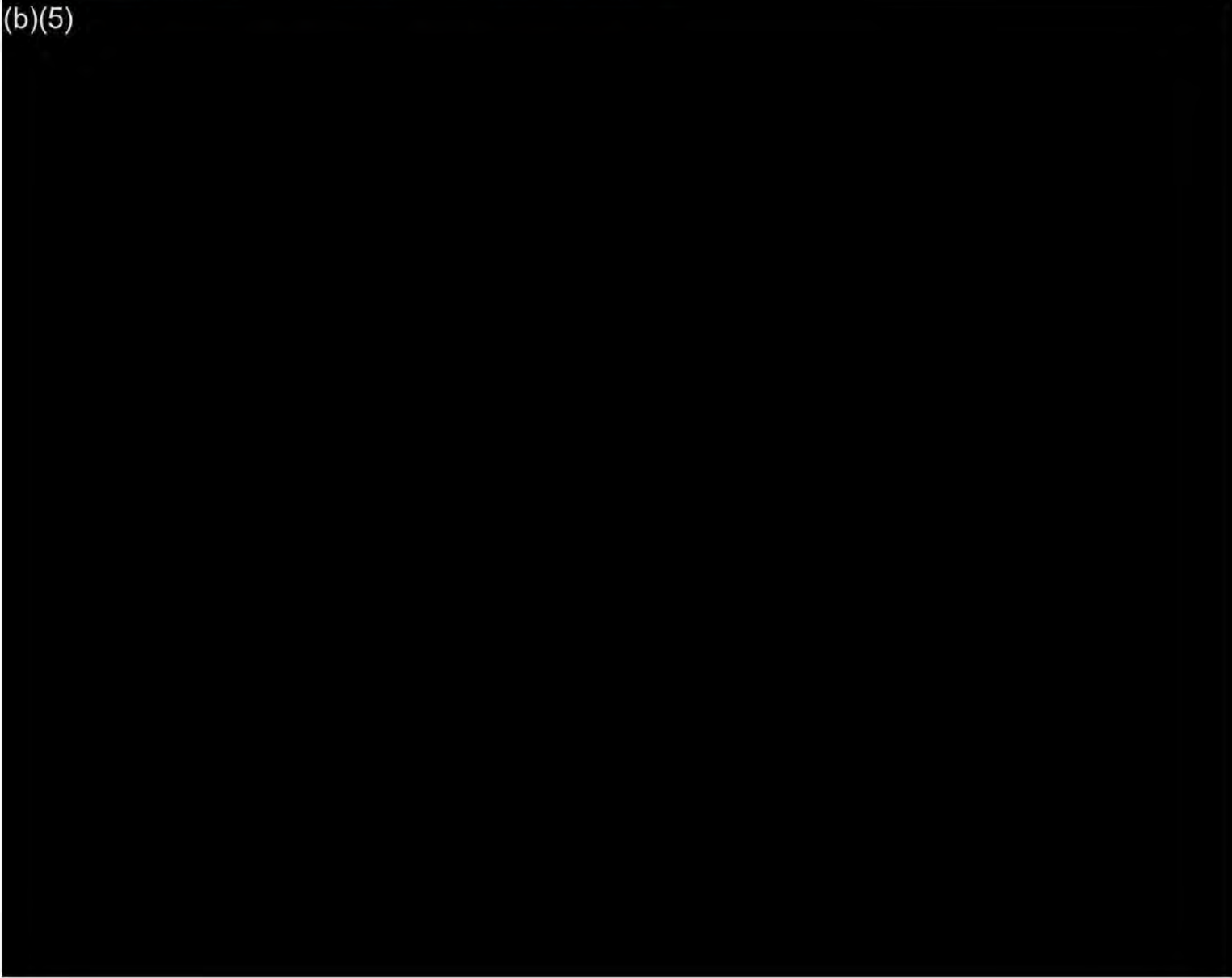
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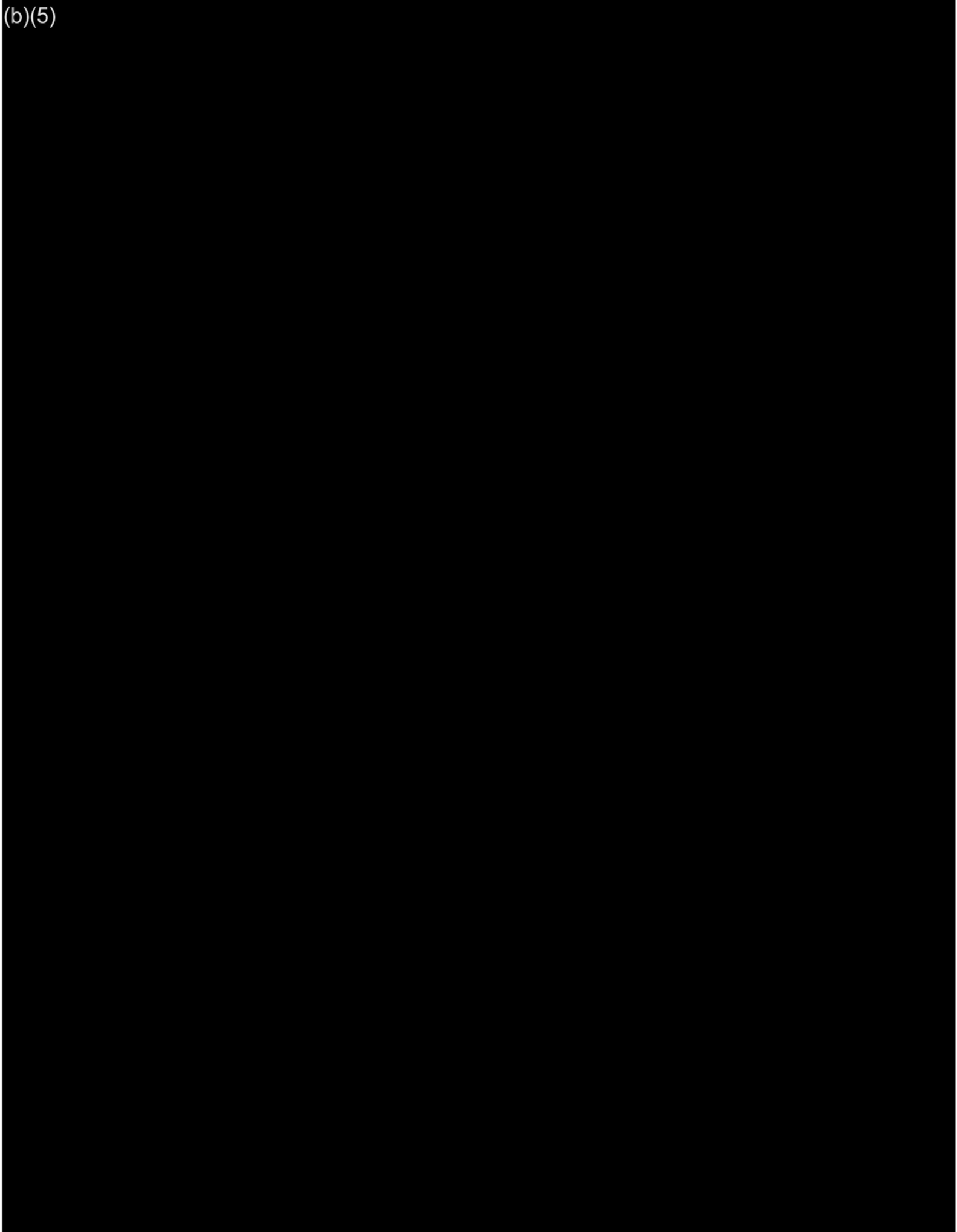


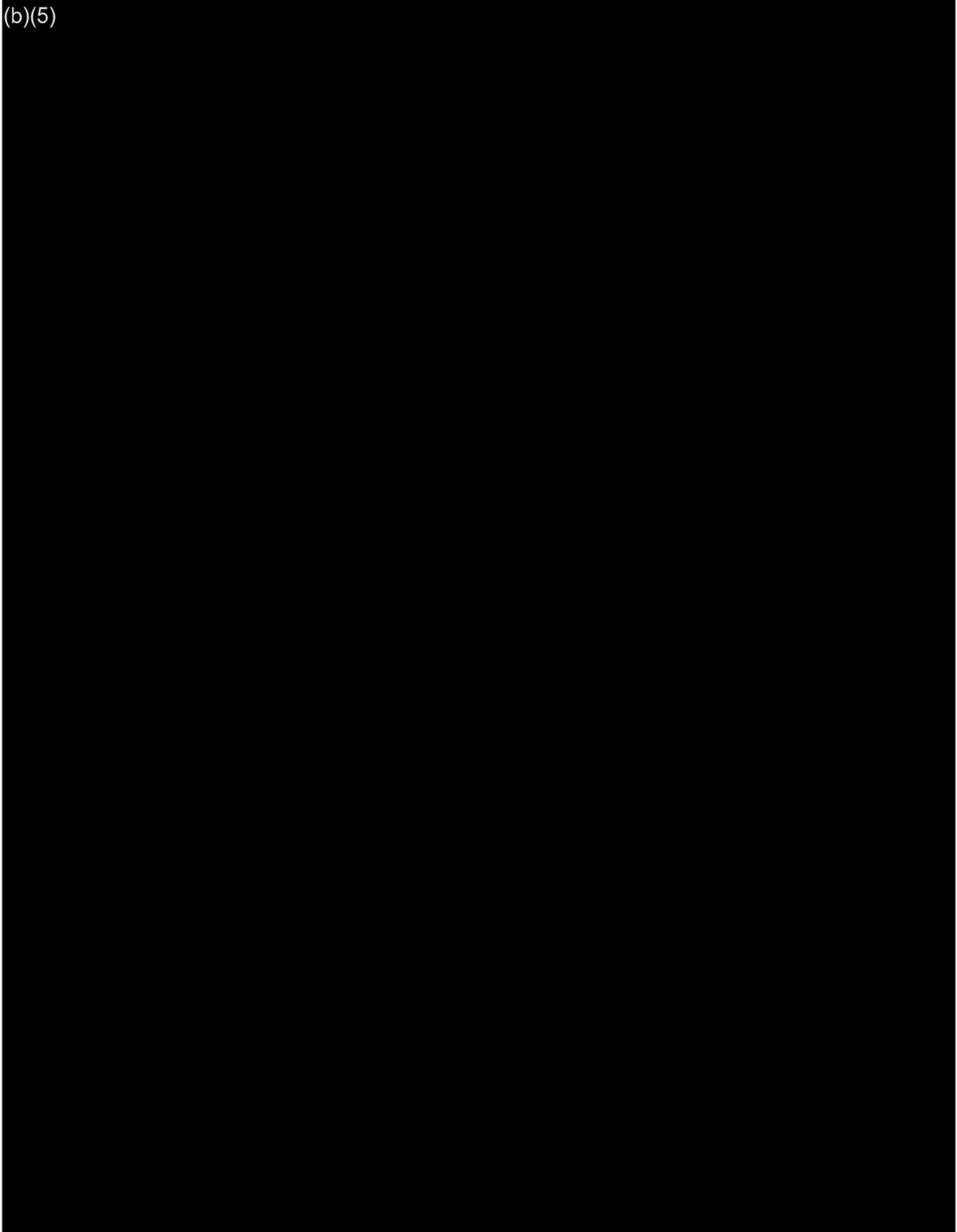
DOE questions on BPA Provider of Choice policy/ROD

(b)(5)









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**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Tuesday, February 27, 2024 4:33 PM  
**To:** Harkins, Brian A; Rimmer, William T (BPA) - PSE-MEAD-GOB  
**Cc:** Normandeau, Mike (BPA) - PSE-RONAN  
**Subject:** RE: [EXTERNAL] RE: [EXTERNAL] RE: BPA's Provider of Choice - policy connection with DOE Richland

(b)(5)



Best Regards,  
**Kim Thompson** (she/her/hers)  
Vice President | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
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---

**From:** Harkins, Brian A <[brian.harkins@rl.doe.gov](mailto:brian.harkins@rl.doe.gov)>  
**Sent:** Tuesday, February 27, 2024 11:59 AM  
**To:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>  
**Cc:** Rimmer, William T (BPA) - PSE-MEAD-GOB <[wtrimmer@bpa.gov](mailto:wtrimmer@bpa.gov)>; Normandeau, Mike (BPA) - PSE-RONAN <[mrnormandeau@bpa.gov](mailto:mrnormandeau@bpa.gov)>  
**Subject:** [EXTERNAL] RE: [EXTERNAL] RE: BPA's Provider of Choice - policy connection with DOE Richland

(b)(5)



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**From:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>  
**Sent:** Tuesday, January 30, 2024 8:52 AM  
**To:** Harkins, Brian A <[brian.harkins@rl.doe.gov](mailto:brian.harkins@rl.doe.gov)>  
**Cc:** Rimmer, William T (BPA) - PSE-MEAD-GOB <[wtrimmer@bpa.gov](mailto:wtrimmer@bpa.gov)>; Normandeau, Mike (BPA) - PSE-RONAN <[mrnormandeau@bpa.gov](mailto:mrnormandeau@bpa.gov)>  
**Subject:** [EXTERNAL] RE: BPA's Provider of Choice - policy connection with DOE Richland

Hi Brian – Thank you for the conversation this morning. In follow-up, I am attaching a few references for you. First are the comments which include inputs on DOE Richland and the CHWM adjustment. There isn't an easy way for me to point you to specific comments on BPA's website, so I have attached the relevant set as PDFs. The documents include broad inputs on BPA's draft policy, but you could search for references to DOE Richland.

I also thought you may appreciate a link to the [Provider of Choice website](#), which includes all workshop materials and the draft policy. This is also the site to which the final policy and record of decision will be published, once complete.

Best Regards,

**Kim Thompson** (she/her/hers)

Vice President | Northwest Requirements Marketing

**BONNEVILLE POWER ADMINISTRATION**

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---

**From:** Thompson, Kim T (BPA) - PS-6

**Sent:** Monday, January 29, 2024 4:33 PM

**To:** [brian.harkins@rl.doe.gov](mailto:brian.harkins@rl.doe.gov)

**Cc:** Rimmer, William T (BPA) - PSE-MEAD-GOB <[wtrimmer@bpa.gov](mailto:wtrimmer@bpa.gov)>; Normandeau, Mike (BPA) - PSE-ROANAN <[mrnormandeau@bpa.gov](mailto:mrnormandeau@bpa.gov)>

**Subject:** BPA's Provider of Choice - policy connection with DOE Richland

Hi Brian – We haven't had an opportunity to meet yet. I am accountable for BPA's Provider of Choice effort, developing BPA's next long-term power sale agreements. In advance of issuing BPA's Provider of Choice power sale policy and associated Record of Decision, I am writing to apprise you of a policy decision that impacts DOE Richland.

I would be happy to discuss this live with you – and thought an email summary would be an appropriate first step so you have an opportunity to reflect in advance of a call.

Today, DOE Richland is eligible for a Contract High Water Mark (CHWM) adjustment when its forecasted defense materials production and waste processing/disposal loads grow. Its CHWM may be adjusted by up to 70 aMW above its initial CHWM amount. This ensured load up to the adjusted CHWM amounts were eligible for power priced at BPA's PF Tier 1 rate under the Regional Dialogue contract.

In the draft Provider of Choice policy, BPA proposed preserving the CHWM adjustment category for DOE Richland. We received no comments supporting and six comments opposing continuation of the DOE Richland CHWM adjustment. The commenting organizations represent the majority of BPA's customers. The commenters' concern was that the proposed DOE Richland CHWM adjustment provides a single customer with superior terms compared to those available to all other customers.

(b)(5)



I did not want BPA's policy decision to surprise you upon publication. If you would like to connect live, please let me know and we can coordinate a time.



I am copying William Rimmer, BPA's Power Account Executive for DOE Richland, as well as Mike Normandeau, who is backing up William while he is briefly out of the office.

Best Regards,

**Kim Thompson** (she/her/hers)

Vice President | Northwest Requirements Marketing

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**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Wednesday, February 28, 2024 7:56 AM  
**To:** Warner, Joshua P (BPA) - AIR-7  
**Cc:** Baskerville, Sonya L (BPA) - AI-WASH; Burczak, Sarah E (BPA) - PS-6; Lichtenfels, Michelle E (BPA) - PS-6; Schaefer, Tara C (CONTR) - PS-6  
**Subject:** RE: [EXTERNAL] POC questions and next steps

Hi Josh – Correct. It is still under review, so I don't want to share it. So, if there are additional questions that Melissa has, we should find a way of briefing her to answer her questions. I am hopeful that the answers we provided give her the information she needs – and that when the ROD is available, she'll be able to reference it.

Best Regards,  
**Kim Thompson** (she/her/hers)  
Vice President | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
[bpa.gov](https://bpa.gov) | P 503-230-3408 | C(b)(6)



---

**From:** Warner, Joshua P (BPA) - AIR-7 <jpwarner@bpa.gov>  
**Sent:** Wednesday, February 28, 2024 7:50 AM  
**To:** Thompson, Kim T (BPA) - PS-6 <ktthompson@bpa.gov>  
**Cc:** Baskerville, Sonya L (BPA) - AI-WASH <slbaskerville@bpa.gov>; Burczak, Sarah E (BPA) - PS-6 <seburczak@bpa.gov>; Lichtenfels, Michelle E (BPA) - PS-6 <melichtenfels@bpa.gov>; Schaefer, Tara C (CONTR) - PS-6 <TCSchaefer@bpa.gov>  
**Subject:** RE: [EXTERNAL] POC questions and next steps

Kim-

I am assuming we don't really want to share the ROD. If that is not the case we certainly can share.

Josh

---

**From:** Warner, Joshua P (BPA) - AIR-7  
**Sent:** Wednesday, February 28, 2024 7:27 AM  
**To:** Ardis, Melissa <[melissa.ardis@hq.doe.gov](mailto:melissa.ardis@hq.doe.gov)>  
**Cc:** Baskerville, Sonya L (BPA) - AI-WASH <[slbaskerville@bpa.gov](mailto:slbaskerville@bpa.gov)>; Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>; Burczak, Sarah E (BPA) - PS-6 <[seburczak@bpa.gov](mailto:seburczak@bpa.gov)>; Lichtenfels, Michelle E (BPA) - PS-6 <[melichtenfels@bpa.gov](mailto:melichtenfels@bpa.gov)>; Schaefer, Tara C (CONTR) - PS-6 <[TCSchaefer@bpa.gov](mailto:TCSchaefer@bpa.gov)>  
**Subject:** RE: [EXTERNAL] POC questions and next steps

Melissa-

The ROD will be released with the final Policy. There was not a ROD that accompanied the draft Policy, so it is not posted.

Josh

---

**From:** Ardis, Melissa <[melissa.ardis@hq.doe.gov](mailto:melissa.ardis@hq.doe.gov)>  
**Sent:** Wednesday, February 28, 2024 7:17 AM  
**To:** Warner, Joshua P (BPA) - AIR-7 <[jpwarner@bpa.gov](mailto:jpwarner@bpa.gov)>  
**Subject:** RE: [EXTERNAL] POC questions and next steps

Hi Josh – in this answer document, it mentions the accompanying ROD for the POC, I have the draft Policy, but cannot find the ROD. Can you share that with me? (I may just be missing the document on the website).

Melissa Ardis (she/her)  
Senior Advisor, Power Marketing Administrations  
Office of the Under Secretary for Infrastructure

(b)(6)

[www.energy.gov](http://www.energy.gov)



---

**From:** Warner, Joshua P (BPA) - AIR-7 <[jpwarner@bpa.gov](mailto:jpwarner@bpa.gov)>  
**Sent:** Tuesday, February 27, 2024 5:45 PM  
**To:** Ardis, Melissa <[melissa.ardis@hq.doe.gov](mailto:melissa.ardis@hq.doe.gov)>  
**Cc:** Marker, Doug <[drmarker@bpa.gov](mailto:drmarker@bpa.gov)>; Jones, Sheron <[smjones@bpa.gov](mailto:smjones@bpa.gov)>; Baskerville, Sonya <[slbaskerville@bpa.gov](mailto:slbaskerville@bpa.gov)>  
**Subject:** RE: [EXTERNAL] POC questions and next steps

Melissa-

Attached is a document that responds to the questions you proposed below. Please note that the responses in the document reflect our final policy and we are not discussing any of the final content until we publish.

Thanks to our exceptional Provider or Choice team on pulling these responses together quickly.

Best,  
Josh

-----  
**Josh Warner** (he/him/his)

Liaison | Public Interest Organizations

**BONNEVILLE POWER ADMINISTRATION**

[jpwarner@bpa.gov](mailto:jpwarner@bpa.gov) | O: 503-230-5857 | C: (b)(6)

---

**From:** Ardis, Melissa <[melissa.ardis@hq.doe.gov](mailto:melissa.ardis@hq.doe.gov)>  
**Sent:** Tuesday, February 27, 2024 10:19 AM  
**To:** Warner, Joshua P (BPA) - AIR-7 <[jpwarner@bpa.gov](mailto:jpwarner@bpa.gov)>; Jones, Sheron M (BPA) - AIN-WASH <[smjones@bpa.gov](mailto:smjones@bpa.gov)>; Baskerville, Sonya L (BPA) - AI-WASH <[slbaskerville@bpa.gov](mailto:slbaskerville@bpa.gov)>  
**Cc:** Marker, Doug R (BPA) - AIR-7 <[drmarker@bpa.gov](mailto:drmarker@bpa.gov)>  
**Subject:** RE: [EXTERNAL] POC questions and next steps

Very much appreciated – thank you Josh!



Melissa Ardis (she/her)  
Senior Advisor, Power Marketing Administrations  
Office of the Under Secretary for Infrastructure

(b)(6)

[www.energy.gov](http://www.energy.gov)



---

**From:** Warner, Joshua P (BPA) - AIR-7 <[jpwarner@bpa.gov](mailto:jpwarner@bpa.gov)>  
**Sent:** Tuesday, February 27, 2024 11:19 AM  
**To:** Ardis, Melissa <[melissa.ardis@hq.doe.gov](mailto:melissa.ardis@hq.doe.gov)>; Jones, Sheron <[smjones@bpa.gov](mailto:smjones@bpa.gov)>; Baskerville, Sonya <[slbaskerville@bpa.gov](mailto:slbaskerville@bpa.gov)>  
**Cc:** Marker, Doug <[drmarker@bpa.gov](mailto:drmarker@bpa.gov)>  
**Subject:** RE: [EXTERNAL] POC questions and next steps

Thank you, Melissa. We will get you something in writing, endeavoring to get it to you today. It may slide to tomorrow.

Best,  
Josh

---

**From:** Ardis, Melissa <[melissa.ardis@hq.doe.gov](mailto:melissa.ardis@hq.doe.gov)>  
**Sent:** Tuesday, February 27, 2024 9:58 AM  
**To:** Jones, Sheron M (BPA) - AIN-WASH <[smjones@bpa.gov](mailto:smjones@bpa.gov)>; Warner, Joshua P (BPA) - AIR-7 <[jpwarner@bpa.gov](mailto:jpwarner@bpa.gov)>; Baskerville, Sonya L (BPA) - AI-WASH <[slbaskerville@bpa.gov](mailto:slbaskerville@bpa.gov)>  
**Subject:** RE: [EXTERNAL] POC questions and next steps

That is correct. This would be specifically related to POC.

Melissa Ardis (she/her)  
Senior Advisor, Power Marketing Administrations  
Office of the Under Secretary for Infrastructure

(b)(6)

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---

**From:** Jones, Sheron M (BPA) - AIN-WASH <[smjones@bpa.gov](mailto:smjones@bpa.gov)>  
**Sent:** Tuesday, February 27, 2024 10:57 AM  
**To:** Ardis, Melissa <[melissa.ardis@hq.doe.gov](mailto:melissa.ardis@hq.doe.gov)>; Warner, Joshua <[jpwarner@bpa.gov](mailto:jpwarner@bpa.gov)>; Baskerville, Sonya <[slbaskerville@bpa.gov](mailto:slbaskerville@bpa.gov)>  
**Subject:** RE: [EXTERNAL] POC questions and next steps

Meslissa – Is this regarding the Provider of Choice FRN?



Thank You

Sheron M. Jones  
Bonneville Power Administration  
D.C. Office of National Relations  
Phone: (202) 586-5640  
Fax: (202) 586-6763  
E-mail: [smjones@bpa.gov](mailto:smjones@bpa.gov)



---

**From:** Ardis, Melissa <[melissa.ardis@hq.doe.gov](mailto:melissa.ardis@hq.doe.gov)>  
**Sent:** Tuesday, February 27, 2024 12:53 PM  
**To:** Jones, Sheron M (BPA) - AIN-WASH <[smjones@bpa.gov](mailto:smjones@bpa.gov)>; Warner, Joshua P (BPA) - AIR-7 <[jpwarner@bpa.gov](mailto:jpwarner@bpa.gov)>;  
Baskerville, Sonya L (BPA) - AI-WASH <[slbaskerville@bpa.gov](mailto:slbaskerville@bpa.gov)>  
**Subject:** [EXTERNAL] POC questions and next steps  
**Importance:** High

Hi all – we have the following questions on POC. Sheron and Josh – does it make sense for us to have a brief meeting with BPA to talk through these questions. I know we are trying to keep moving forward on this, so if we could make something work this week that would be great. I leave it to your discretion on who from BPA would be best to walk us through these questions. Alternatively, if BPA wanted to provide answers in writing (by today would be great if in writing) I can go back to folks on them. Please let me know what you think.

(b)(5)



Thank you,

Melissa Ardis (she/her)  
Senior Advisor, Power Marketing Administrations  
Office of the Under Secretary for Infrastructure

(b)(6)

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---

**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Wednesday, February 28, 2024 8:50 AM  
**To:** Jones, Sharon M (BPA) - AIN-WASH  
**Subject:** RE: [EXTERNAL] POC questions and next steps

Thanks Sharon!

Best Regards,  
**Kim Thompson** (she/her/hers)  
Vice President | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
[bpa.gov](http://bpa.gov) | P 503-230-3408 | C (b)(6)



---

**From:** Jones, Sharon M (BPA) - AIN-WASH <[smjones@bpa.gov](mailto:smjones@bpa.gov)>  
**Sent:** Wednesday, February 28, 2024 6:16 AM  
**To:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>  
**Subject:** FW: [EXTERNAL] POC questions and next steps

Good morning Kim - FYI

Thank You

Sharon M. Jones  
Bonneville Power Administration  
D.C. Office of National Relations  
Phone: (202) 586-5640  
Fax: (202) 586-6763  
E-mail: [smjones@bpa.gov](mailto:smjones@bpa.gov)



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**From:** Ardis, Melissa <[melissa.ardis@hq.doe.gov](mailto:melissa.ardis@hq.doe.gov)>  
**Sent:** Tuesday, February 27, 2024 8:15 PM  
**To:** Warner, Joshua P (BPA) - AIR-7 <[jpwarner@bpa.gov](mailto:jpwarner@bpa.gov)>  
**Cc:** Marker, Doug R (BPA) - AIR-7 <[drmarker@bpa.gov](mailto:drmarker@bpa.gov)>; Jones, Sharon M (BPA) - AIN-WASH <[smjones@bpa.gov](mailto:smjones@bpa.gov)>; Baskerville, Sonya L (BPA) - AI-WASH <[slbaskerville@bpa.gov](mailto:slbaskerville@bpa.gov)>  
**Subject:** Re: [EXTERNAL] POC questions and next steps

These are very helpful - thank you Josh and team BPA!

Melissa Ardis  
Senior Advisor, Power Marketing Administrations  
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---

**From:** Warner,Joshua P (BPA) - AIR-7 <[jpwarner@bpa.gov](mailto:jpwarner@bpa.gov)>  
**Sent:** Tuesday, February 27, 2024 5:46 PM  
**To:** Ardis, Melissa <[melissa.ardis@hq.doe.gov](mailto:melissa.ardis@hq.doe.gov)>  
**Cc:** Marker, Doug <[drmarker@bpa.gov](mailto:drmarker@bpa.gov)>; Jones, Sheron <[smjones@bpa.gov](mailto:smjones@bpa.gov)>; Baskerville, Sonya <[slbaskerville@bpa.gov](mailto:slbaskerville@bpa.gov)>  
**Subject:** RE: [EXTERNAL] POC questions and next steps

Melissa-

Attached is a document that responds to the questions you proposed below. Please note that the responses in the document reflect our final policy and we are not discussing any of the final content until we publish.

Thanks to our exceptional Provider or Choice team on pulling these responses together quickly.

Best,  
Josh

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**Josh Warner** (he/him/his)  
Liaison | Public Interest Organizations  
**BONNEVILLE POWER ADMINISTRATION**  
[jpwarner@bpa.gov](mailto:jpwarner@bpa.gov) | O: 503-230-5857 | C: (b)(6)

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**Sent:** Tuesday, February 27, 2024 10:19 AM  
**To:** Warner,Joshua P (BPA) - AIR-7 <[jpwarner@bpa.gov](mailto:jpwarner@bpa.gov)>; Jones,Sheron M (BPA) - AIN-WASH <[smjones@bpa.gov](mailto:smjones@bpa.gov)>; Baskerville,Sonya L (BPA) - AI-WASH <[slbaskerville@bpa.gov](mailto:slbaskerville@bpa.gov)>  
**Cc:** Marker,Doug R (BPA) - AIR-7 <[drmarker@bpa.gov](mailto:drmarker@bpa.gov)>  
**Subject:** RE: [EXTERNAL] POC questions and next steps

Very much appreciated – thank you Josh!

Melissa Ardis (she/her)  
Senior Advisor, Power Marketing Administrations  
Office of the Under Secretary for Infrastructure

(b)(6)  
[www.energy.gov](http://www.energy.gov)



---

**From:** Warner,Joshua P (BPA) - AIR-7 <[jpwarner@bpa.gov](mailto:jpwarner@bpa.gov)>  
**Sent:** Tuesday, February 27, 2024 11:19 AM  
**To:** Ardis, Melissa <[melissa.ardis@hq.doe.gov](mailto:melissa.ardis@hq.doe.gov)>; Jones, Sheron <[smjones@bpa.gov](mailto:smjones@bpa.gov)>; Baskerville, Sonya <[slbaskerville@bpa.gov](mailto:slbaskerville@bpa.gov)>



**Cc:** Marker, Doug <[drmarker@bpa.gov](mailto:drmarker@bpa.gov)>

**Subject:** RE: [EXTERNAL] POC questions and next steps

Thank you, Melissa. We will get you something in writing, endeavoring to get it to you today. It may slide to tomorrow.

Best,  
Josh

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**From:** Ardis, Melissa <[melissa.ardis@hq.doe.gov](mailto:melissa.ardis@hq.doe.gov)>

**Sent:** Tuesday, February 27, 2024 9:58 AM

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Baskerville,Sonya L (BPA) - AI-WASH <[slbaskerville@bpa.gov](mailto:slbaskerville@bpa.gov)>

**Subject:** RE: [EXTERNAL] POC questions and next steps

That is correct. This would be specifically related to POC.

Melissa Ardis (she/her)

Senior Advisor, Power Marketing Administrations

Office of the Under Secretary for Infrastructure

(b)(6)

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---

**From:** Jones,Sheron M (BPA) - AIN-WASH <[smjones@bpa.gov](mailto:smjones@bpa.gov)>

**Sent:** Tuesday, February 27, 2024 10:57 AM

**To:** Ardis, Melissa <[melissa.ardis@hq.doe.gov](mailto:melissa.ardis@hq.doe.gov)>; Warner, Joshua <[jpwarnar@bpa.gov](mailto:jpwarnar@bpa.gov)>; Baskerville, Sonya <[slbaskerville@bpa.gov](mailto:slbaskerville@bpa.gov)>

**Subject:** RE: [EXTERNAL] POC questions and next steps

Meslissa – Is this regarding the Provider of Choice FRN?

Thank You

Sheron M. Jones

Bonneville Power Administration

D.C. Office of National Relations

Phone: (202) 586-5640

Fax: (202) 586-6763

E-mail: [smjones@bpa.gov](mailto:smjones@bpa.gov)



**From:** Ardis, Melissa <[melissa.ardis@hq.doe.gov](mailto:melissa.ardis@hq.doe.gov)>

**Sent:** Tuesday, February 27, 2024 12:53 PM

**To:** Jones,Sheron M (BPA) - AIN-WASH <[smjones@bpa.gov](mailto:smjones@bpa.gov)>; Warner,Joshua P (BPA) - AIR-7 <[jpwarner@bpa.gov](mailto:jpwarner@bpa.gov)>; Baskerville,Sonya L (BPA) - AI-WASH <[slbaskerville@bpa.gov](mailto:slbaskerville@bpa.gov)>

**Subject:** [EXTERNAL] POC questions and next steps

**Importance:** High

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(b)(5)

Thank you,

Melissa Ardis (she/her)

Senior Advisor, Power Marketing Administrations

Office of the Under Secretary for Infrastructure

(b)(5)

[www.energy.gov](http://www.energy.gov)



U.S. DEPARTMENT OF  
**ENERGY**

OFFICE OF THE UNDER SECRETARY FOR  
**INFRASTRUCTURE**

---

**From:** Cooper,Suzanne B (BPA) - P-6  
**Sent:** Wednesday, February 28, 2024 2:14 PM  
**To:** Hairston,John L (BPA) - A-7; Cook,Joel D (BPA) - K-7  
**Cc:** Warner,Joshua P (BPA) - AIR-7; Thompson,Kim T (BPA) - PS-6  
**Subject:** FW: Priority Response: [EXTERNAL] POC questions and next steps  
**Attachments:** DOE questions on BPA Provider of Choice policy.docx

**Importance:** High

For your awareness, in reviewing the FRN for the POC policy and ROD release, Melissa Ardis at DOE had several questions (b)(5) which Kim and team responded to in the attachment.

---

**From:** Thompson,Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>  
**Sent:** Tuesday, February 27, 2024 4:17 PM  
**To:** Cooper,Suzanne B (BPA) - P-6 <[sbcooper@bpa.gov](mailto:sbcooper@bpa.gov)>  
**Subject:** FW: Priority Response: [EXTERNAL] POC questions and next steps  
**Importance:** High

FYSA – Here are the answers we landed on. We went beyond yes/no. 😊

Best Regards,  
**Kim Thompson** (she/her/hers)  
Vice President | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
[bpa.gov](http://bpa.gov) | P 503-230-3408 | C (b)(6)



---

**From:** Thompson,Kim T (BPA) - PS-6  
**Sent:** Tuesday, February 27, 2024 4:16 PM  
**To:** Warner,Joshua P (BPA) - AIR-7 <[jpwarner@bpa.gov](mailto:jpwarner@bpa.gov)>; Burczak,Sarah E (BPA) - PS-6 <[seburczak@bpa.gov](mailto:seburczak@bpa.gov)>; Lichtenfels,Michelle E (BPA) - PS-6 <[melichtenfels@bpa.gov](mailto:melichtenfels@bpa.gov)>  
**Subject:** RE: Priority Response: [EXTERNAL] POC questions and next steps  
**Importance:** High

Hi Josh – Attached please find responses to the questions Melissa posed. Thanks to Sarah, Mary and Tim for quick-turn reviews.

Best Regards,  
**Kim Thompson** (she/her/hers)  
Vice President | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
[bpa.gov](http://bpa.gov) | P 503-230-3408 | C (b)(6)



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**From:** Warner,Joshua P (BPA) - AIR-7 <[jpwarner@bpa.gov](mailto:jpwarner@bpa.gov)>  
**Sent:** Tuesday, February 27, 2024 10:17 AM



**To:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>; Burczak, Sarah E (BPA) - PS-6 <[seburczak@bpa.gov](mailto:seburczak@bpa.gov)>; Lichtenfels, Michelle E (BPA) - PS-6 <[melichtenfels@bpa.gov](mailto:melichtenfels@bpa.gov)>

**Subject:** RE: Priority Response: [EXTERNAL] POC questions and next steps

Thank you! I will let them know to expect something in writing.

Josh

---

**From:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>

**Sent:** Tuesday, February 27, 2024 10:15 AM

**To:** Warner, Joshua P (BPA) - AIR-7 <[jpwarner@bpa.gov](mailto:jpwarner@bpa.gov)>; Burczak, Sarah E (BPA) - PS-6 <[seburczak@bpa.gov](mailto:seburczak@bpa.gov)>;

Lichtenfels, Michelle E (BPA) - PS-6 <[melichtenfels@bpa.gov](mailto:melichtenfels@bpa.gov)>

**Subject:** RE: Priority Response: [EXTERNAL] POC questions and next steps

Hi Josh – I would prefer written to ensure we know where we may have sticking points as quickly as possible.


I will take first pass at responses and include Sarah/Michelle (and possibly a legal loop too), with goal of today (which may be a stretch). More to come...

Best Regards,

**Kim Thompson** (she/her/hers)

Vice President | Northwest Requirements Marketing

**BONNEVILLE POWER ADMINISTRATION**

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---

**From:** Warner, Joshua P (BPA) - AIR-7 <[jpwarner@bpa.gov](mailto:jpwarner@bpa.gov)>

**Sent:** Tuesday, February 27, 2024 10:11 AM

**To:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>; Burczak, Sarah E (BPA) - PS-6 <[seburczak@bpa.gov](mailto:seburczak@bpa.gov)>;

Lichtenfels, Michelle E (BPA) - PS-6 <[melichtenfels@bpa.gov](mailto:melichtenfels@bpa.gov)>

**Subject:** Priority Response: [EXTERNAL] POC questions and next steps

Kim, Sarah and Michelle-

Just received this. Don't know what you would prefer in response. Writing today might be a challenge, but if doable, looks to be preferred.

Best,

Josh

---

**From:** Ardis, Melissa <[melissa.ardis@hq.doe.gov](mailto:melissa.ardis@hq.doe.gov)>

**Sent:** Tuesday, February 27, 2024 9:53 AM

**To:** Jones, Sheron M (BPA) - AIN-WASH <[smjones@bpa.gov](mailto:smjones@bpa.gov)>; Warner, Joshua P (BPA) - AIR-7 <[jpwarner@bpa.gov](mailto:jpwarner@bpa.gov)>;

Baskerville, Sonya L (BPA) - AI-WASH <[slbaskerville@bpa.gov](mailto:slbaskerville@bpa.gov)>

**Subject:** [EXTERNAL] POC questions and next steps

**Importance:** High

Hi all – we have the following questions on POC. Sheron and Josh – does it make sense for us to have a brief meeting with BPA to talk through these questions. I know we are trying to keep moving forward on this, so if we could make something work this week that would be great. I leave it to your discretion on who from BPA would be best to walk us



through these questions. Alternatively, if BPA wanted to provide answers in writing (by today would be great if in writing) I can go back to folks on them. Please let me know what you think.

(b)(5)



Thank you,

Melissa Ardis (she/her)  
Senior Advisor, Power Marketing Administrations  
Office of the Under Secretary for Infrastructure

(b)(6)

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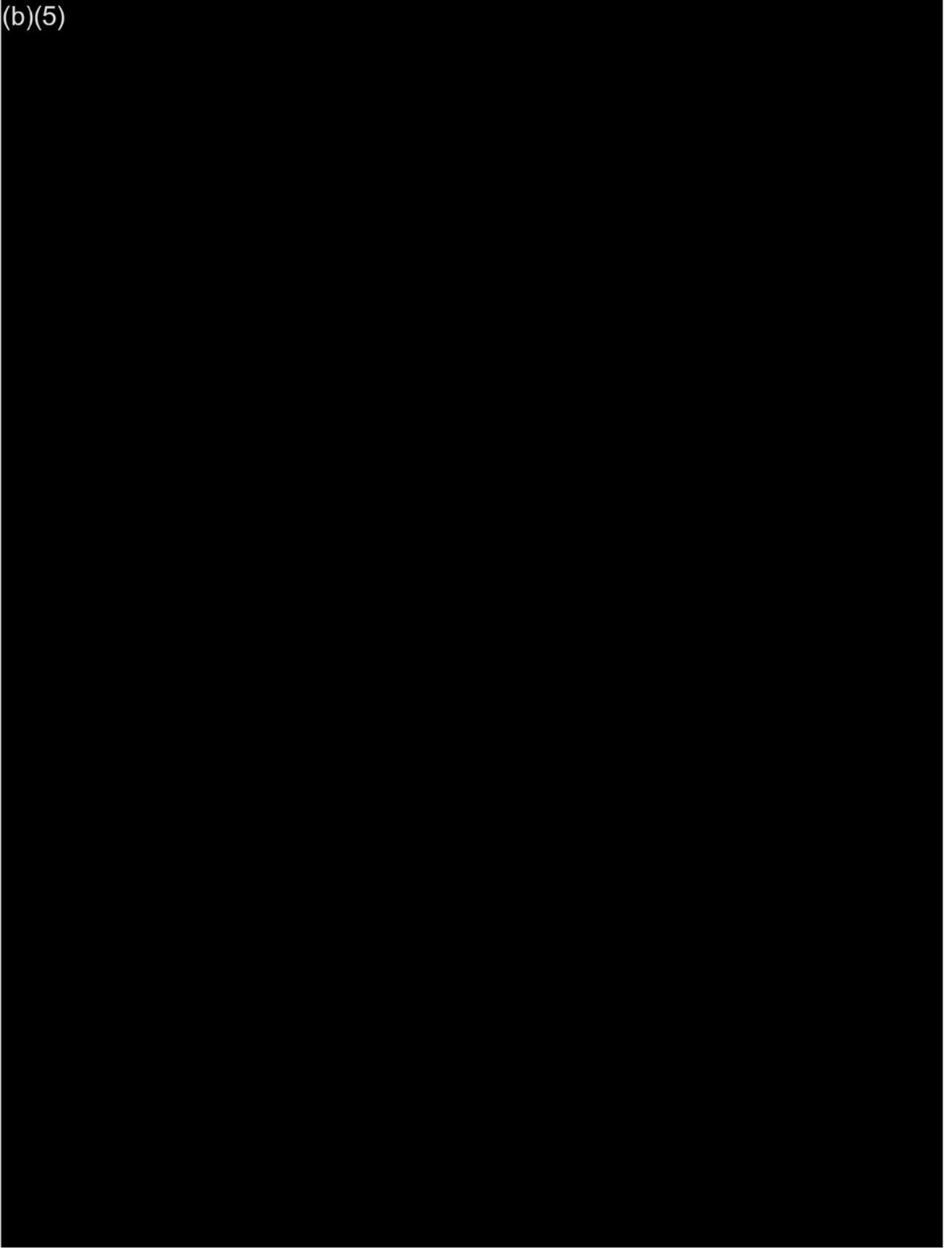
## DOE questions on BPA Provider of Choice policy/ROD

The below provides relatively brief – and quickly assembled - responses to the questions we received. More information is embedded in BPA's Policy and Record of Decision, which document the details of policy intent, rationales for granting and/or limiting features, and the statutory basis behind certain policy elements.

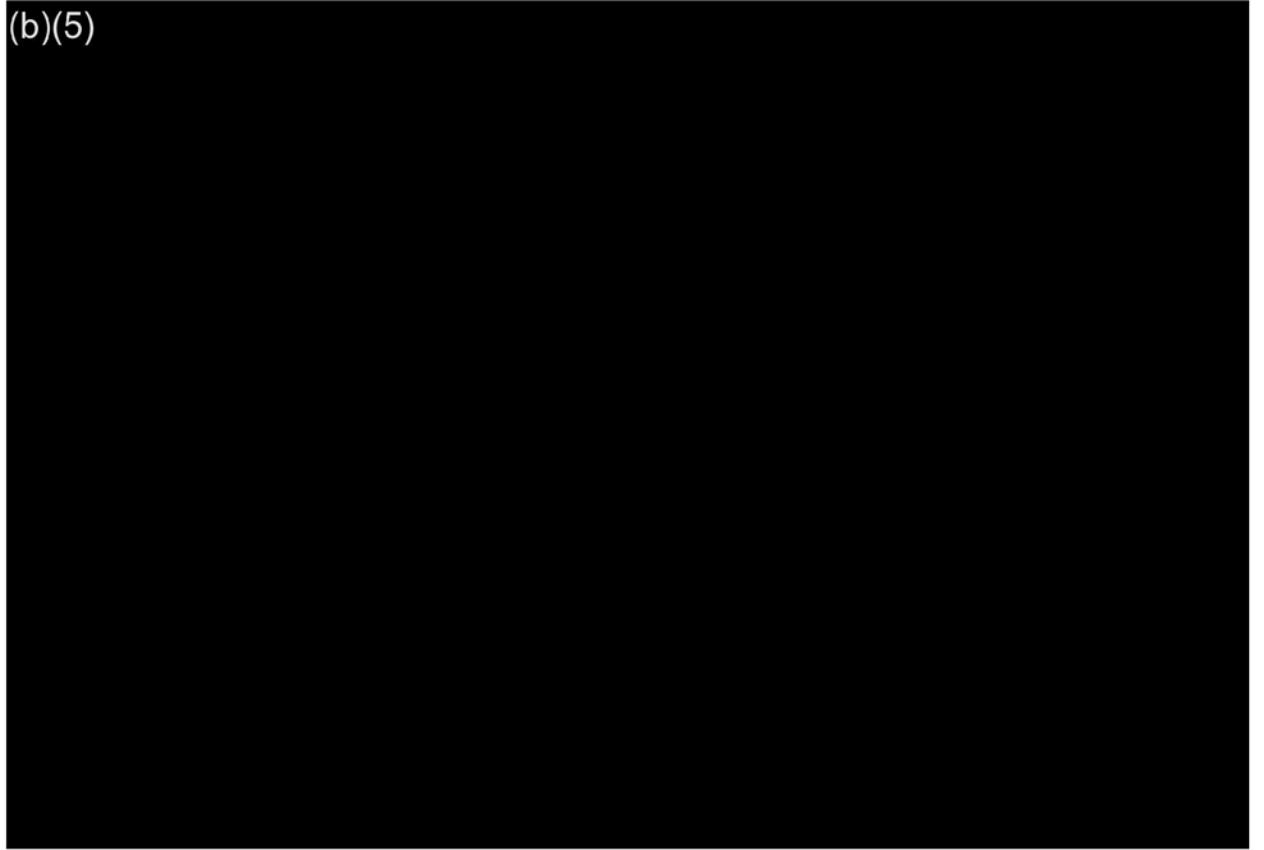
(b)(5)



(b)(5)



(b)(5)





---

**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Thursday, February 29, 2024 8:31 AM  
**To:** Burr, Robert A (BPA) - PS-6  
**Subject:** RE: PoC Check in Today

And Rob – FYI that I’m WFH this morning, so we’ll need to be via phone. I’ll be heading to the office at lunchtime for our PM meeting.

Best Regards,  
**Kim Thompson** (she/her/hers)  
Vice President | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
[bpa.gov](http://bpa.gov) | P 503-230-3408 | (b)(6)



---

**From:** Burr, Robert A (BPA) - PS-6 <raburr@bpa.gov>  
**Sent:** Thursday, February 29, 2024 8:26 AM  
**To:** Thompson, Kim T (BPA) - PS-6 <kttthompson@bpa.gov>  
**Subject:** PoC Check in Today

Hi Kim,

Few things for our check in. I know we won’t get to them all but wanted you to be aware of some of the work happening. Be great to get your take on some of these items. The Block analyses will need some deeper explanation and Kate Patton and Scott have done some good thinking on this.

- **Slice Confab this afternoon.**
  - Workshop planning and approach
- **Slice – SIG Sandbox** (See email below and Birgit’s response)
- **Block with Shaping analyses** - markets and ops (Some analysis and conclusions attached)
  - Slides 4 shows markets value of.
    - Two years, 2022 and 2023 of January and August monthly Load analysis and impacts of shaping capacity ramping rates.
    - Based on a load assumption of 1000 aMW dedicated to the Block with Shaping Capacity product.
    - Assume 500 aMW amount of shaping capacity.
    - Shaping capacity can shape 1000aMW down to 600 AMW or up to 1500 aMW.
    - Ramp Rate 10% per hour - total 50 aMW.
  - Slide 5 – Value to customers with no predict design constraints
  - Slide 6 – Shows cost to serve load on flat block calculations if that customer was a Load Following product

Thanks, Rob

**Rob Burr**  
Policy Specialist | Provider of Choice | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
P 360-610-2368

---

**From:** Koehler,Birgit G (BPA) - PG-5 <[bgkoehler@bpa.gov](mailto:bgkoehler@bpa.gov)>  
**Sent:** Thursday, February 29, 2024 7:11 AM  
**To:** Cisco,Kayla A (BPA) - PGL-5 <[kacisco@BPA.gov](mailto:kacisco@BPA.gov)>; Normandeau,Mike (BPA) - PSE-RONAN <[mrnormandeau@bpa.gov](mailto:mrnormandeau@bpa.gov)>; Burr,Robert A (BPA) - PS-6 <[raburr@bpa.gov](mailto:raburr@bpa.gov)>  
**Cc:** McKinney,William P (BPA) - PGL-5 <[wpmckinney@bpa.gov](mailto:wpmckinney@bpa.gov)>  
**Subject:** RE: [EXTERNAL] Planned Product Sandbox

My first reaction is that it is good timing to get the email. These are topics to keep in mind this afternoon.

As to format, I think we want to stick with the workshop schedule. That's what we've planned for. That follows guidance from Kim. That can still cover the topics they are interested in discussing, but be more clearly in a public forum.

---

**From:** Cisco,Kayla A (BPA) - PGL-5 <[kacisco@BPA.gov](mailto:kacisco@BPA.gov)>  
**Sent:** Thursday, February 29, 2024 7:06 AM  
**To:** Koehler,Birgit G (BPA) - PG-5 <[bgkoehler@bpa.gov](mailto:bgkoehler@bpa.gov)>; Normandeau,Mike (BPA) - PSE-RONAN <[mrnormandeau@bpa.gov](mailto:mrnormandeau@bpa.gov)>; Burr,Robert A (BPA) - PS-6 <[raburr@bpa.gov](mailto:raburr@bpa.gov)>  
**Cc:** McKinney,William P (BPA) - PGL-5 <[wpmckinney@bpa.gov](mailto:wpmckinney@bpa.gov)>  
**Subject:** FW: [EXTERNAL] Planned Product Sandbox

Hi All,

Got the following email from the SIG chairs. This is what they want the Slice sandbox or planned product sandbox to look like. I am a hesitant to go forward extending the SIG time to allow others, given that chances to offer Slice are even more uncertain than they were a month ago. We are supposed to be getting a letter from SNPD at some point in the next week or two and that really calls into questions the value proposition of Slice. We also have the April workshops coming up and I imagine a lot of this may be covered. Let me know your thoughts.

Thanks,  
Kayla Cisco

**Kayla Cisco** (She/Her/Hers)  
Supervisory Public Utilities Specialist | Slice Operations & Management

**BONNEVILLE POWER ADMINISTRATION**

[kacisco@bpa.gov](mailto:kacisco@bpa.gov) | O:503-230-3480



---

**From:** Marr, Garrison <[GBMarr@Snopud.com](mailto:GBMarr@Snopud.com)>  
**Sent:** Wednesday, February 28, 2024 1:59 PM  
**To:** Cisco,Kayla A (BPA) - PGL-5 <[kacisco@BPA.gov](mailto:kacisco@BPA.gov)>  
**Cc:** Bayunt Ollek <[bollek@sapereconsulting.com](mailto:bollek@sapereconsulting.com)>; Chase Morgan <[CDMorgan@ifpower.org](mailto:CDMorgan@ifpower.org)>  
**Subject:** [EXTERNAL] Planned Product Sandbox

Kayla,

Thanks again for the good discussion earlier this month on the Sandbox effort. Per discussion, here is the written summary of what customers shared. Please let me know if you have any questions or if there's anything else we can do to be helpful.

1. *Sandbox Topics:*
  1. **Core constructs of Planned Products – "Level-Setting"**
    1. Identify basic product elements and challenges BPA faces in providing them



2. Identify elements most ripe for conversation given changes in the operating environment from BPA's perspective

1. *RSO test, Tier 2 products and NR service options, WRAP/market compatibility, WRAP/Market participation funding, non-federal resource integration, supplemental capacity products, updated load shaping factors, etc.*

2. **Market mechanics and product participation (Slice and Block Shaping Capacity)**

1. Customers request BPA's vision for how BPA and customers may benefit from organized markets, what customers will be asked and required to do to enable their market participation, how market participation is funded, and how BPA will seek to incorporate market rules for resource adequacy/sufficiency in its resource planning; we'd like to see how this vision maps across products to better understand how the vision might be achieved and to identify different cost and revenue centers associated with participation in future organized markets.
2. Customers would like the opportunity to share their market vision, which includes renewable integration through markets, maximizing efficiency and minimizing costs through market redispatch, and providing appropriate price signals for regional resource development through market participation
3. Customers see clear downsides from the current BPA proposal for "fixed self-schedules" before the DAM market run
  1. Customers foresee a loss of value for customers, BPA, and the Northwest in the proposal to schedule products as price takers before the DAM run, due to constraints on redispatch that will increase the cost of generation to all
  2. Customers are concerned about potential exposure to WRAP and market penalties in managing uncertainty after fixed schedules to real-time delivery
4. Planned Product Customers are interested in evaluating options for market participation
  1. Customers have identified potential models and tracks that we'd like to discuss to identify how both BPA and customers can take advantage of cost savings and potential new revenues due to DA markets

3. **Compatibility of new products with WRAP program and obligations**

1. *FS planning*
2. *Ops program vs market must offer requirements*
3. *Ops data flows*

2. **Sandbox Format:**

1. 3 hours, on Wednesday Slice days (PPC week); 1-4pm
  1. Staffing: Slice staff, PoC (we love all staff but think Rob Burr might be important for products discussion, Sarah and Lindsey for policy); Markets staff (Libby Kirby), Rates (as applicable)
2. 30 minutes of 3 hours would be standing Slice Implementation Group Call (we'd prefer last half hour, but are flexible); this would be only Slice only time, to discuss operations of Slice product for current period
3. We're okay with level-setting in first meeting, but feel that a level-setting meeting would need to occur in March for subsequent discussions to be aligned with other BPA processes.

**Garrison Marr**

Senior Manager, Power Supply

[Snohomish County PUD](#) | (425) 309-6923

2320 California Street | Everett, WA | 98201

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**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Friday, March 1, 2024 2:04 PM  
**To:** Johnson, Tim A (BPA) - LP-7  
**Subject:** FW: [EXTERNAL] Clark PUD Request for Product Switch for BP26  
**Attachments:** Clark Public Utilities - BPA Letter.docx.pdf

Best Regards,  
**Kim Thompson** (she/her/hers)  
Vice President | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
[bpa.gov](http://bpa.gov) | P 503-230-3408 | C (b)(6)



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**From:** Farleigh, Kevin S (BPA) - PSW-6 <[ksfarleigh@bpa.gov](mailto:ksfarleigh@bpa.gov)>  
**Sent:** Thursday, February 22, 2024 3:19 PM  
**To:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>; Wilson, Scott K (BPA) - PSW-6 <[skwilson@bpa.gov](mailto:skwilson@bpa.gov)>; Cisco, Kayla A (BPA) - PGL-5 <[kacisco@bpa.gov](mailto:kacisco@bpa.gov)>; Fisher, Daniel H (BPA) - PSR-6 <[dhfisher@bpa.gov](mailto:dhfisher@bpa.gov)>; Schimmels, Nancy M (BPA) - PSE-MEAD-GOB <[nmschimmels@bpa.gov](mailto:nmschimmels@bpa.gov)>; Garrett, Paul D (BPA) - PSS-6 <[pdgarrett@bpa.gov](mailto:pdgarrett@bpa.gov)>; Perry, Marcus I (BPA) - PSW-6 <[miperry@bpa.gov](mailto:miperry@bpa.gov)>; Mozena, Kevin I (BPA) - PSE-6 <[kimozena@bpa.gov](mailto:kimozena@bpa.gov)>  
**Subject:** FW: [EXTERNAL] Clark PUD Request for Product Switch for BP26

Greetings all,

FYI, attached is Clark's formal request for an option to change to Load Following effective BP26. We'll see if we get any other letters in the near term.

With the possible exception of Snohomish, Clark is not discussing this publicly (including with TEA). They've accordingly requested a few days heads up from me prior to us going external with anything on this.

I'll try to schedule some time for us all to connect on this to discuss next steps. In the meantime, please let me know if you have any immediate thoughts. Thanks.

Kevin  
503-230-4055

---

**From:** Dan Bedbury <[DBedbury@clarkpud.com](mailto:DBedbury@clarkpud.com)>  
**Sent:** Thursday, February 22, 2024 2:32 PM  
**To:** Farleigh, Kevin S (BPA) - PSW-6 <[ksfarleigh@bpa.gov](mailto:ksfarleigh@bpa.gov)>  
**Cc:** Steve Andersen <[SAndersen@clarkpud.com](mailto:SAndersen@clarkpud.com)>; Sweeney, Charles R (TFE)(BPA) - TSE-TPP-2 <[crsweeney@bpa.gov](mailto:crsweeney@bpa.gov)>  
**Subject:** [EXTERNAL] Clark PUD Request for Product Switch for BP26

Kevin,



Attached is Clark's request to change our purchase obligation from the Slice/Block product to the Load Following product effective October 1, 2025. As stated in the letter, our intention is to continue with the Load Following product through the term of the Provider of Choice contract.

We appreciate your consideration at this time and look forward to working with you on this matter. Please reach out for any other information you might need as we move forward.

Best,

Dan Bedbury  
Director of Energy Resources  
Clark Public Utilities  
360-992-3136 (office)  
(b)(6) (mobile)



**Commissioners**

Nancy E. Barnes  
Jim Malinowski  
Jane A. Van Dyke

**Chief Executive Officer/  
General Manager**

Lena Wittler

February 22, 2024

Dear Kevin,

The purpose of this letter is to request that BPA grant Clark Public Utilities the option to change its purchase obligation from Slice/Block to Load Following effective October 1, 2025. Associated with this request we ask that BPA include Clark Public Utilities in any and all analyses associated with any offers of product switching that may occur on October 1, 2025 for the remainder of the current contract term (September 30, 2028) and for the term of the Provider of Choice contract.

When Clark Public Utilities chose to become a Slice customer in 2011, it did so knowing that meeting energy and peak requirements were its full responsibility for the term of the contract. The additional peak needs after factoring Block/Slice and Clark Public Utilities' dedicated resources have run in the 250 MW neighborhood during 1 in 20 winter events and 150 MW neighborhood during 1 in 20 summer events.

Given the surplus capacity and energy available at the time, the forecasted capabilities of BPA's Tier 1 resources, and the indication of forward wholesale market prices, Clark Public Utilities was comfortable with managing its capacity and peak energy needs in the mid- and short-term markets including supplementing its resource portfolio with multi-year capacity purchases.

With the shutdown of fossil-fueled resources and nuclear power in California, new WA state laws prohibiting coal generation from being delivered to load starting 2025, increasing capacity needs to manage more and more renewable generation, the increasing occurrence of critical/edge case weather events, the significant increase in wholesale market prices over the past two years and the projected continuation of high wholesale market prices as indicated by forward market prices, Clark Public Utilities has shifted its strategy to managing its capacity and peak energy needs accordingly.

Clark Public Utilities has recently signed Power Purchase Agreements for deliveries from the Combine Hills 1 Wind Farm beginning in February 2024 and from Pend Oreille's Box Canyon hydro project beginning in January 2026. Clark Public Utilities has also signed a Letter of Intent to purchase the output of two solar projects that will begin commercial operation in December 2025 and December 2026. In addition, the utility has financially supported Energy Northwest's ongoing effort to analyze Small Modular Reactors that would come online in the 2030 timeframe, and in February 2024 launched an industrial customer demand side resource program to incentivize on-call load

P.O. Box 8900 • Vancouver, Washington 98668 • [www.clarkpublicutilities.com](http://www.clarkpublicutilities.com)  
Vancouver (360) 992-3000 • Portland (503) 285-9141 • Fax (360) 992-3204 • Email: [mailbox@clarkpud.com](mailto:mailbox@clarkpud.com)

reduction. The Board has also allocated \$40 million dollars toward grid modernization and the conversion to an advanced metering infrastructure (AMI) system.

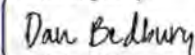
In the meantime, while these efforts will run their course(s) over time, Clark Public Utilities recognizes that the transition time between now and 2028 will be challenging and more expensive than previously projected. The utility understands this predicament very well and will continue to meet its planning requirements as it has, which may include participation in the new Resource Adequacy (RA) program if the benefits are found to be greater or equal to the expenses.

A reliable solution for Clark Public Utilities is to transition to the Load Following product beginning in October 2025, with the intention of continuing with the Load Following product through the term of the Provider of Choice contract.

Clark Public Utilities understands a product switch prior to 2028 impacts BPA and its other customers, and would not expect such a switch to occur without rigorous analyses and requisite public input. We are ready to assist with data, more discussion, and by providing more insights to our situation as warranted.

We appreciate BPA's efforts to consider its customers' ever-evolving challenges and concerns, and request consideration of a product switch to the Load Following product in October 2025.

Sincerely,  
DocuSigned by:



Dan Bedbury

Director of Energy Resources  
Clark Public Utilities

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**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Tuesday, March 5, 2024 8:17 AM  
**To:** Lichtenfels, Michelle E (BPA) - PS-6  
**Subject:** RE: Kim signature requested - FRN to sign  
**Attachments:** Provider of Choice Final Policy FRN Cover Letter-Version2.pdf

Here you go. Have you heard back from our DC folks on the DOE engagement/process?

Best Regards,  
**Kim Thompson** (she/her/hers)  
Vice President | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
[bpa.gov](https://bpa.gov) | P 503-230-3408 | C (b)(6)



---

**From:** Lichtenfels, Michelle E (BPA) - PS-6 <[melichtenfels@bpa.gov](mailto:melichtenfels@bpa.gov)>  
**Sent:** Tuesday, March 5, 2024 8:12 AM  
**To:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>  
**Subject:** Kim signature requested - FRN to sign

Kim,

I am readying to the FRN to send to the FO. Will you please sign the clean approved cover letter? TY!

The full document library of FRN docs is [here](#).

Michelle

**Michelle Lichtenfels** (she/her)  
Program Manager, Provider of Choice | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
[melichtenfels@bpa.gov](mailto:melichtenfels@bpa.gov) | O: 503-230-5453 | C (b)(6)



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**From:** Cooper,Suzanne B (BPA) - P-6  
**Sent:** Tuesday, March 5, 2024 5:13 PM  
**To:** Chong Tim,Marcus H (BPA) - L-7  
**Subject:** FW: Priority Response: [EXTERNAL] POC questions and next steps  
**Attachments:** DOE questions on BPA Provider of Choice policy.docx  
  
**Importance:** High

---

**From:** Cooper,Suzanne B (BPA) - P-6  
**Sent:** Wednesday, February 28, 2024 2:14 PM  
**To:** Hairston,John L (BPA) - A-7 <jlhairston@bpa.gov>; Cook,Joel D (BPA) - K-7 <jdcook@bpa.gov>  
**Cc:** Warner,Joshua P (BPA) - AIR-7 <jpwarner@bpa.gov>; Thompson,Kim T (BPA) - PS-6 <ktthompson@bpa.gov>  
**Subject:** FW: Priority Response: [EXTERNAL] POC questions and next steps  
**Importance:** High

For your awareness, in reviewing the FRN for the POC policy and ROD release, Melissa Ardis at DOE had several questions (e.g., (b)(5) [REDACTED]) which Kim and team responded to in the attachment.

---

**From:** Thompson,Kim T (BPA) - PS-6 <ktthompson@bpa.gov>  
**Sent:** Tuesday, February 27, 2024 4:17 PM  
**To:** Cooper,Suzanne B (BPA) - P-6 <sbcooper@bpa.gov>  
**Subject:** FW: Priority Response: [EXTERNAL] POC questions and next steps  
**Importance:** High

FYSA – Here are the answers we landed on. We went beyond yes/no. ☺

Best Regards,  
**Kim Thompson** (she/her/hers)  
Vice President | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
[bpa.gov](http://bpa.gov) | P 503-230-3408 | C (b)(6) [REDACTED]



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**From:** Thompson,Kim T (BPA) - PS-6  
**Sent:** Tuesday, February 27, 2024 4:16 PM  
**To:** Warner,Joshua P (BPA) - AIR-7 <jpwarner@bpa.gov>; Burczak,Sarah E (BPA) - PS-6 <seburczak@bpa.gov>; Lichtenfels,Michelle E (BPA) - PS-6 <melichtenfels@bpa.gov>  
**Subject:** RE: Priority Response: [EXTERNAL] POC questions and next steps  
**Importance:** High

Hi Josh – Attached please find responses to the questions Melissa posed. Thanks to Sarah, Mary and Tim for quick-turn reviews.

Best Regards,  
**Kim Thompson** (she/her/hers)



---

**From:** Warner,Joshua P (BPA) - AIR-7 <[jpwarner@bpa.gov](mailto:jpwarner@bpa.gov)>

**Sent:** Tuesday, February 27, 2024 10:17 AM

**To:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>; Burczak, Sarah E (BPA) - PS-6 <[seburczak@bpa.gov](mailto:seburczak@bpa.gov)>;

Lichtenfels, Michelle E (BPA) - PS-6 <[melichtenfels@bpa.gov](mailto:melichtenfels@bpa.gov)>

**Subject:** RE: Priority Response: [EXTERNAL] POC questions and next steps

Thank you! I will let them know to expect something in writing.

Josh

---

**From:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>

**Sent:** Tuesday, February 27, 2024 10:15 AM

**To:** Warner, Joshua P (BPA) - AIR-7 <[jpwarner@bpa.gov](mailto:jpwarner@bpa.gov)>; Burczak, Sarah E (BPA) - PS-6 <[seburczak@bpa.gov](mailto:seburczak@bpa.gov)>;

Lichtenfels, Michelle E (BPA) - PS-6 <[melichtenfels@bpa.gov](mailto:melichtenfels@bpa.gov)>

**Subject:** RE: Priority Response: [EXTERNAL] POC questions and next steps

Hi Josh – I would prefer written to ensure we know where we may have sticking points as quickly as possible.

I will take first pass at responses and include Sarah/Michelle (and possibly a legal loop too), with goal of today (which may be a stretch). More to come...

Best Regards,

**Kim Thompson** (she/her/hers)

Vice President | Northwest Requirements Marketing

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**From:** Warner,Joshua P (BPA) - AIR-7 <[jpwarner@bpa.gov](mailto:jpwarner@bpa.gov)>

**Sent:** Tuesday, February 27, 2024 10:11 AM

**To:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>; Burczak, Sarah E (BPA) - PS-6 <[seburczak@bpa.gov](mailto:seburczak@bpa.gov)>;

Lichtenfels, Michelle E (BPA) - PS-6 <[melichtenfels@bpa.gov](mailto:melichtenfels@bpa.gov)>

**Subject:** Priority Response: [EXTERNAL] POC questions and next steps

Kim, Sarah and Michelle-

Just received this. Don't know what you would prefer in response. Writing today might be a challenge, but if doable, looks to be preferred.

Best,

Josh

---

**From:** Ardis, Melissa <[melissa.ardis@hq.doe.gov](mailto:melissa.ardis@hq.doe.gov)>

**Sent:** Tuesday, February 27, 2024 9:53 AM

To: Jones,Sheron M (BPA) - AIN-WASH <[smjones@bpa.gov](mailto:smjones@bpa.gov)>; Warner,Joshua P (BPA) - AIR-7 <[jpwarner@bpa.gov](mailto:jpwarner@bpa.gov)>; Baskerville,Sonya L (BPA) - AI-WASH <[slbaskerville@bpa.gov](mailto:slbaskerville@bpa.gov)>

**Subject:** [EXTERNAL] POC questions and next steps

**Importance:** High

Hi all – we have the following questions on POC. Sheron and Josh – does it make sense for us to have a brief meeting with BPA to talk through these questions. I know we are trying to keep moving forward on this, so if we could make something work this week that would be great. I leave it to your discretion on who from BPA would be best to walk us through these questions. Alternatively, if BPA wanted to provide answers in writing (by today would be great if in writing) I can go back to folks on them. Please let me know what you think.

(b)(5)

Thank you,

Melissa Ardis (she/her)

Senior Advisor, Power Marketing Administrations

Office of the Under Secretary for Infrastructure

(b)(6)

[www.energy.gov](http://www.energy.gov)





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**From:** Cook,Joel D (BPA) - K-7  
**Sent:** Wednesday, March 6, 2024 3:14 PM  
**To:** Executive Correspondence Officer; Hairston,John L (BPA) - A-7; Furrer,Robin R (BPA) - N-7; James,Daniel M (BPA) - D-7  
**Cc:** Hannigan IV,Benjamin R (BPA) - A-7; Johnston,Chanelle M P (BPA) - K-7; Jones,Carolyn T (BPA) - N-7; Khan,Lindsay N (BPA) - D-7  
**Subject:** RE: TAC (Due 3/7 at Noon): Provider of Choice Federal Register Notice (PS-2024-POCFP)  
**Attachments:** TAC Form\_Provider\_of\_Choice\_Final\_Policy\_FRN\_Updated.pdf;  
ExecSum\_Provider\_of\_Choice\_Final\_Policy\_FRN\_TAC\_Updated.pdf

Initials attached.  
No comments.

**Joel D. Cook**  
Chief Operating Officer, K-7  
**BONNEVILLE POWER ADMINISTRATION**  
C:(b)(6) | P: 503-230-7640 | [jdcCook@bpa.gov](mailto:jdcCook@bpa.gov)

---

**From:** Executive Correspondence Officer <[eco@bpa.gov](mailto:eco@bpa.gov)>  
**Sent:** Tuesday, March 5, 2024 4:03 PM  
**To:** Hairston,John L (BPA) - A-7 <[jlhairston@bpa.gov](mailto:jlhairston@bpa.gov)>; Cook,Joel D (BPA) - K-7 <[jdcCook@bpa.gov](mailto:jdcCook@bpa.gov)>; Furrer,Robin R (BPA) - N-7 <[rrfurrer@bpa.gov](mailto:rrfurrer@bpa.gov)>; James,Daniel M (BPA) - D-7 <[dmjames@bpa.gov](mailto:dmjames@bpa.gov)>  
**Cc:** Hannigan IV,Benjamin R (BPA) - A-7 <[brhannigan@bpa.gov](mailto:brhannigan@bpa.gov)>; Johnston,Chanelle M P (BPA) - K-7 <[CMJohnston@bpa.gov](mailto:CMJohnston@bpa.gov)>; Jones,Carolyn T (BPA) - N-7 <[ctjones@bpa.gov](mailto:ctjones@bpa.gov)>; Khan,Lindsay N (BPA) - D-7 <[lnkhan@bpa.gov](mailto:lnkhan@bpa.gov)>  
**Subject:** TAC (Due 3/7 at Noon): Provider of Choice Federal Register Notice (PS-2024-POCFP)  
**Importance:** High

All,

This is a re-sign request that we received today. This document was reviewed and signed mid-February. Since then, DOE has provided feedback that resulted in some changes. A redline version is also attached. Since this is not entirely new, and has a quick turn-around request from Power, I'm sending it to you all at once.

**Administrator signature is due before Noon on Thursday, March 7<sup>th</sup>.**

Notes from Power:

Please see attached materials associated with the TAC for the Federal Register Notice (FRN) that will published at the same time as the final Provider of Choice Policy and Record of Decision (ROD). **Front Office review is requested on this FRN TAC between now and Thursday, March 7, 12pm.**

Background: If you'll recall, we executed a TAC on the Provider of Choice Federal Register Notice on 2/15/2024. Since then, we have received and addressed comments shared by DOE on the draft FRN. This TAC reflects an update to the FRN based on DOE feedback, along with minor updates to the cover letter. There were a few additional edits suggested



during the simultaneous TAC that are shown on the redline. All documents were approved by Marcus Chong-Tim yesterday, March 5.

Please note this TAC is associated with the FRN **\*only\***. The Policy and ROD TAC are in flight under separate cover.

For reference, all redline and clean Word versions of documents are available here, along with the attached documents:  
[FRN Word versions and redlines](#)

Thank you,  
Chanelle

**Chanelle Johnston**

Executive Correspondence Officer and  
Executive Associate Officer to  
Joel Cook, Chief Operating Officer  
**BONNEVILLE POWER ADMINISTRATION**  
[cmjohnston@bpa.gov](mailto:cmjohnston@bpa.gov) | Office: 503-230-4314

---

**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Friday, March 8, 2024 5:29 PM  
**To:** Cooper, Suzanne B (BPA) - P-6  
**Subject:** FW: [EXTERNAL] RE: BPA Provider of Choice Final Policy FRN

FYSA

Best Regards,  
**Kim Thompson** (she/her/hers)  
Vice President | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
[bpa.gov](http://bpa.gov) | P 503-230-3408 | C (b)(6)



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**From:** Chong Tim, Marcus H (BPA) - L-7 <[mhchongtim@bpa.gov](mailto:mhchongtim@bpa.gov)>  
**Sent:** Friday, March 8, 2024 2:59 PM  
**To:** Baskerville, Sonya L (BPA) - AI-WASH <[slbaskerville@bpa.gov](mailto:slbaskerville@bpa.gov)>; Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>  
**Subject:** RE: [EXTERNAL] RE: BPA Provider of Choice Final Policy FRN

I've heard nothing.

---

**From:** Baskerville, Sonya L (BPA) - AI-WASH <[slbaskerville@bpa.gov](mailto:slbaskerville@bpa.gov)>  
**Sent:** Friday, March 8, 2024 2:29 PM  
**To:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>  
**Cc:** Chong Tim, Marcus H (BPA) - L-7 <[mhchongtim@bpa.gov](mailto:mhchongtim@bpa.gov)>  
**Subject:** RE: [EXTERNAL] RE: BPA Provider of Choice Final Policy FRN

Crickets! CC-ing Marcus to see if he has heard anything later today. Thanks.

---

**From:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>  
**Sent:** Friday, March 8, 2024 5:27 PM  
**To:** Baskerville, Sonya L (BPA) - AI-WASH <[slbaskerville@bpa.gov](mailto:slbaskerville@bpa.gov)>  
**Subject:** FW: [EXTERNAL] RE: BPA Provider of Choice Final Policy FRN

So... nothing back from Jeremiah on this. Think we addressed his questions? Hoping we get the green light on FRN and all can proceed smoothly.

Best Regards,  
**Kim Thompson** (she/her/hers)  
Vice President | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
[bpa.gov](http://bpa.gov) | P 503-230-3408 | C (b)(6)



---

**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Thursday, March 7, 2024 2:56 PM  
**To:** Baumann, Jeremiah <[jeremiah.baumann@hq.doe.gov](mailto:jeremiah.baumann@hq.doe.gov)>; Chong Tim, Marcus H (BPA) - L-7 <[mhchongtim@bpa.gov](mailto:mhchongtim@bpa.gov)>;

Ardis, Melissa <[melissa.ardis@hq.doe.gov](mailto:melissa.ardis@hq.doe.gov)>; Baskerville, Sonya L (BPA) - AI-WASH <[slbaskerville@bpa.gov](mailto:slbaskerville@bpa.gov)>

**Subject:** RE: [EXTERNAL] RE: BPA Provider of Choice Final Policy FRN

Hi Jeremiah – the limit of Tier 1 sales is, honestly, by design. It is one of the foundational tenets of tiering the rates in the first place. Customers requested an ‘undiluted cost pool’ representing (roughly) BPA’s FBS resources. By establishing sales at 7,250, we’ve abstracted away from that original concept a little bit, but we think for good cause.

We held months and months of meetings on the question of Tier 1 scale and how to design the customers’ contract high water mark calculation for their access to power priced at Tier 1. The Tier 1 size and CHWM were not designed to serve all loads or all load growth.

... that’s where sales at Tier 2 come in to play (or customer non-federal resource development).

Having a Tier 1 reset at a future point in time creates a thorny mess. A Tier 1 reset would create winners and losers among customers. It would discourage customers from investing in resources, because if they did so and if BPA ‘grew’ the Tier 1 scale in the future, they would have invested individually and then be paying for a portion of resources BPA acquires to serve *other customer* growth.

Best Regards,

**Kim Thompson** (she/her/hers)

Vice President | Northwest Requirements Marketing

**BONNEVILLE POWER ADMINISTRATION**

[bpa.gov](http://bpa.gov) | P 503-230-3408 | C (b)(6)



---

**From:** Baumann, Jeremiah <[jeremiah.baumann@hq.doe.gov](mailto:jeremiah.baumann@hq.doe.gov)>

**Sent:** Thursday, March 7, 2024 2:45 PM

**To:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>; Chong Tim, Marcus H (BPA) - L-7 <[mhchongtim@bpa.gov](mailto:mhchongtim@bpa.gov)>;

Ardis, Melissa <[melissa.ardis@hq.doe.gov](mailto:melissa.ardis@hq.doe.gov)>; Baskerville, Sonya L (BPA) - AI-WASH <[slbaskerville@bpa.gov](mailto:slbaskerville@bpa.gov)>

**Subject:** RE: [EXTERNAL] RE: BPA Provider of Choice Final Policy FRN

Thank you Sonya for the helpful categories and big thanks to Kim for this explanation – thank you! (b)(5)

(b)(5)

---

**From:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>

**Sent:** Thursday, March 7, 2024 5:40 PM

**To:** Chong Tim, Marcus <[mhchongtim@bpa.gov](mailto:mhchongtim@bpa.gov)>; Baumann, Jeremiah <[jeremiah.baumann@hq.doe.gov](mailto:jeremiah.baumann@hq.doe.gov)>; Ardis, Melissa <[melissa.ardis@hq.doe.gov](mailto:melissa.ardis@hq.doe.gov)>; Baskerville, Sonya <[slbaskerville@bpa.gov](mailto:slbaskerville@bpa.gov)>

**Subject:** RE: [EXTERNAL] RE: BPA Provider of Choice Final Policy FRN

(b)(5)

(b)(5)



(b)(5)



I hope this was helpful..

Best Regards,

**Kim Thompson** (she/her/hers)

Vice President | Northwest Requirements Marketing

**BONNEVILLE POWER ADMINISTRATION**

[bpa.gov](http://bpa.gov) | P 503-230-3408 | C (b)(6)



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**Subject:** RE: [EXTERNAL] RE: BPA Provider of Choice Final Policy FRN

Thank you, Jeremiah. I'm adding Kim Thompson to the email thread. Kim is our VP for Requirements Marketing and lead for BPA's Provider of Choice effort.



**Marcus H. Chong Tim** (*he/him*)  
Executive Vice President and General Counsel  
Bonneville Power Administration  
P.O. Box 3621, L-7  
Portland, OR 97208-3621  
(503) 230-4083 | [mhchongtim@bpa.gov](mailto:mhchongtim@bpa.gov)

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**Sent:** Thursday, March 7, 2024 1:23 PM  
**To:** Ardis, Melissa <[melissa.ardis@hq.doe.gov](mailto:melissa.ardis@hq.doe.gov)>; Baskerville, Sonya L (BPA) - AI-WASH <[slbaskerville@bpa.gov](mailto:slbaskerville@bpa.gov)>  
**Cc:** Chong Tim, Marcus H (BPA) - L-7 <[mhchongtim@bpa.gov](mailto:mhchongtim@bpa.gov)>  
**Subject:** RE: [EXTERNAL] RE: BPA Provider of Choice Final Policy FRN

(b)(5)

(b)(5)

(b)(5)

(b)(5)

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**From:** Ardis, Melissa <[melissa.ardis@hq.doe.gov](mailto:melissa.ardis@hq.doe.gov)>  
**Sent:** Thursday, March 7, 2024 4:10 PM  
**To:** Baskerville, Sonya <[slbaskerville@bpa.gov](mailto:slbaskerville@bpa.gov)>  
**Cc:** Chong Tim, Marcus <[mhchongtim@bpa.gov](mailto:mhchongtim@bpa.gov)>; Baumann, Jeremiah <[jeremiah.baumann@hq.doe.gov](mailto:jeremiah.baumann@hq.doe.gov)>  
**Subject:** RE: [EXTERNAL] RE: BPA Provider of Choice Final Policy FRN

Hi Sonya and Marcus – plussing in Jeremiah here to keep us moving forward.

Melissa Ardis (*she/her*)  
Senior Advisor, Power Marketing Administrations  
Office of the Under Secretary for Infrastructure

(b)(6)

[www.energy.gov](http://www.energy.gov)



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**Cc:** Chong Tim, Marcus <[mhchongtim@bpa.gov](mailto:mhchongtim@bpa.gov)>  
**Subject:** RE: [EXTERNAL] RE: BPA Provider of Choice Final Policy FRN

Hey there. Any update on this? The publication of this FRN does not preclude DOE from asking questions if that is the issue. This does not begin an ex parte like process. Thanks.

Sonya Baskerville  
BPA Intergovernmental Affairs and National Relations

(b)(6) m

On Mar 6, 2024 4:55 PM, "Baskerville,Sonya L (BPA) - AI-WASH" <[slbaskerville@bpa.gov](mailto:slbaskerville@bpa.gov)> wrote:

(b)(5)

Thanks,

Sonya Baskerville  
BPA Intergovernmental Affairs and National Relations

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(b)(5)

(b)(5)

Thank you!

Melissa Ardis (she/her)  
Senior Advisor, Power Marketing Administrations  
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---

**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Monday, March 11, 2024 10:32 AM  
**To:** Chong Tim, Marcus H (BPA) - L-7; Baumann, Jeremiah; Ardis, Melissa; Baskerville, Sonya L (BPA) - AI-WASH  
**Subject:** RE: [EXTERNAL] RE: BPA Provider of Choice Final Policy FRN

Yes, thank you Jeremiah!

Best Regards,  
**Kim Thompson** (she/her/hers)  
Vice President | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
[bpa.gov](http://bpa.gov) | P 503-230-3408 | C (b)(6)  


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**Subject:** RE: [EXTERNAL] RE: BPA Provider of Choice Final Policy FRN

Thank you, Jeremiah!

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**Sent:** Monday, March 11, 2024 10:09 AM  
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**Subject:** RE: [EXTERNAL] RE: BPA Provider of Choice Final Policy FRN

Thanks all for your patience as we make sure S3 and S2 teams are fully briefed and get questions answered! We are good now and recommending this be cleared for FRN

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Hi Jeremiah – the limit of Tier 1 sales is, honestly, by design. It is one of the foundational tenets of tiering the rates in the first place. Customers requested an ‘undiluted cost pool’ representing (roughly) BPA’s FBS resources. By establishing sales at 7,250, we’ve abstracted away from that original concept a little bit, but we think for good cause.

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Best Regards,

**Kim Thompson** (she/her/hers)

Vice President | Northwest Requirements Marketing

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**Subject:** RE: [EXTERNAL] RE: BPA Provider of Choice Final Policy FRN

Thank you Sonya for the helpful categories and big thanks to Kim for this explanation – thank you! (b)(5)

(b)(5)

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**Subject:** RE: [EXTERNAL] RE: BPA Provider of Choice Final Policy FRN

(b)(5)

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I hope this was helpful.

Best Regards,

**Kim Thompson** (she/her/hers)

Vice President | Northwest Requirements Marketing

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**Subject:** RE: [EXTERNAL] RE: BPA Provider of Choice Final Policy FRN

Thank you, Jeremiah. I'm adding Kim Thompson to the email thread. Kim is our VP for Requirements Marketing and lead for BPA's Provider of Choice effort.

**Marcus H. Chong Tim** (he/him)

Executive Vice President and General Counsel

Bonneville Power Administration

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(503) 230-4083 | [mhchongtim@bpa.gov](mailto:mhchongtim@bpa.gov)

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(b)(5)  
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**Cc:** Chong Tim, Marcus <[mhchongtim@bpa.gov](mailto:mhchongtim@bpa.gov)>; Baumann, Jeremiah <[jeremiah.baumann@hq.doe.gov](mailto:jeremiah.baumann@hq.doe.gov)>  
**Subject:** RE: [EXTERNAL] RE: BPA Provider of Choice Final Policy FRN

Hi Sonya and Marcus – plussing in Jeremiah here to keep us moving forward.

Melissa Ardis (she/her)  
Senior Advisor, Power Marketing Administrations  
Office of the Under Secretary for Infrastructure

(b)(6)  
[www.energy.gov](http://www.energy.gov)



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**Subject:** RE: [EXTERNAL] RE: BPA Provider of Choice Final Policy FRN

Hey there. Any update on this? The publication of this FRN does not preclude DOE from asking questions if that is the issue. This does not begin an ex parte like process. Thanks.

Sonya Baskerville  
BPA Intergovernmental Affairs and National Relations

(b)(6) m

On Mar 6, 2024 4:55 PM, "Baskerville, Sonya L (BPA) - AI-WASH" <[slbaskerville@bpa.gov](mailto:slbaskerville@bpa.gov)> wrote:

(b)(5)

(b)(5)

Thanks.

Sonya Baskerville  
BPA Intergovernmental Affairs and National Relations

(b)(6) m

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(b)(5)

(b)(5)

Thank you!

Melissa Ardis (she/her)  
Senior Advisor, Power Marketing Administrations  
Office of the Under Secretary for Infrastructure

(b)(5)

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**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Monday, March 11, 2024 10:33 AM  
**To:** Lichtenfels, Michelle E (BPA) - PS-6; Burczak, Sarah E (BPA) - PS-6; Olive, Kelly J (BPA) - PSS-6  
**Subject:** FW: [EXTERNAL] RE: BPA Provider of Choice Final Policy FRN

Yay!!  
(this thread is a whole long thing – take-away is the most recent note from Jeremiah).

Best Regards,  
**Kim Thompson** (she/her/hers)  
Vice President | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
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Best Regards,

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Vice President | Northwest Requirements Marketing

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**Sent:** Thursday, March 7, 2024 4:10 PM  
**To:** Baskerville, Sonya <[slbaskerville@bpa.gov](mailto:slbaskerville@bpa.gov)>  
**Cc:** Chong Tim, Marcus <[mhchongtim@bpa.gov](mailto:mhchongtim@bpa.gov)>; Baumann, Jeremiah <[jeremiah.baumann@hq.doe.gov](mailto:jeremiah.baumann@hq.doe.gov)>  
**Subject:** RE: [EXTERNAL] RE: BPA Provider of Choice Final Policy FRN

Hi Sonya and Marcus – plussing in Jeremiah here to keep us moving forward.

Melissa Ardis (she/her)  
Senior Advisor, Power Marketing Administrations  
Office of the Under Secretary for Infrastructure

(b)(6)

[www.energy.gov](http://www.energy.gov)



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**From:** Baskerville, Sonya L (BPA) - AI-WASH <[slbaskerville@bpa.gov](mailto:slbaskerville@bpa.gov)>  
**Sent:** Thursday, March 7, 2024 10:45 AM  
**To:** Ardis, Melissa <[melissa.ardis@hq.doe.gov](mailto:melissa.ardis@hq.doe.gov)>  
**Cc:** Chong Tim, Marcus <[mhchongtim@bpa.gov](mailto:mhchongtim@bpa.gov)>  
**Subject:** RE: [EXTERNAL] RE: BPA Provider of Choice Final Policy FRN

Hey there. Any update on this? The publication of this FRN does not preclude DOE from asking questions if that is the issue. This does not begin an ex parte like process. Thanks.

Sonya Baskerville  
BPA Intergovernmental Affairs and National Relations

(b)(6) m

On Mar 6, 2024 4:55 PM, "Baskerville, Sonya L (BPA) - AI-WASH" <[slbaskerville@bpa.gov](mailto:slbaskerville@bpa.gov)> wrote:

(b)(5)

(b)(5)

Thanks.

Sonya Baskerville  
BPA Intergovernmental Affairs and National Relations

(b)(6) m

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**From:** Ardis, Melissa <[melissa.ardis@hq.doe.gov](mailto:melissa.ardis@hq.doe.gov)>  
**Sent:** Wednesday, March 6, 2024 4:45 PM  
**To:** Baskerville, Sonya L (BPA) - AI-WASH <[slbaskerville@bpa.gov](mailto:slbaskerville@bpa.gov)>  
**Subject:** RE: [EXTERNAL] RE: BPA Provider of Choice Final Policy FRN

(b)(5)

(b)(5)

Thank you!

Melissa Ardis (she/her)  
Senior Advisor, Power Marketing Administrations  
Office of the Under Secretary for Infrastructure

(b)(6)

[www.energy.gov](http://www.energy.gov)



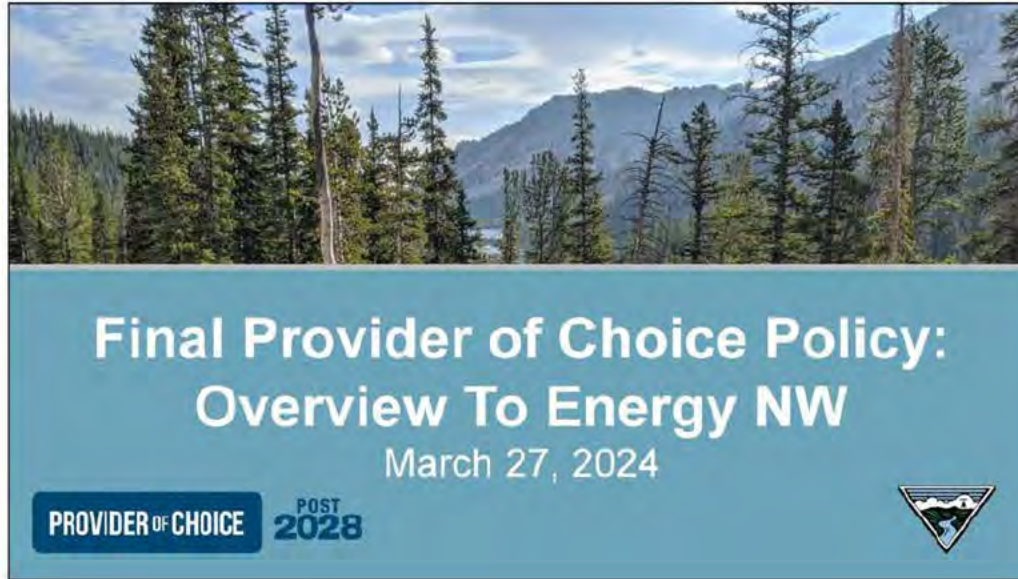


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**From:** Cook,Joel D (BPA) - K-7  
**Sent:** Sunday, March 17, 2024 8:15 PM  
**To:** Johnston,Chanelle M P (BPA) - K-7  
**Cc:** Cook,Joel D (BPA) - K-7  
**Subject:** EN Board Presentation  
**Attachments:** 2024-03-27-ENW.pptx

Chanelle,  
Attached is my first Draft of the EN presentation. We can discuss tomorrow.

**Joel D. Cook**  
Chief Operating Officer, K-7  
**BONNEVILLE POWER ADMINISTRATION**  
C:(b)(6) P: 503-230-7640 | [jdcook@bpa.gov](mailto:jdcook@bpa.gov)



## Provider of Choice Policy and ROD

The final Provider of Choice Policy and ROD is the culmination of a years-long regional engagement designed to shape Bonneville's long-term power sales policies and contracts following the **expiration of Regional Dialogue contracts in September 2028**.

During the **July 20 - October 13, 2023**, open public comment period on the draft policy, Bonneville received over 80 sets of comments reflecting hundreds of unique issues. The ROD addresses these comments.

## Timeline

- Provider of Choice Policy and ROD released: March 21, 2024
- **April 9:** Public workshop to provide overview of final Policy and ROD
- **April 10:** Policy implementation workshops begin
- Policy implementation details will be a focus of workshops through June 2024.
- Contract development workshops will be integrated into the schedule, and will take place through Feb. 2025.



## Duration of Contracts & Service

### Duration of Contracts

- Bonneville will offer 19-year Provider of Choice contracts, with an expiration date of September 30, 2044.

### Duration of Power Service

- Sixteen years of power deliveries starting October 1, 2028.



## Policy Highlights

## Tiered Rate Construct

- Tiers Priority Firm (PF) rates for sales of firm power.
  - The tiered rate design will consist of two tiers of firm requirements power at PF rates.
- Tiering rates is a policy decision.
- Bonneville will formally establish the tiered rate design as part of the **2029 Public Rate Design Methodology (PRDM)** process.

## Augmentation

Bonneville will acquire additional resources if its firm load obligations exceed its firm resource capability. Guided by Bonneville's Resource Program.



## Power at Priority Firm Tier 1 Rates

- A CHWM sets the amount of power a customer is eligible to purchase at a PF Tier 1 rate constant for the duration of the Provider of Choice contract.
- Determining how much power is available to customers at a PF Tier 1 rate was often referred to as setting the **Tier 1 system size** under Regional Dialogue.

## Contract High Water Marks

- CHWMs are independent of net requirements calculation, which determines the actual amount of power a customer is able to purchase.

## CHWM Adjustments

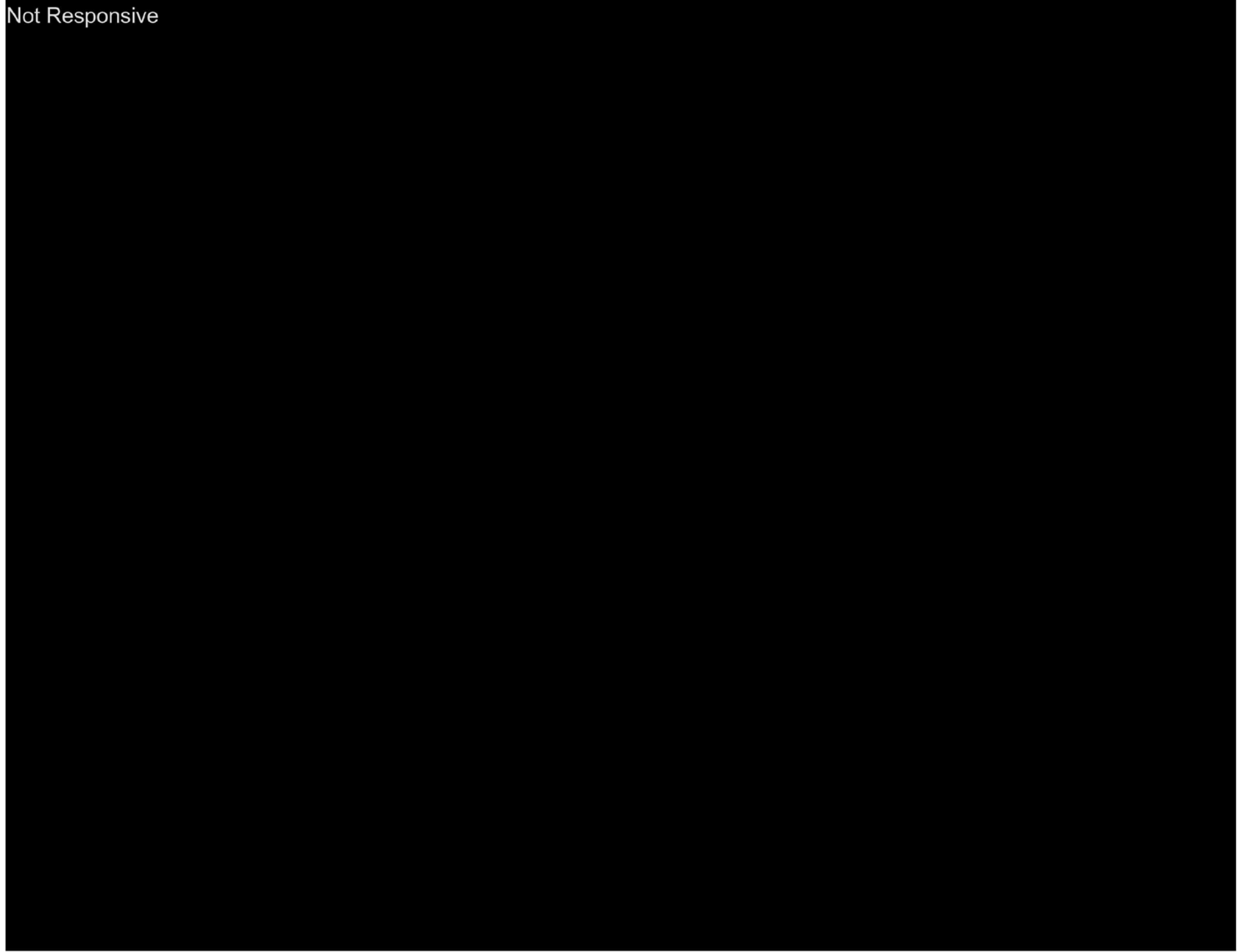
- Bonneville made several updates to the CHWM calculation, including:
  - Economic: Adjusted qualifications
  - Conservation: Now includes self-funded NEEA savings
  - New Specified Resource: Clarified resource requirement
  - Proportional share adjustment: Updated (see next slide)
  - Tribal Utility: Updated qualifications
  - DOE Vitrification Load: Updated adjustment to limit it to the difference between FY 2023 PF-eligible load and Provider of Choice CHWM (est'd ~ 20 aMW)

## Tier 1 Size/Proportional Share Detail

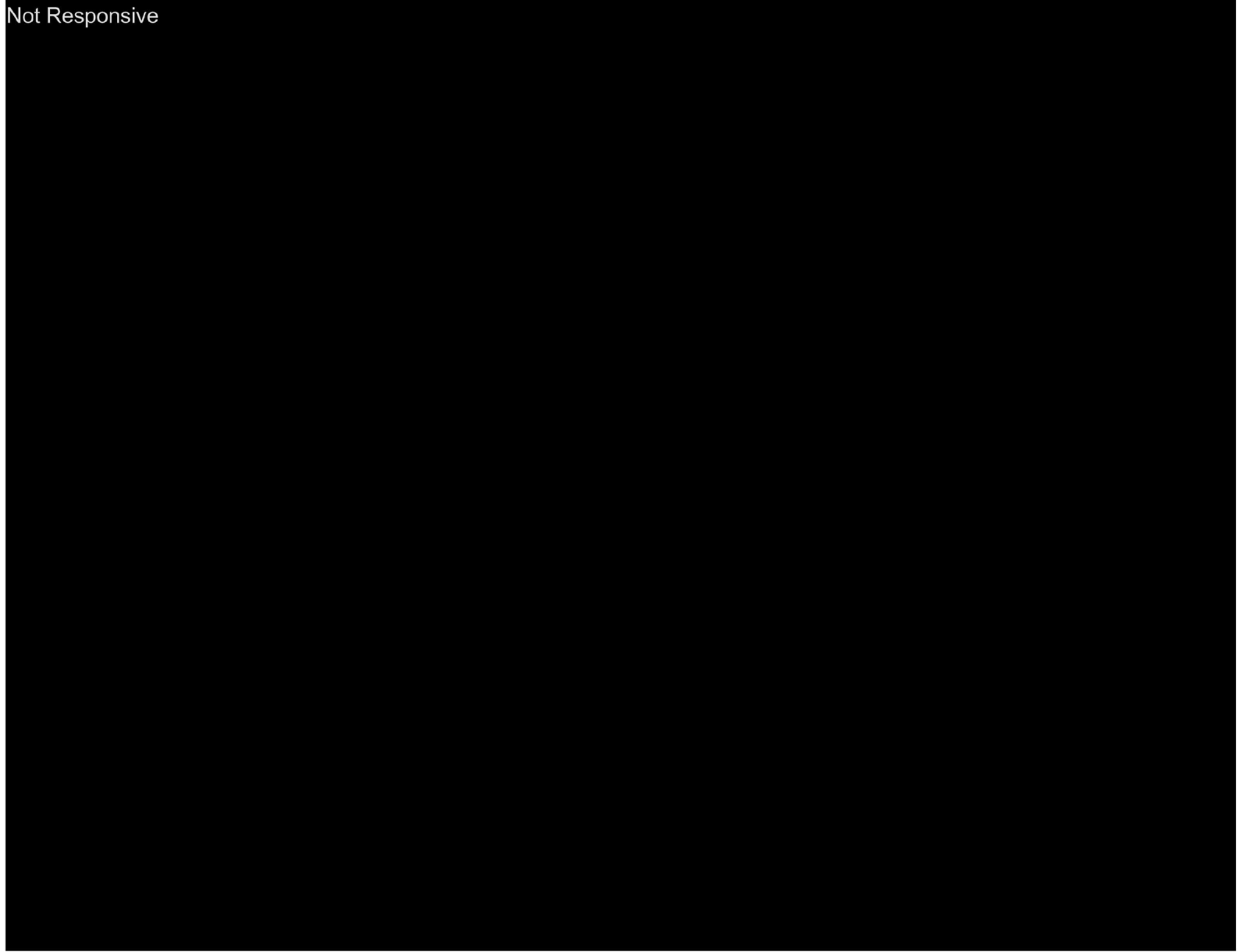
- Bonneville will include a proportional share adjustment if the aggregate of initial CHWMs is less than 7,250 aMW.
- If initial aggregate is greater than 7,250 aMW, no proportional share adjustment would apply.



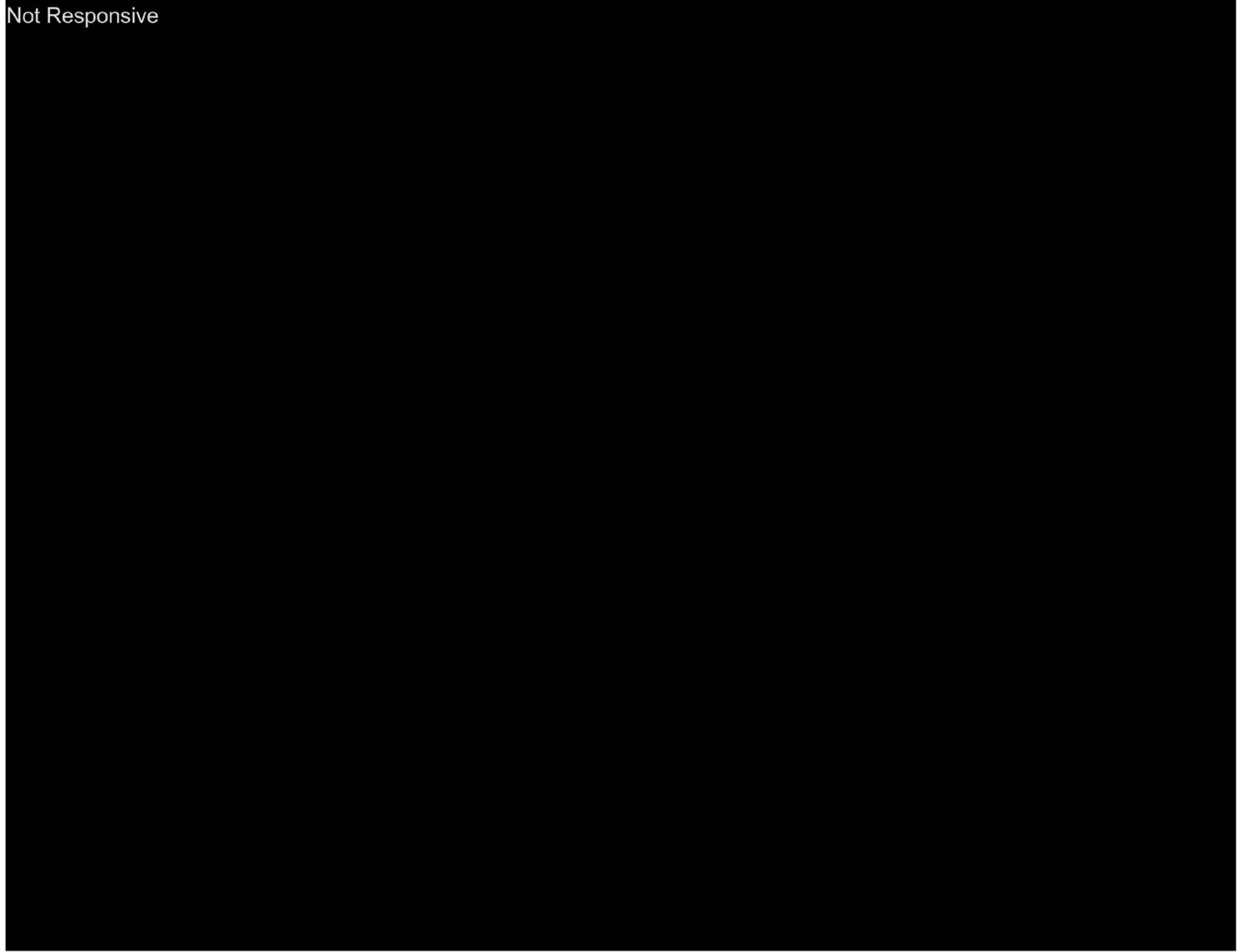
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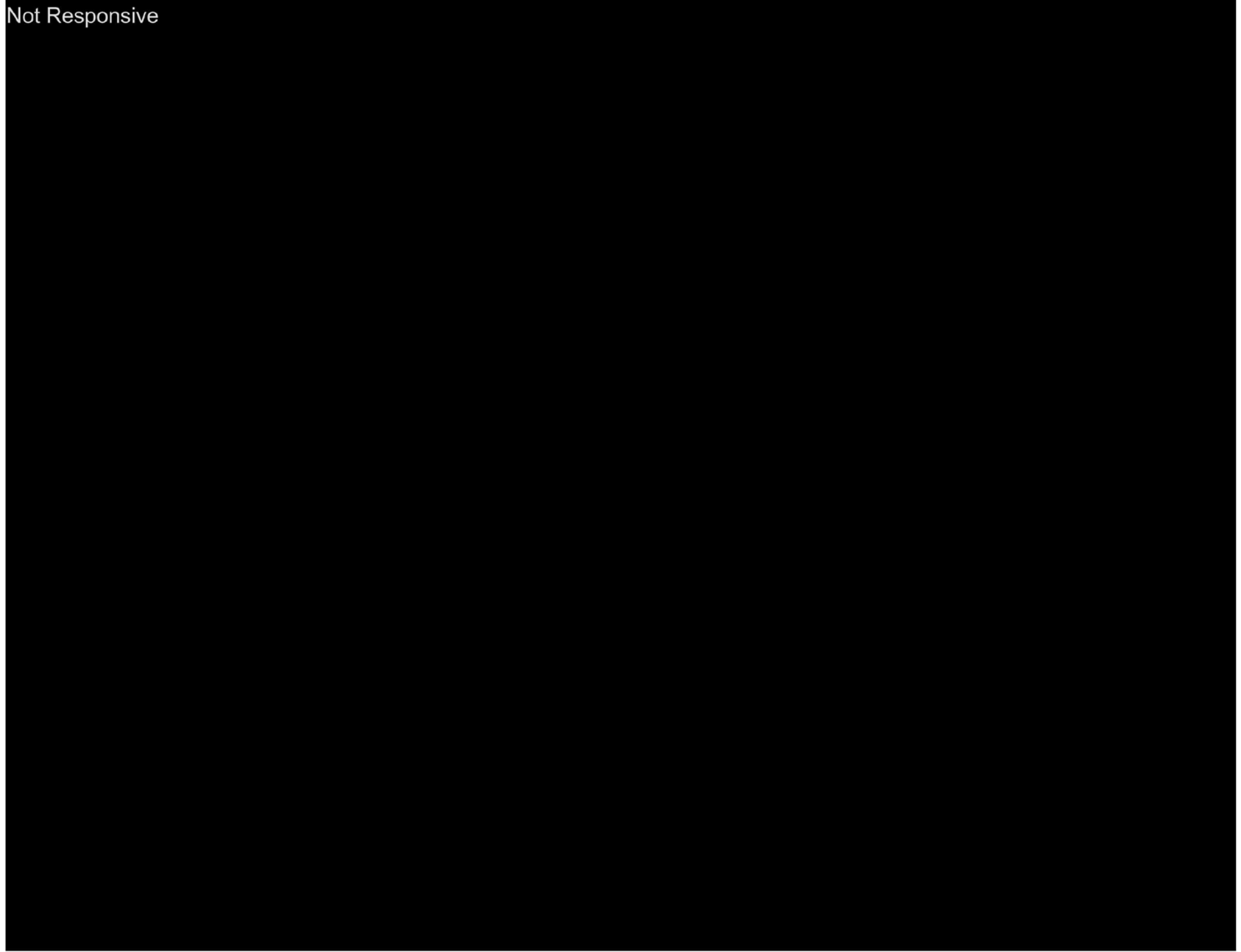
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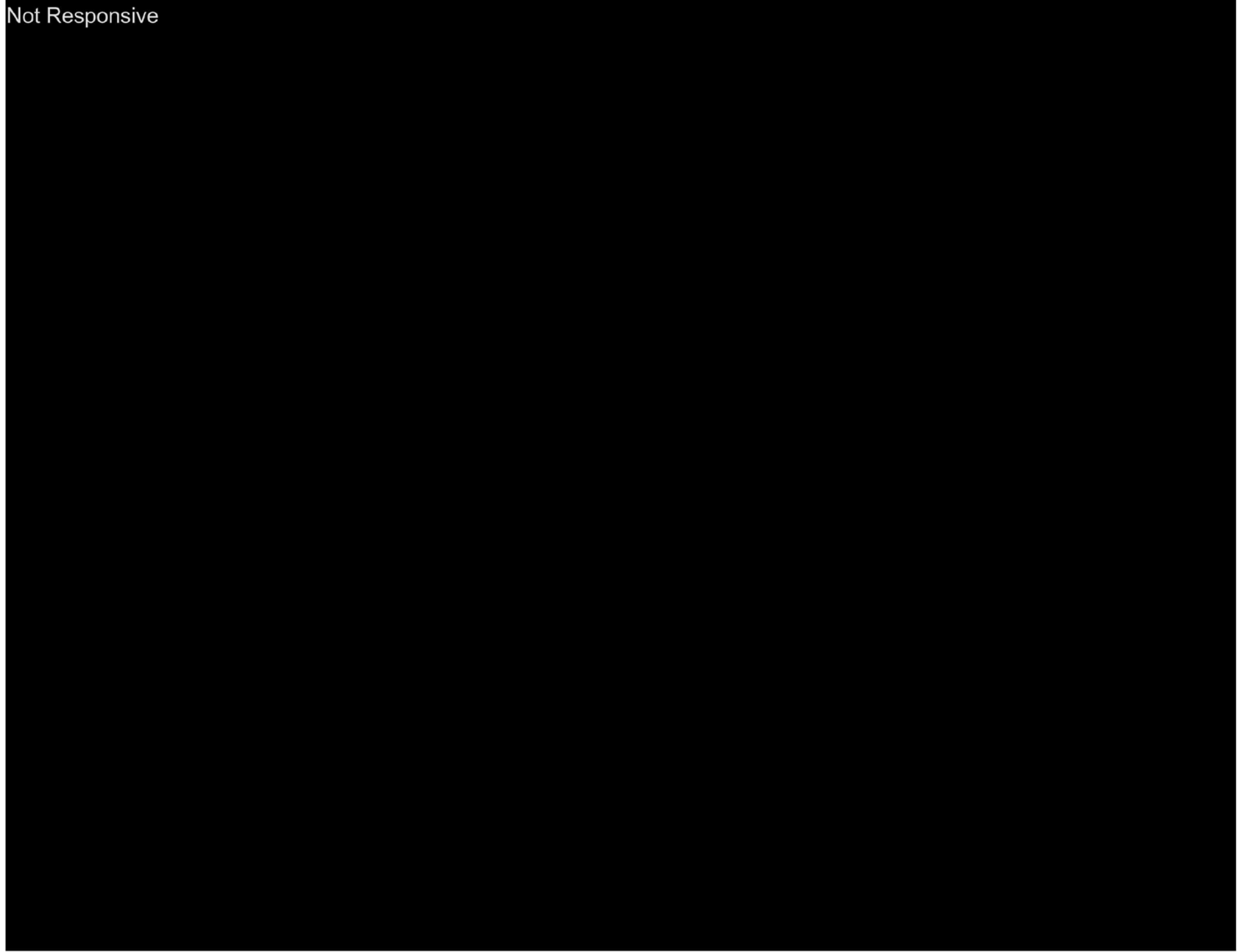


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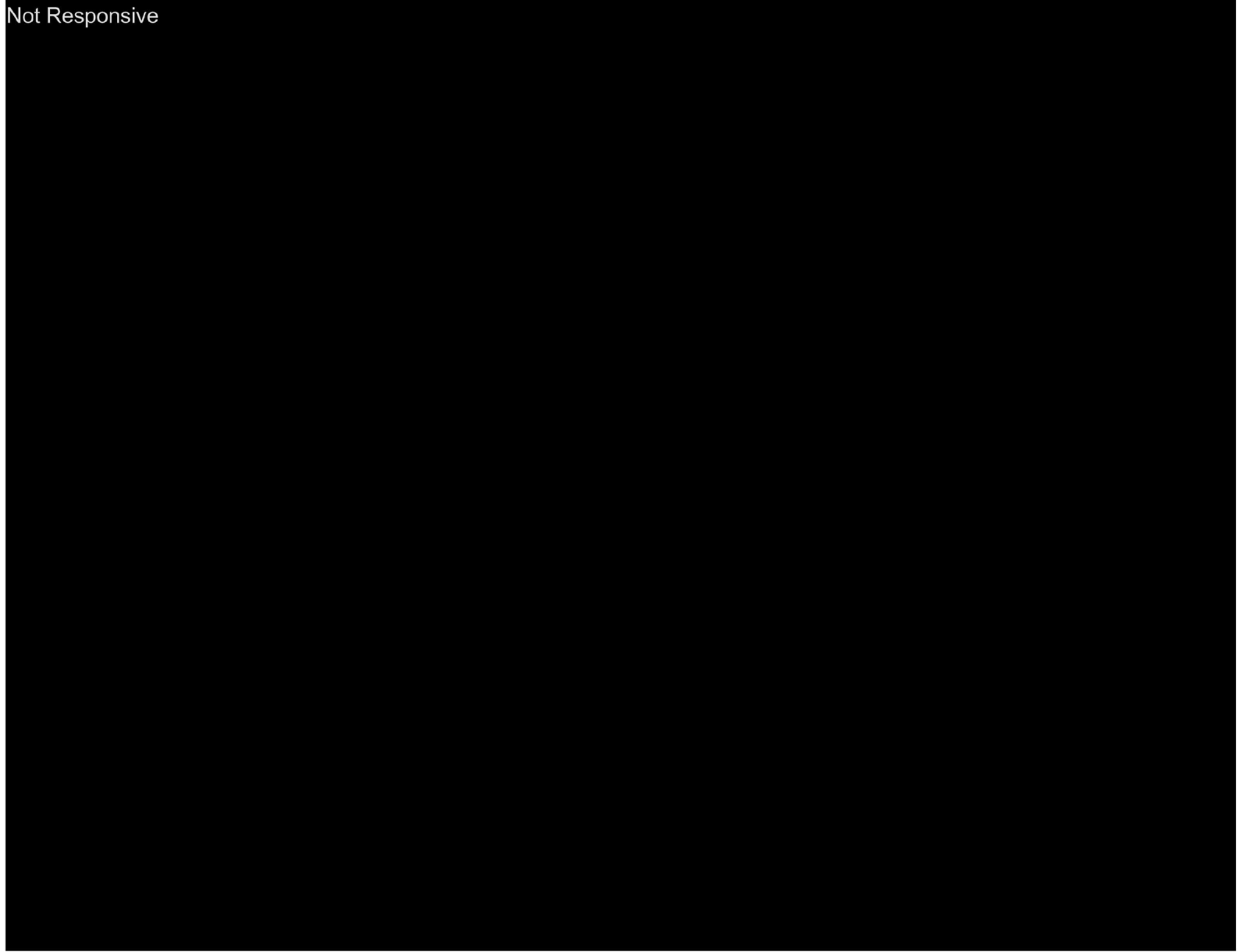




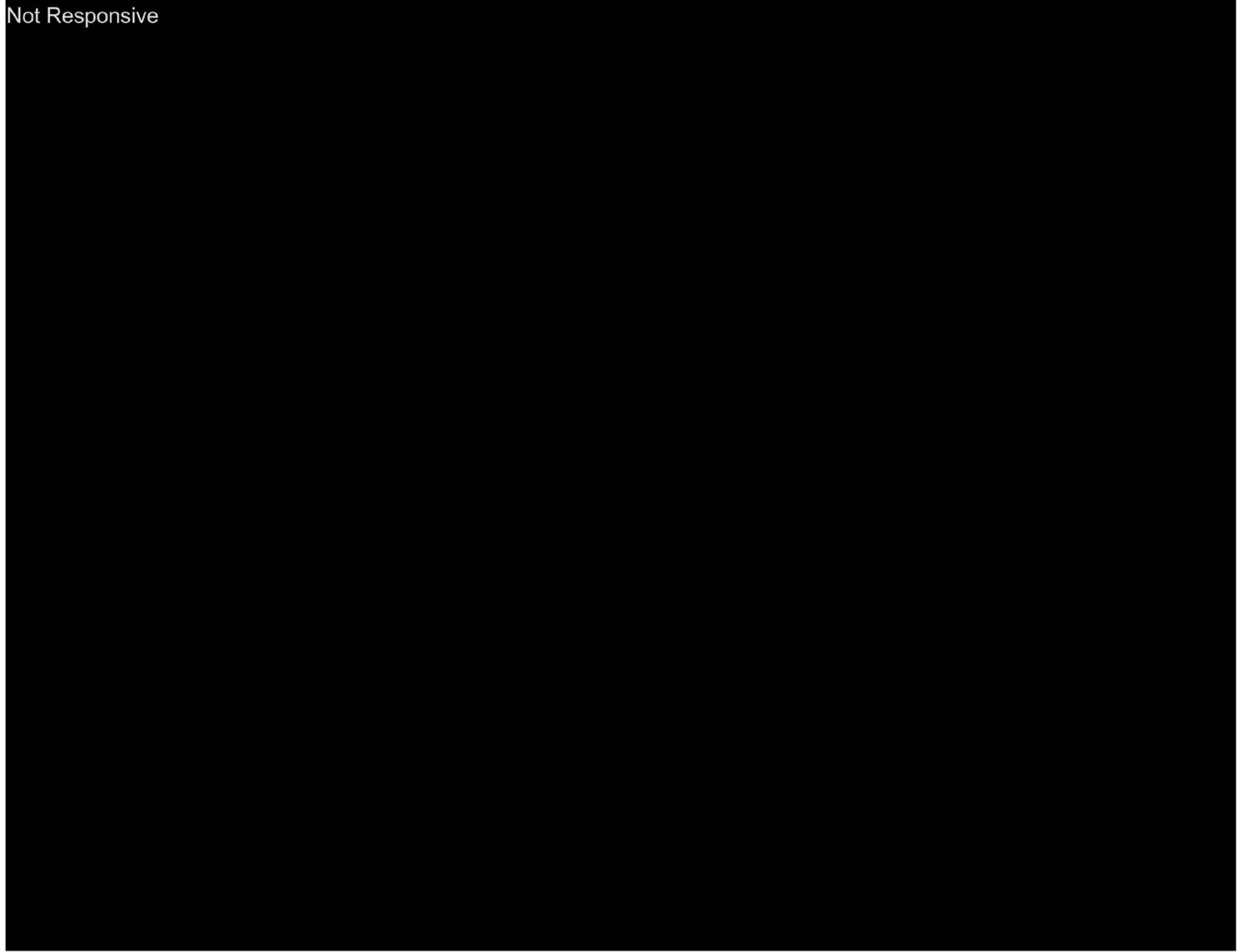
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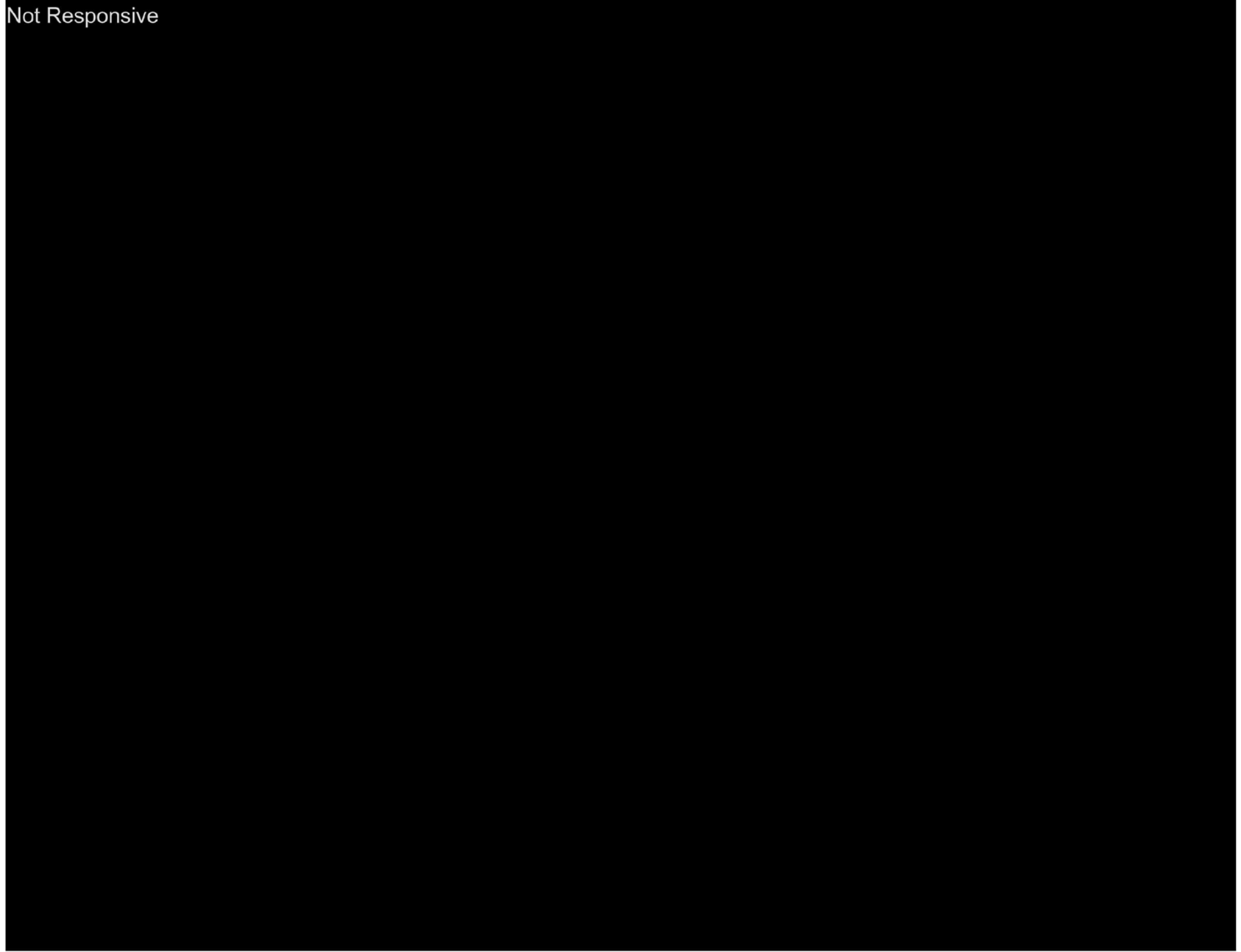
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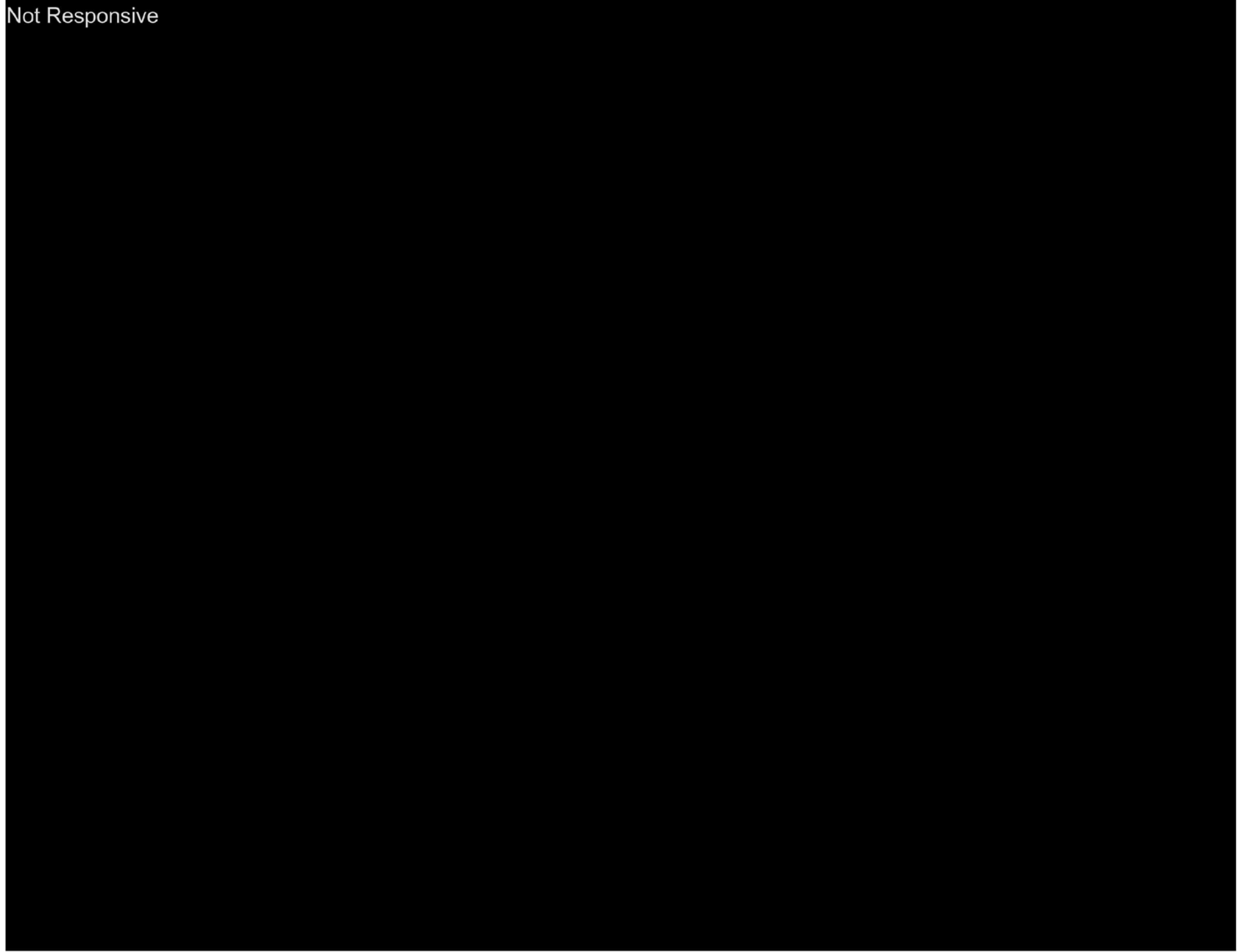


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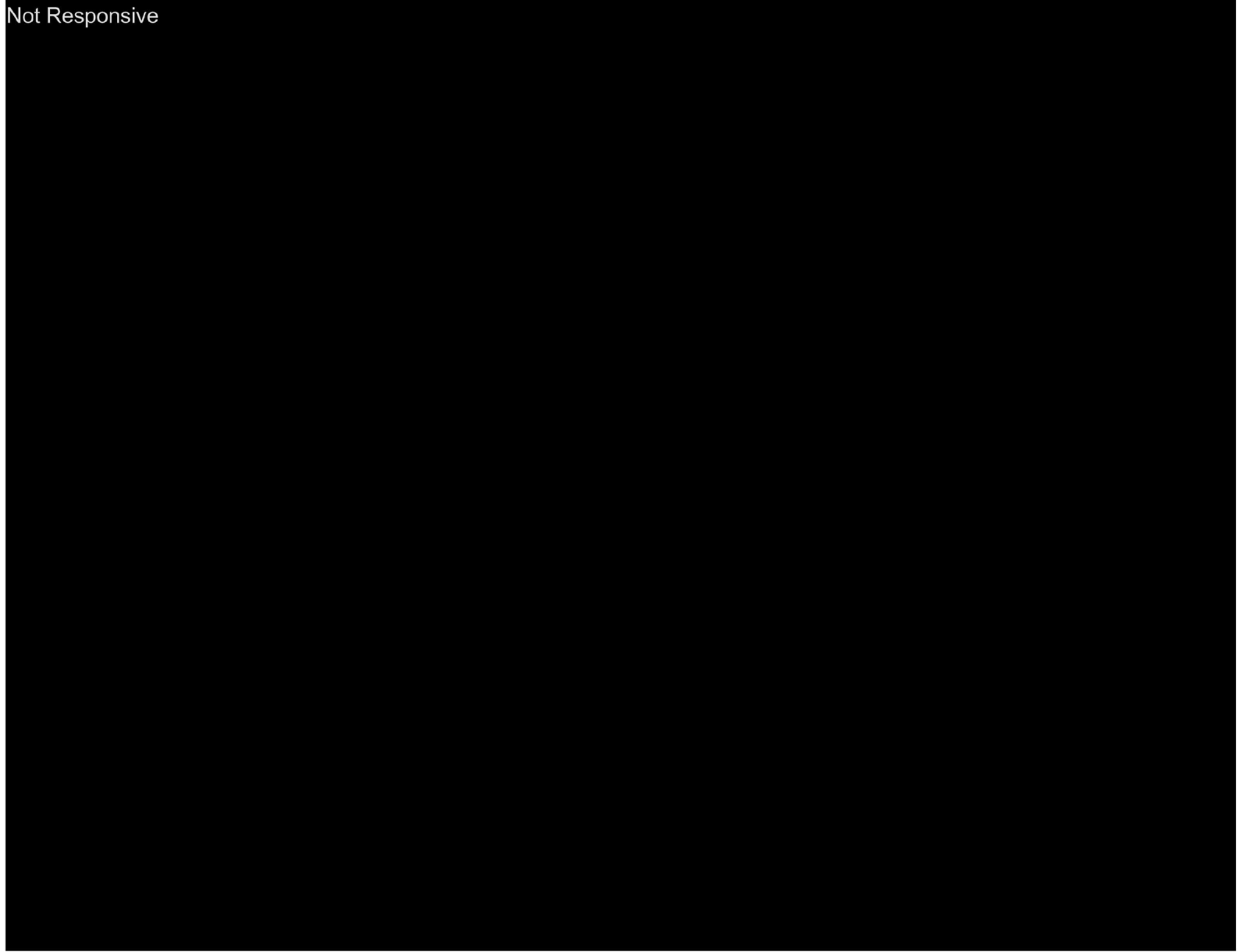




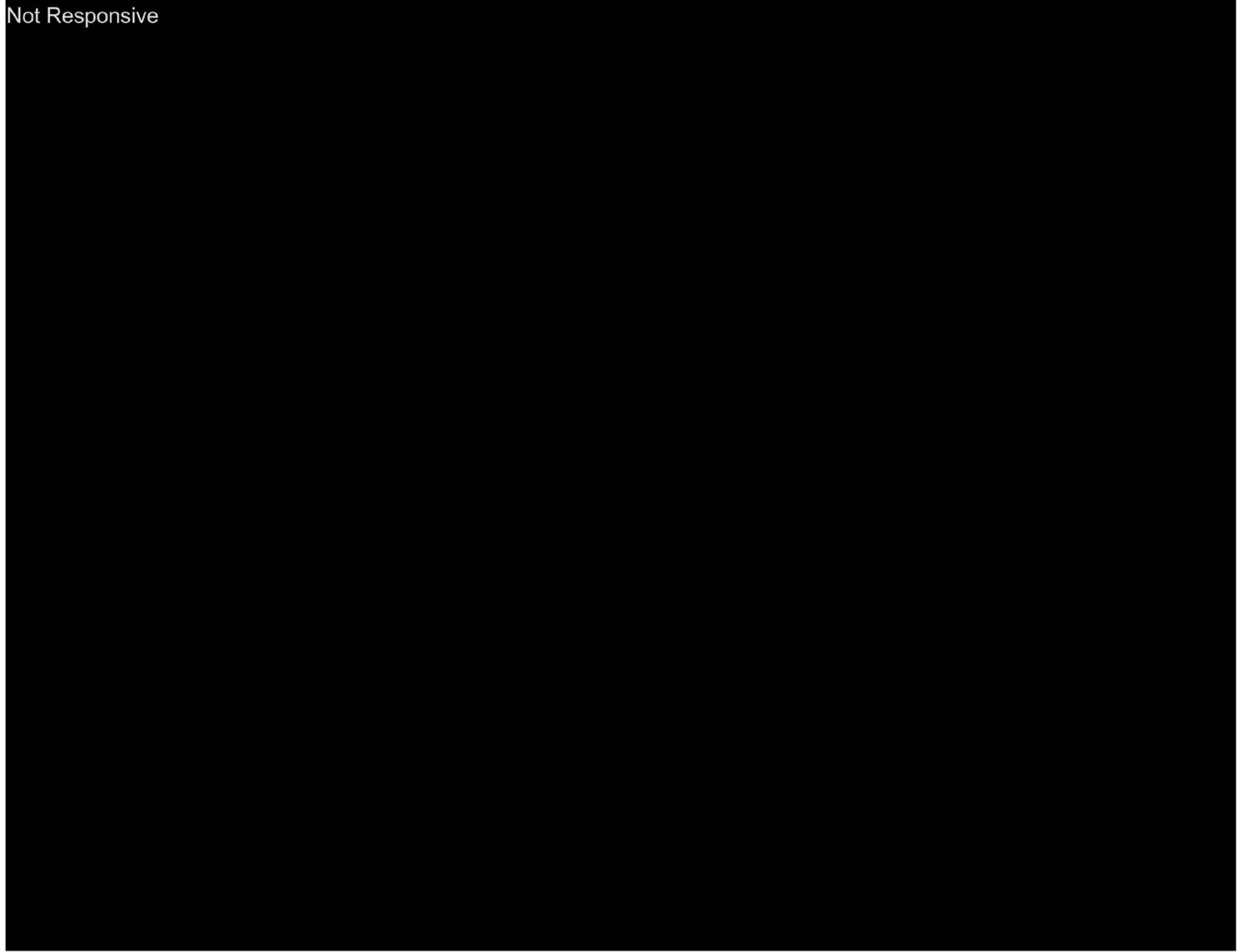
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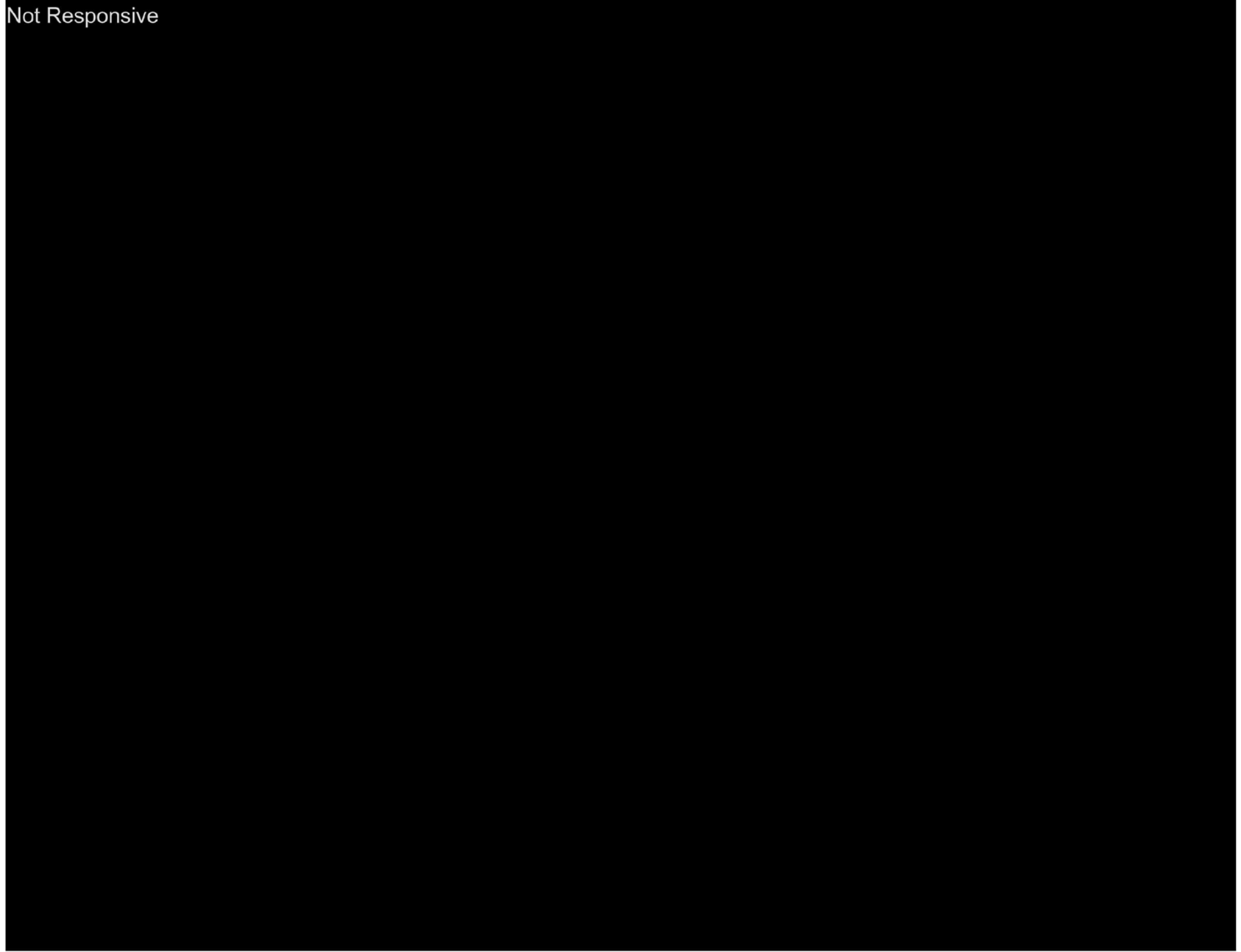
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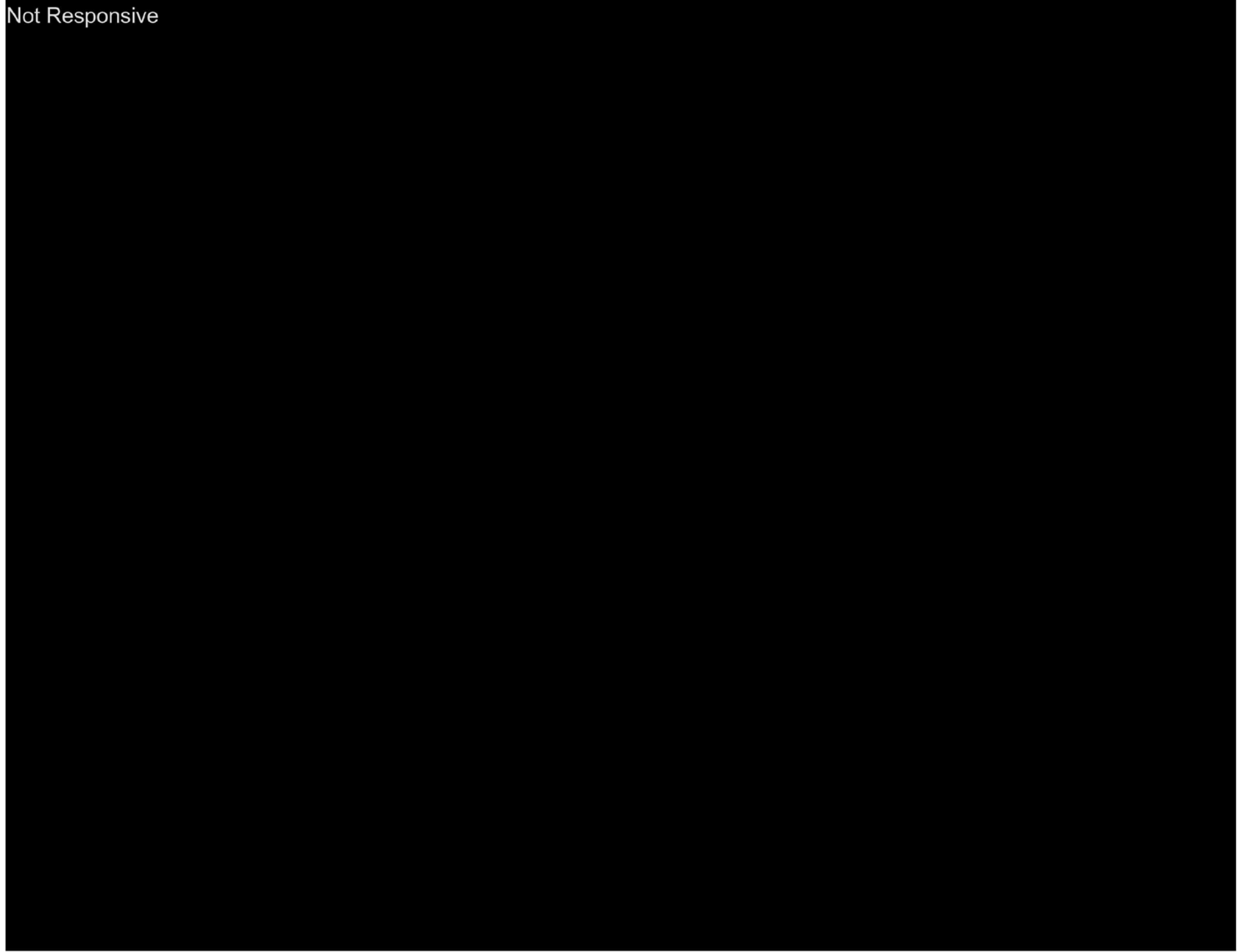


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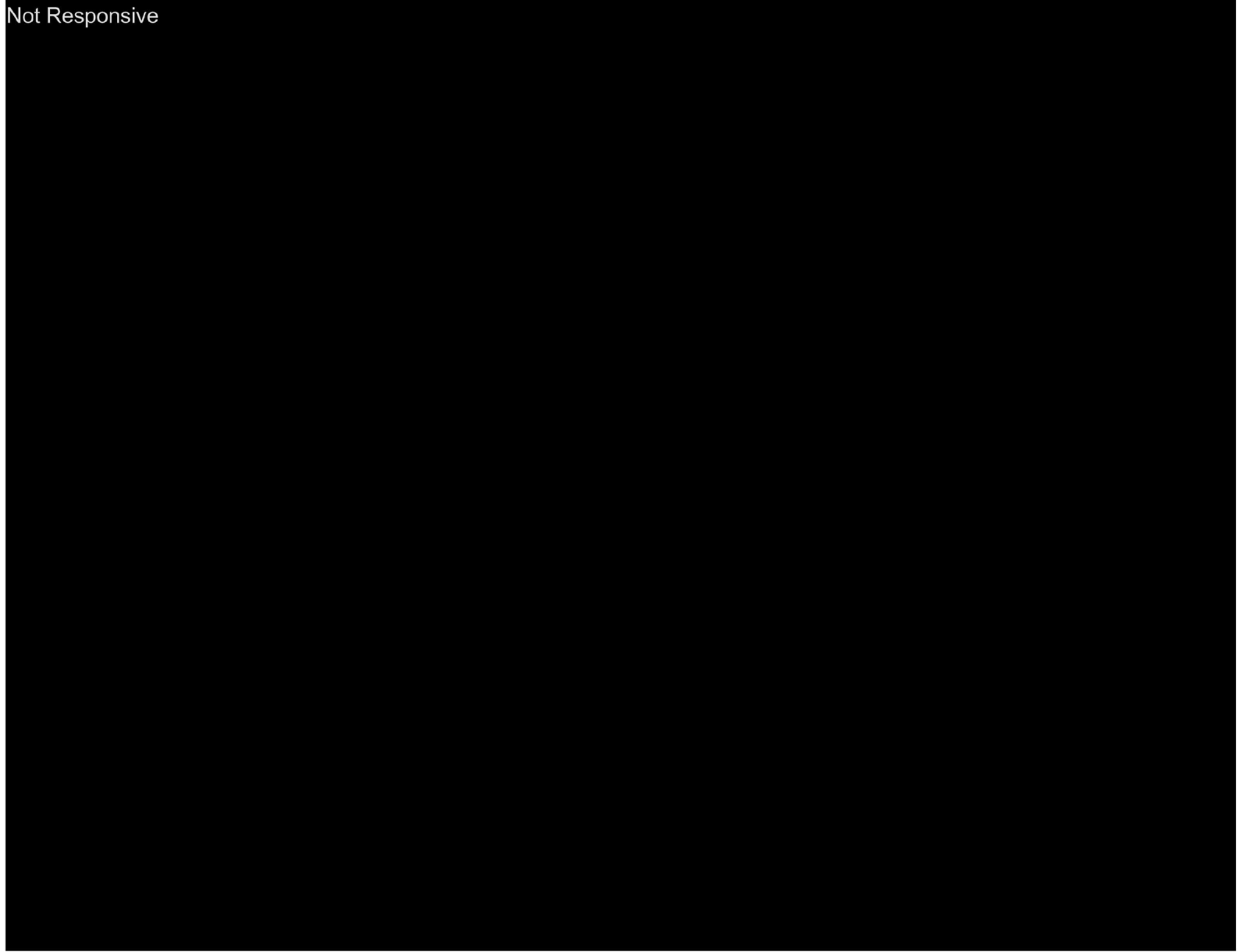




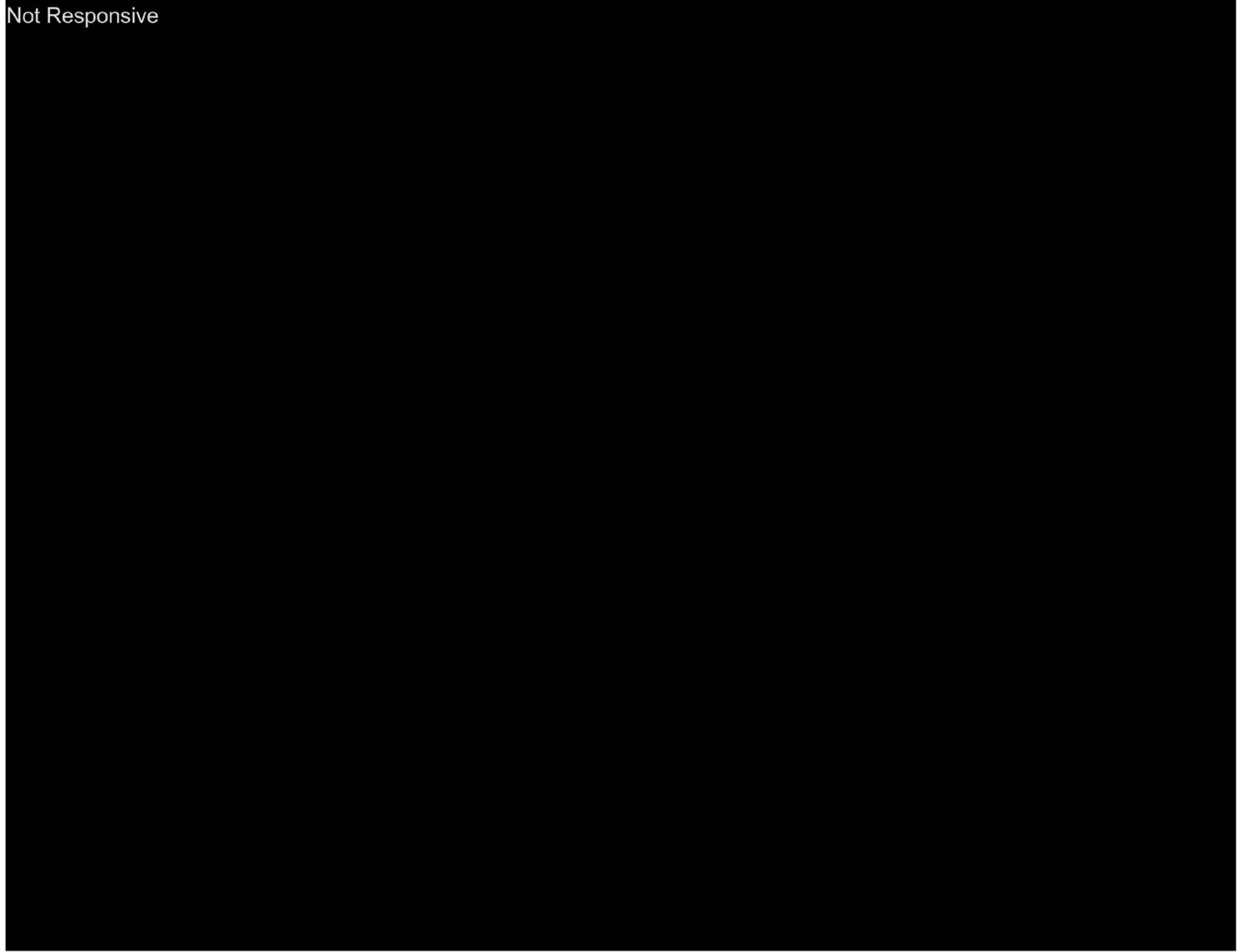
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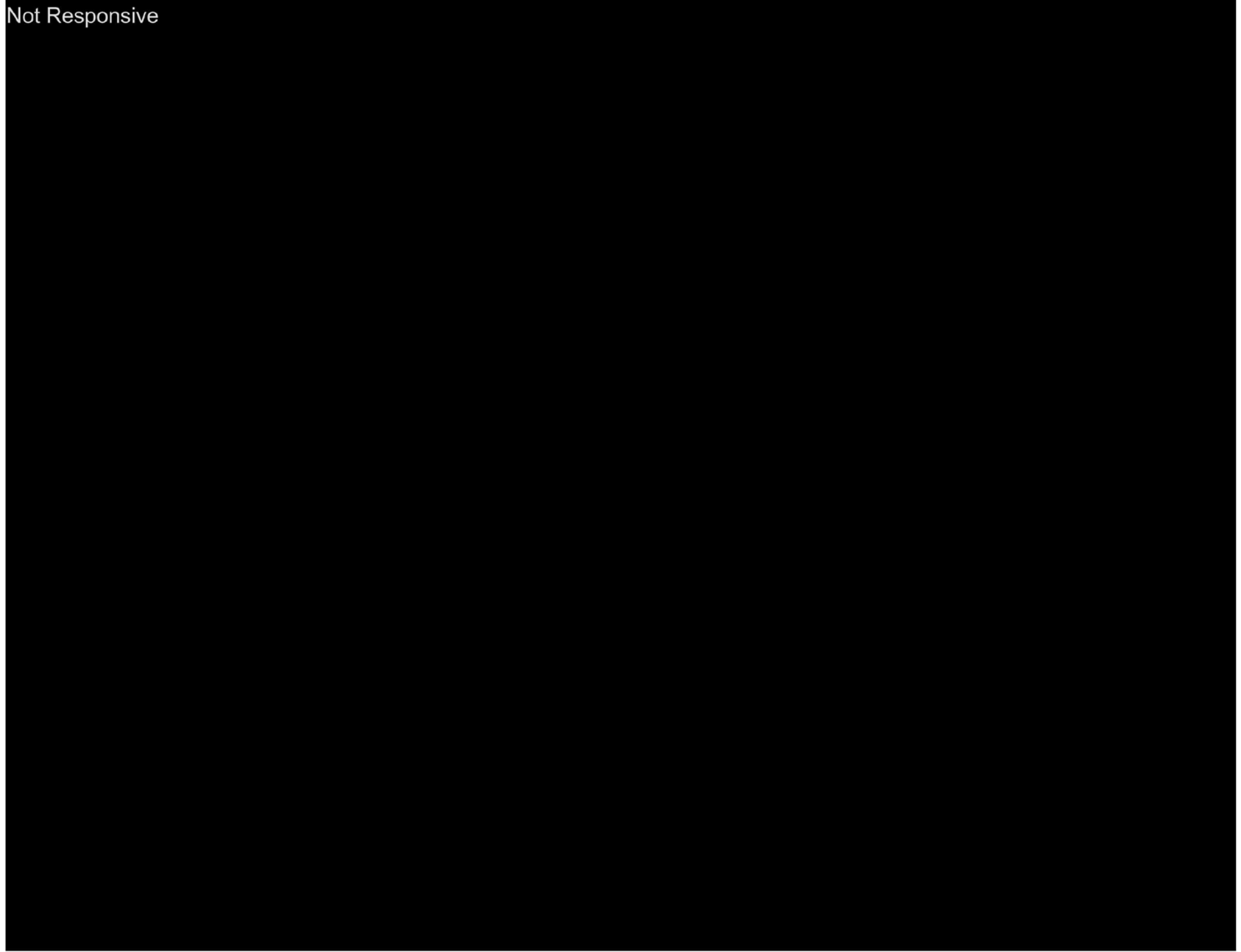
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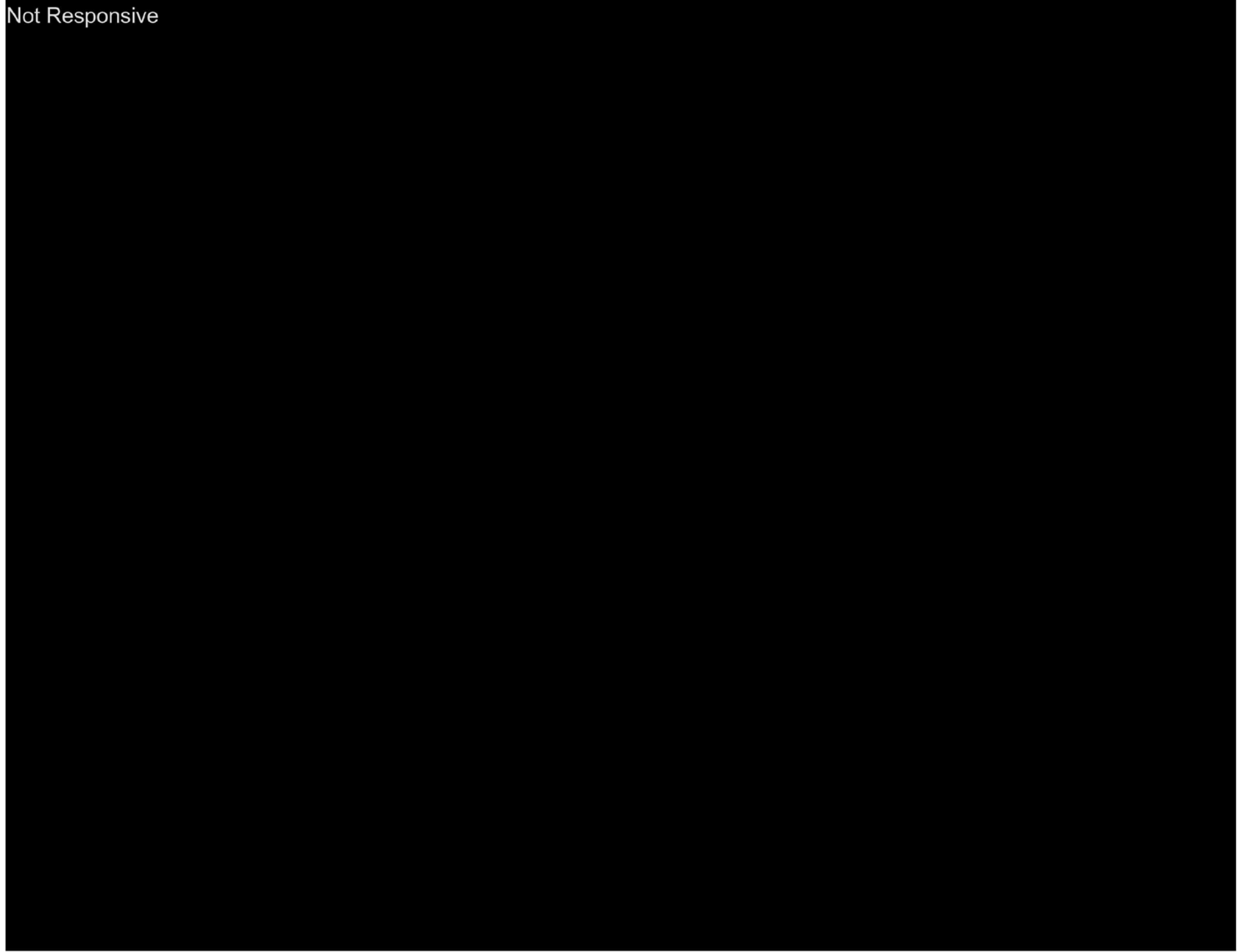


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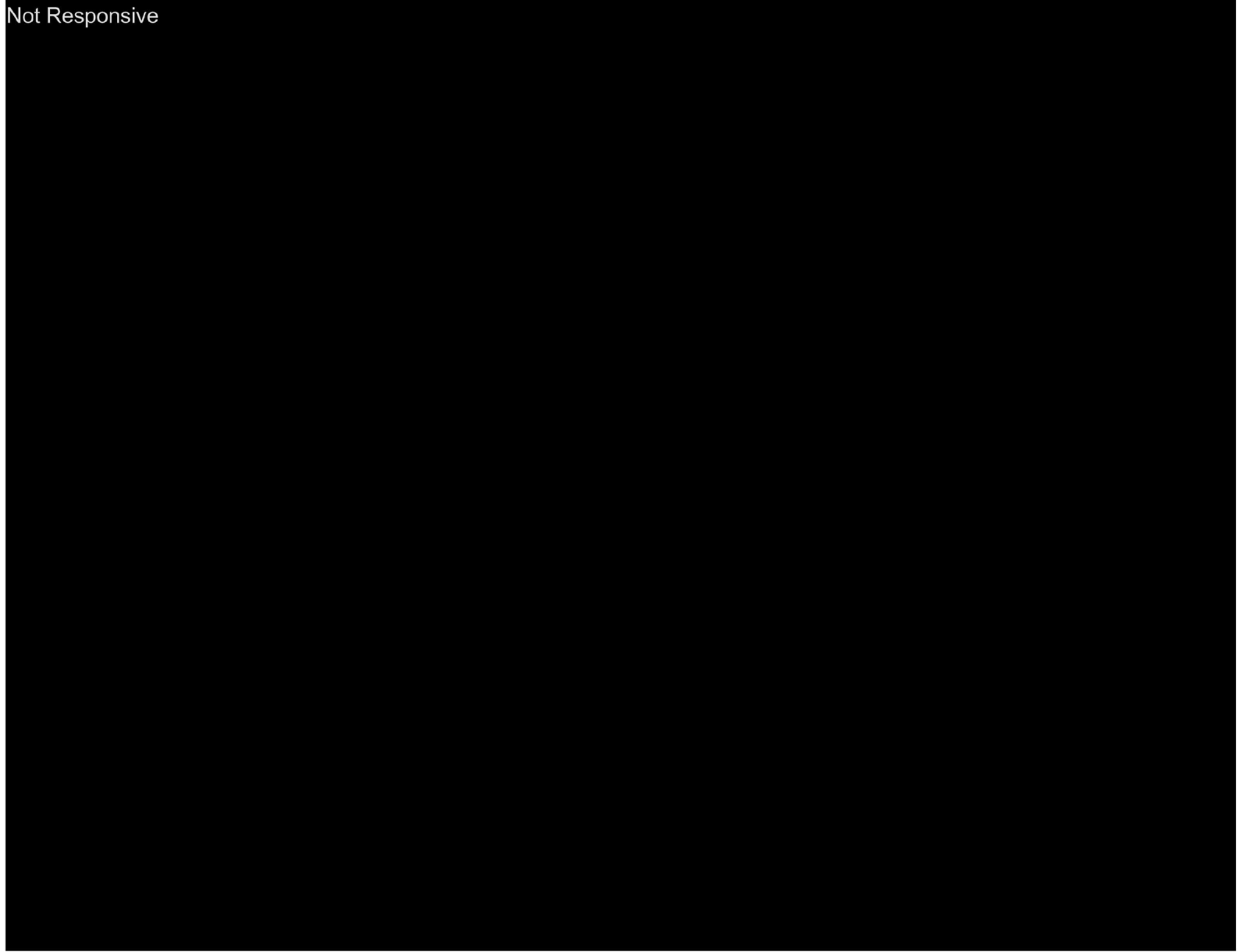




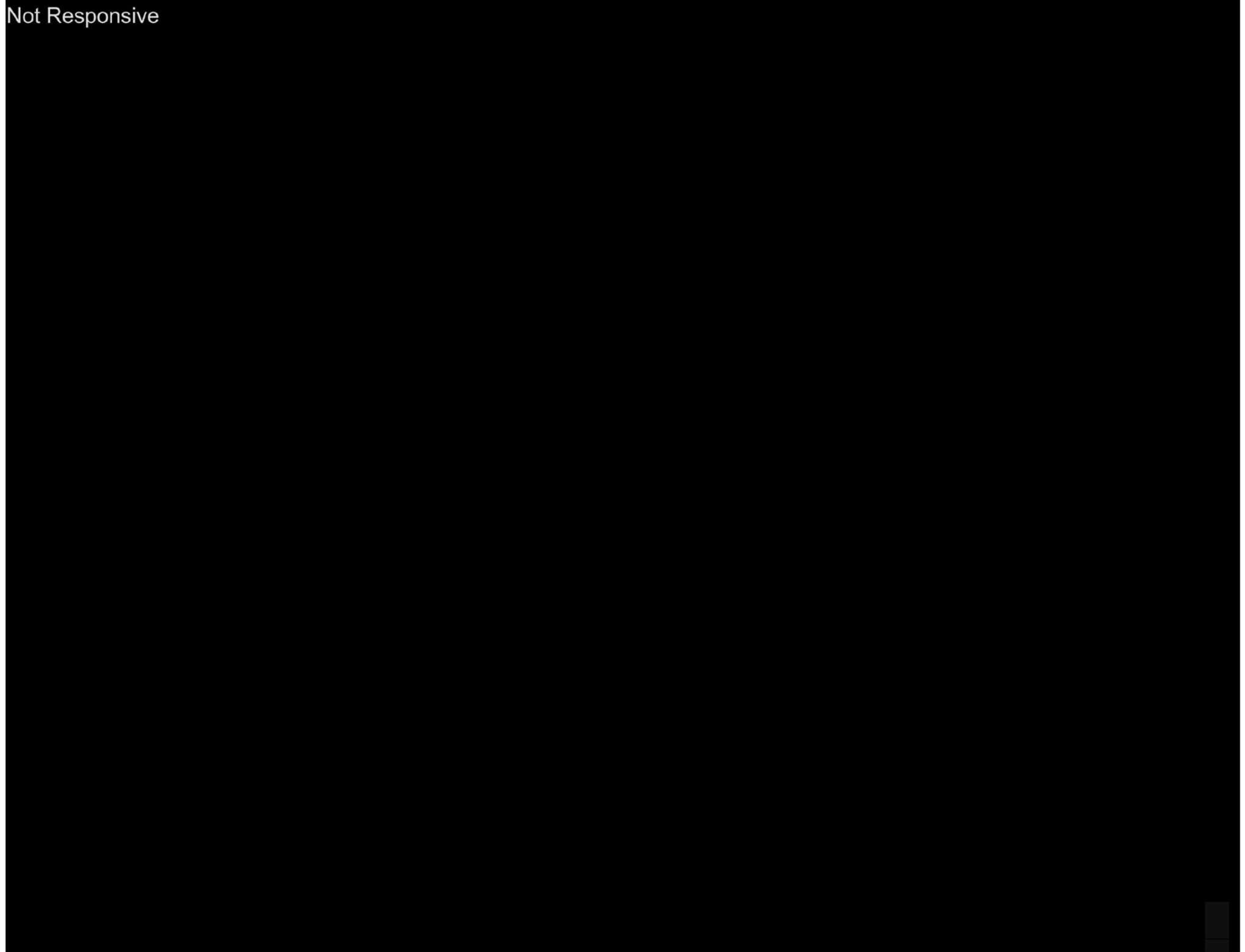
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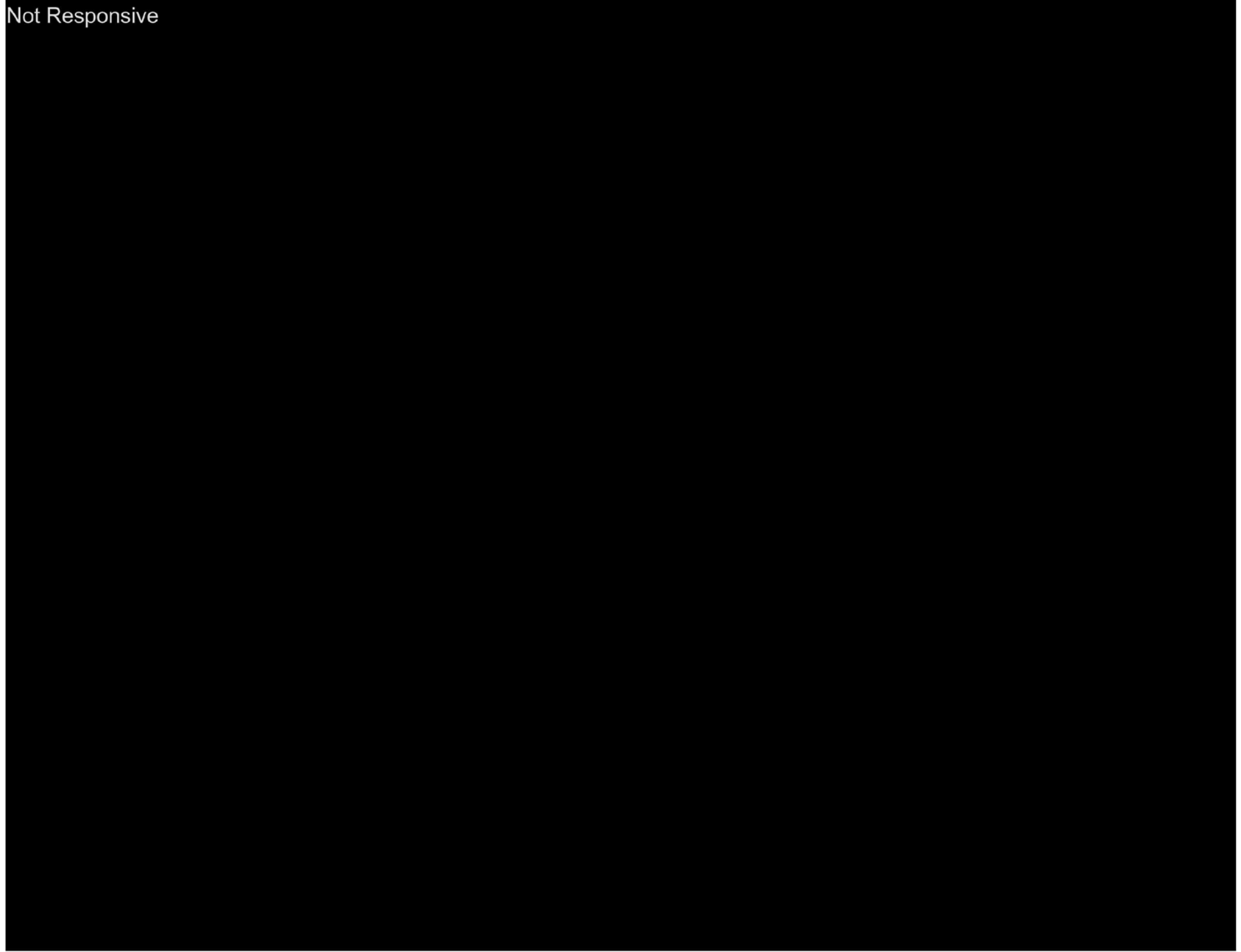
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**From:** Cooper,Suzanne B (BPA) - P-6  
**Sent:** Wednesday, March 20, 2024 1:21 PM  
**To:** Johnson,G Douglas (BPA) - DK-7; Hairston,John L (BPA) - A-7; Cooper,Suzanne B (BPA) - P-6; Thompson,Kim T (BPA) - PS-6; Johnson,Tim A (BPA) - LP-7; Chong Tim,Marcus H (BPA) - L-7  
**Cc:** Gobrele,Amanda Mae M (BPA) - DKS-7; Habibi,Maryam A (BPA) - DKP-7; Scruggs,Joel L (BPA) - DK-7  
**Subject:** FW: REVIEW REQUESTED: Draft Provider of Choice Policy/ROD news release  
**Attachments:** Provider of Choice Policy 2-2024 v2 SME edits.docx

Suggested edits in the document for consideration.

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**From:** Johnson,G Douglas (BPA) - DK-7 <[gdjohnson@bpa.gov](mailto:gdjohnson@bpa.gov)>  
**Sent:** Wednesday, March 20, 2024 12:45 PM  
**To:** Hairston,John L (BPA) - A-7 <[jlhairston@bpa.gov](mailto:jlhairston@bpa.gov)>; Cooper,Suzanne B (BPA) - P-6 <[sbcooper@bpa.gov](mailto:sbcooper@bpa.gov)>; Thompson,Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>; Johnson,Tim A (BPA) - LP-7 <[tajohnson@bpa.gov](mailto:tajohnson@bpa.gov)>; Chong Tim,Marcus H (BPA) - L-7 <[mhchongtim@bpa.gov](mailto:mhchongtim@bpa.gov)>  
**Cc:** Gobrele,Amanda Mae M (BPA) - DKS-7 <[amgoode@bpa.gov](mailto:amgoode@bpa.gov)>; Habibi,Maryam A (BPA) - DKP-7 <[maasgharian@bpa.gov](mailto:maasgharian@bpa.gov)>; Scruggs,Joel L (BPA) - DK-7 <[jlsruggs@bpa.gov](mailto:jlsruggs@bpa.gov)>  
**Subject:** REVIEW REQUESTED: Draft Provider of Choice Policy/ROD news release

We are ready for executive/OGC review of the attached Provider of Choice news release. This release will go to select high-profile energy trade outlets. We can also share more widely upon request.

Please take a look and get me your edits/comments by 10:30 a.m., Thursday, March 21. This has been reviewed by the Provider of Choice team and SMEs. Thanks for the help.

Please call me at (b)(6) if you'd like to discuss. Thanks!

# BPA NEWS

PR 24 XX (DRAFT v2 SME edits)

BONNEVILLE POWER ADMINISTRATION  
FOR IMMEDIATE RELEASE: Thursday, March 21 2023  
CONTACT: Doug Johnson, BPA, 503-713-7658  
or 503-230-5131

**BPA hits milestone in effort to preserve long-term partnership with public power**  
*Policy for next iteration of 20-year contracts will preserve the value of the federal system*

**Portland, Ore.** – Five-plus years of collaboration with customers and constituents has culminated in Bonneville Power Administration's release of its final Provider of Choice Policy. This policy sets the foundation for developing new long-term power sales contracts that will replace current contracts that expire on October 1, 2028.

At the core of the Policy is the continuation of a tiered rate construct. Under tiered rates, customers are eligible to purchase a certain amount of low-cost power at a wholesale Priority Firm Tier 1 rate. Additional power needs can be served by BPA at a PF Tier 2 rate, by non-federal resources that customers secure on their own, or a combination of the two. The tiered rate construct is designed to preserve the value of the federal system – including the region's 31 federal dams and one nuclear plant – and insulate customers from unbound acquisition costs.

"We named this the Provider of Choice process because while our customers have the right to request service by law we know they also have a choice in who provides their wholesale power," said BPA CEO and Administrator John Hairston. "The federal system has been the glue that holds public power together in the Pacific Northwest. We believe this policy maximizes the value of these assets and sets a course for two more decades of clean energy consumption and economic prosperity for consumer-owned utilities in the region."

"Since becoming Administrator in January 2021, getting these new contracts in place has been a top priority for me," said Hairston. "We are committed to responding to our customers' evolving needs while working within the framework of BPA statutes. One example of this is such as providing new opportunities for customers to integrate non-federal resources. The work we've done together has helped us significantly modify the initial concepts we released in summer 2022 and hammer out a policy that will help BPA and its customers navigate a constantly evolving energy landscape. Ultimately, I believe this Policy represents a balanced approach that offers customers new opportunities to develop non-federal resources while staying true to the central tenets of tiered rates."





The Policy creates a durable framework that provides certainty about the load service customers can expect from Bonneville while enabling them to navigate the changes the region will face. For example, the Policy shifts how Bonneville conveys emissions attributes to better align with utility reporting requirements, which was in direct response to customer requests.

The release of the Provider of Choice Policy signifies an important milestone in the Provider of Choice process. The next phase of the process kicks off in April with a series of policy implementation and contract development workshops that will go into more depth about the products and services outlined in the Policy. BPA has set a goal of executing the new long-term contracts by December 2025.

These new contracts will replace BPA's current 20-year "Regional Dialogue" contracts, whose name reflects the more than 10 years of discussions that led to BPA's first long-term contracts with consumer-owned utilities in the region.

For more information visit BPA's Provider of Choice webpage ([Provider of Choice - Bonneville Power Administration \(bpa.gov\)](https://www.bpa.gov/provider-of-choice)).

### **About BPA**

*The Bonneville Power Administration, headquartered in Portland, Oregon, is a nonprofit federal power marketer that sells wholesale, carbon-free hydropower from 31 federal dams in the Columbia River Basin. It also markets the output of the region's only nuclear plant. BPA delivers this power to more than 140 Northwest electric utilities, serving millions of consumers and businesses in Washington, Oregon, Idaho, western Montana and parts of California, Nevada, Utah and Wyoming. BPA also owns and operates more than 15,000 circuit miles of high-voltage power lines and 261 substations and provides transmission service to more than 300 customers. In all, BPA provides nearly a third of the power generated in the Northwest. To mitigate the impacts of the federal dams, BPA implements a fish and wildlife program that includes working with its partners to make the federal dams safer for fish passage. It also pursues cost-effective energy savings and operational solutions that help maintain safe, affordable, reliable electric power for the Northwest. [www.bpa.gov](https://www.bpa.gov)*

###



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**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Thursday, March 21, 2024 1:04 PM  
**To:** Thompson, Kim T (BPA) - PS-6  
**Subject:** PoC TP  
**Attachments:** BPA releases final Provider of Choice Policy and Record of Decision.docx

## **BPA releases final Provider of Choice Policy and Record of Decision**

*March 2024*

### **What this is**

Provider of Choice is BPA's regional effort to establish long-term preference power sales policy and contracts that will go into effect in 2028. BPA released its final Provider of Choice Policy and Record of Decision on March 21, laying out the foundation for future long-term contracts. The Policy was developed through a public process over the last year in close collaboration with customers and other interested parties. Bonneville will offer to and execute Provider of Choice contracts with utilities in late 2025. Power deliveries under these contracts will begin Oct. 1, 2028, following the expiration of the current Regional Dialogue contracts.

### **Key messages and storyline**

- BPA is committed to remaining the region's low-cost power provider beyond 2028. The final Policy and Record of Decision is a key milestone in our regional effort to develop the products, services, policies and rate structure to help us achieve that goal.
- At the heart of the Policy is the decision to continue Bonneville's tiered rate construct, which seeks to protect the value of the existing federal system from unbound acquisition costs, and to insulate customers from costs associated with other customers' resource choices. The Policy maintains these key elements while proposing additional flexibilities and options to help meet customers' and BPA's evolving needs.
- BPA is committed to being responsive to customers' evolving needs. Based on extensive input and engagement in the policy phase, Bonneville made substantive shifts from the initial concepts released in July 2022, and from the draft Policy released a year later. The final Policy reflects modification and fine-tuning in response to comments submitted during the draft Policy comment period.
- Executing contracts in 2025 with service beginning in 2028 provides a three-year window for both customers and Bonneville to transition to the new contracts and plan for post-2028 power resource needs.
- While the release of the Policy signifies an important milestone in the Provider of Choice process, much work remains. In April, BPA starts a series of policy implementation and contract development workshops to develop details about the products and services outlined in the Policy.

## Background

The regional effort to replace Bonneville's long-term preference power sales contracts is the "Provider of Choice" process.

By statute, BPA must offer contracts, when requested, for the sale of firm power to regional customers. Contract terms are statutorily limited to a maximum of 20 years, inclusive of any revisions, extensions or renewals. BPA relies on revenues generated under these long-term contracts to cover the majority of Power's revenue requirement. Under today's Regional Dialogue contracts, 76% of Power's BP-24 revenues come from Priority Firm (PF) sales.

Provider of Choice has had a long period of customer and regional engagement, beginning in 2019. In 2019 and 2020, BPA account executives engaged in conversations with customers about post-2028 wants and needs. In 2021, BPA released an initial leanings paper on the foundational tenets for Provider of Choice. This release was a springboard for further engagement. In 2022, BPA released the Provider of Choice Concept Paper, further refining concepts that would be deliberated in a series of workshops. A culmination of over a year of policy development workshops, the draft Policy was released in July 2023, followed by a 90-day public comment period that concluded Oct. 13, 2023.

Provider of Choice is one of the major processes under the Post-2028 Initiative. Other efforts under this umbrella are the Residential Exchange Program (REP), development of the subsequent rate design (2029 Public Rate Design Methodology (PRDM)), and the energy efficiency conservation agreement renewal process.

***For more information, contact:*** Michelle Lichtenfels, Provider of Choice program manager, x5453.

## Questions and answers

### 1. What does BPA cover in its Policy?

The Policy lays the framework for topics to be covered in the contracts and provides details, where possible, to guide contract drafting. It outlines how BPA will establish load obligations under various product offerings and how BPA will serve those load obligations. It determines that BPA will continue tiered rates and what portion of customer load will be eligible to be purchased at a PF Tier 1 rate.

### 2. How will BPA use the Policy going forward?

The policy direction in this paper will serve as the foundation for contract development. Additional details will be worked out during the policy implementation and contract development phase, the PRDM process and other issue-specific processes as needed.

### **3. How will BPA calculate customers' net requirement?**

A customer's net requirement is the amount of power Bonneville is obligated to supply to the customer under section 5(b) of the Northwest Power Act. It is equal to the customer's firm power load that is not otherwise served by the customer's own resources. Under its organic statutes, Bonneville has broad contract and rate design authority. Bonneville has discretion to develop different ways of supplying power to meet its customers' net requirements load.

Under Regional Dialogue, Bonneville only calculates net requirements based on energy. For Provider of Choice, Bonneville will add a second calculation to reflect the capacity contribution of a customer's non-federal resources. This concept is referred to as "peak net requirements." The peak net requirements calculation will include a calculation of a customer's total monthly peak load, a customer's peaking energy capability from its resources, and BPA's peaking energy capability for the federal system. This is discussed further under Question 9.

### **4. Does BPA propose to continue the tiered rate construct?**

Yes. The tiered rate construct establishes a two-tier rate design that applies to sales of firm requirements power at the PF power rates. Under the tiered rate design, customers are entitled to purchase up to a certain amount of firm power at the applicable PF Tier 1 rate, determined by their Contract High Water Mark (CHWM). If a customer's needs exceed that amount, they contractually elect whether to be supplied by 1) non-federal resources secured by the customer; 2) additional firm requirements power supplied by Bonneville at the applicable PF Tier 2 rate; or 3) a combination of 1 and 2.

The tiered rate design does not alter Bonneville's statutory obligation to meet a customer's firm power load net of their resources. Rather, tiered rates differentiate the costs and risks associated with different resources and give customers opportunities to serve a portion of their load with non-federal resources. Bonneville will further define and establish the rate design in the PRDM, which will be followed by a separate 7(i) process to set the rates that will be effective at the commencement of contract purchases.

### **5. How does BPA propose to determine the amount of power available at the PF Tier 1 rate?**

Bonneville will set the amount of power a customer is eligible to purchase at a PF Tier 1 rate constant for the duration of the Provider of Choice contract. This fixed value is referred to as a customer's CHWM. The total amount of power that will be available to purchase at a PF Tier 1 rate will be determined by the sum of all customer CHWMs, as determined by the CHWM calculation and any subsequent CHWM adjustments.

Bonneville believes this option offers customers increased planning capability, lowers the administrative burden for both Bonneville and customers, and provides a potentially lower-cost option rather than altering the system size.

### **6. How will CHWMs be calculated?**

CHWM sets a public customer's maximum eligibility to purchase power priced at a PF Tier 1 rate for the duration of the contract. The Policy provides a new calculation to establish



CHWMs for the Provider of Choice contract term. The total amount of power that will be available to purchase at a PF Tier 1 rate will be determined by the sum of all customer CHWMs, as determined by the CHWM calculation. In the final Policy, several adjustments to the CHWM were updated from the draft Policy based on customer feedback, including the conservation adjustment definition and proportional share adjustment.

## **7. How will BPA address acquisition of resources?**

The Provider of Choice contracts will establish the load obligation placed on Bonneville by customers as part of their 5(b) requirements loads. The contracts will not dictate how Bonneville will serve that load or commit to acquiring any specific resource to serve load if required. Bonneville will acquire resources if its firm obligations exceed its firm resource capability. Bonneville would develop a resource acquisition strategy informed by its forecast total supply obligation, its Resource Program, and the Northwest Power and Conservation Council's power plan. For the Provider of Choice contract period, Bonneville will not know the amount of load customers will place on Bonneville until customers execute Provider of Choice contracts in 2025 and CHWMs are calculated and finalized in FY 2026. Bonneville requires this load service obligation information to determine whether it may need to pursue resource acquisition.

## **8. Does Bonneville propose to offer the same products it offers today?**

Bonneville's intent is to provide a suite of products and services that include Load Following, Block and Slice/Block products, with a few key updates. The Policy provides a high-level context for each product. Detailed product design is expected to take place during the policy implementation and contract development phase that starts in April 2024.

Bonneville plans to maintain the distinction between the Load Following product, which meets a customer's energy and peak net requirements, and the Slice/Block and Block products, referred to as planned products, which are provided on an annual planned basis but provide no guarantee of meeting the customer's actual hourly needs.

Here is more detail on these products and a summary of BPA's Provider of Choice Policy for each:

**Load following:** Bonneville will offer the Load Following product, which meets a customer's net requirements load, including peak load. A customer that is seeking to have all of its needs met through its Bonneville power sales contract would need to purchase the Load Following product. To ensure that a customer's resource decisions do not shift costs or benefits to other customers, Bonneville will require shaping services for resources. Bonneville does not currently anticipate major changes to the Load Following product.

### **Block**

Bonneville will offer a standalone Block product, with the opportunity to add a Shaping Capacity option.

*Standalone Block product:* This product allows customers to supply their own load following service by pre-defining hourly amounts of power each month to meet a customer's forecast

net requirement load each fiscal year. Bonneville will allow customers one recalculation of their block shape during the contract period.

*Block with Shaping Capacity option:* The shaping capacity component offers customers additional support in meeting their peak load needs. Bonneville proposes redesigning the Block with Shaping Capacity option to better meet Block customers' needs. Customers may find this product provides needed peaking flexibility without the operational burdens of Slice. For example, during the policy implementation and contract development phase, Bonneville will assess whether a customer can obtain benefits from the product by shifting amounts of their block purchase across the day and the month.

**Slice/Block:**

The Slice/Block product bundles the Slice product and Block product to meet a customer's planned annual net requirements. The slice portion is a federal system sale of power that includes firm requirements power and an advanced sale of surplus power. The block portion of the Slice/Block product has less flexibility in shape than under the standalone Block product because the Slice portion provides significant shaping flexibility.

**New Resource Rate Block:**

Bonneville will offer investor-owned utilities a standalone Block product at the New Resource (NR) rate with similar attributes to the standalone Block product offered to PF customers.

**9. Why are the contracts 19 years, and what if customers cannot sign a contract for that length?**

Bonneville will offer the contracts to all eligible customers at the same time. Bonneville will offer 19-year Provider of Choice contracts with an expiration date of Sept. 30, 2044. The contracts will offer 16 years of power delivery starting Oct. 1, 2028, immediately following the expiration of the Regional Dialogue contracts. A 19-year contract means that the Provider of Choice contracts will expire before Washington's Clean Energy Transformation Act's (CETA's) 100% carbon-free standard applies. This will provide necessary time for Bonneville and customers to consider how subsequent contracts will interact with future carbon requirements. For customers who are not authorized to execute 19-year contracts, BPA will offer a contract that can be renewed to result in a 19-year term.

**10. How does BPA expect to address the changing market landscape?**

Over the course of the Provider of Choice contract period, the energy landscape is expected to experience shifts driven in part by new federal or state laws and regulations that require decarbonization and electrification, as well as by regional market development. During this time, the Policy and contracts must provide certainty that Bonneville will continue to deliver reliable power to its customers while remaining adaptive to future needs. The Policy addresses known areas of emerging industry changes and foreseeable impacts to load service during the Provider of Choice contract period. However, given the evolving nature of these changes, uncertainties remain and not all impacts are foreseeable at this time.

**11. What are the implications to Provider of Choice with respect to BPA joining a day-ahead market?**

Bonneville is considering whether to join a day-ahead market, including which market, in a separate public process. Bonneville intends to design its Provider of Choice products and contracts to be compatible with day-ahead market designs to ensure the ability of Bonneville and its customers to adapt to the changing energy landscape. Bonneville believes these design changes are prudent regardless of its own decision to join a market based on the evolving markets in the West. Among areas for discussion will be scheduling timelines and how power is delivered to public power customers under a day-ahead market construct. Bonneville is committed to exploring these challenges in the next phase of the Provider of Choice process.

**12. How will peak net requirements be calculated and implemented?**

Bonneville will implement a peak net requirements calculation during the Provider of Choice contract period due to the potential for significant future load growth in the region and anticipated capacity constraints. Compelled by arguments in comments, Bonneville changed the peak net requirements calculation to the common planning methodology called the Qualified Capacity Contribution (QCC), established by Western Resource Adequacy Program (WRAP), without any modifications; the ROD describes this rationale in more detail.

Peak net requirements will be applied for all products, but how peak net requirements will be implemented across products will be a key discussion of product design. Bonneville recognizes that the standard application of unadjusted QCC values for the peak net requirements calculation may not be ideal for hydro resources, as WRAP does not account for all hydro energy constraints. Bonneville is open to further discussions during the policy implementation and contract development phase to determine if non-federal hydro resources should have additional flexibility to meet their loads in the peak net requirements calculation.

**13. Will Bonneville offer a 100% carbon-free product?**

Bonneville cannot provide 100% carbon-free power or offer a 100% carbon-free product at this time. The power from the federal hydropower system and the Columbia Generating Station nuclear plant, which make up the bulk of what BPA sells, is carbon-free. The only emitting resources in Bonneville's system mix (according to state carbon regulation policies) are Bonneville's purchases of power from the market, which makes up on average 5% of Bonneville's fuel mix. Spot market purchases are typically not identifiable and therefore labeled "unspecified," even if they are carbon free.

As the Pacific Northwest approaches the challenge of decarbonization, Bonneville will strive to meet future load needs with cost-effective, carbon-free resources when acquisitions are required.

Bonneville intends to provide separate emissions accounting for power purchased at PF Tier 1 rates, PF Tier 2 rates, Firm Power Products and Services rates, NR rate and Industrial Firm Power rate.



**14. How does the Policy support utilities interested in building their own carbon-free resources?**

Bonneville will support customers in developing their own non-federal resources by offering new opportunities to add non-federal resources and providing allowances to offset a customer's Tier 1 take-or-pay obligation. Bonneville is limiting these changes to ensure the tiered rate construct is still honored in that one customer's resourcing decisions do not impact another customer. If Bonneville were to allow unlimited non-federal resource additions to offset Tier 1 take-or-pay obligations, it could lower the number of customers Tier 1 costs are spread across, which would result in higher rates to those not adding non-federal resources. Therefore, Bonneville believes there should be some limitations to how non-federal resources are added.

Bonneville will provide an allowance for customers to add qualifying non-federal resources to offset load that would have otherwise been served by federal power priced at a PF Tier 1 rate or would have been subject to take-or-pay provisions. Customers will be allowed to add up to an aggregate of 5 megawatts of non-federal resources or 50% of their CHWM, whichever is less. When a customer applies a qualifying non-federal resource under this allowance, it will not reduce their CHWM, but it may reduce their eligibility to purchase power at a PF Tier 1 rate and will create headroom for the customer unless they have a firm load need such as Above-CHWM load.

Bonneville will raise the minimum threshold required for a customer's non-federal resource to be included and tracked in the power sales contracts from a nameplate of 200 kilowatts to 1 MW. There will be no limit to the number of non-federal resources a customer can add under 1 MW.

**15. How does the Policy address transfer service?**

Bonneville's intent is that transfer customers pay the same, or similar, categories of costs as those paid by directly connected customers. Specifically, when structuring contracts, policies, and rates for transfer service, Bonneville will endeavor to maintain consistent treatment of costs categories between customers that are served by transfer service and customers that are directly connected to the Bonneville transmission system.

Bonneville will support customer development of non-federal resources by continuing the practice of proposing to recover the costs of the network component of transfer service for non-federal power serving Above-CHWM load from the Tier 1 cost pool. Additionally, Bonneville will propose to recover the costs of the network component of transfer service for non-federal resources serving PF-eligible loads below their CHWM from the Tier 1 cost pool.

Bonneville will limit its support to the last leg required for delivery to the customer's load and the non-federal resource must be designated as a network resource on firm transmission. Bonneville will set a limit on its financial assistance to transfer customers for non-federal resource deliveries.

Bonneville will propose this cost treatment in the PRDM.



**16. How do the Policy and the PRDM interrelate?**

The PRDM process was launched in January 2024 to develop the post-2028 rate design for its public rates that will update and replace the current Tiered Rates Methodology (TRM). Bonneville will draft the PRDM during this public process before formally adopting the methodology in a Northwest Power Act section 7(i) process, concurrent with the BP-26 Rate Case proceedings. The PRDM process will explore potential options for changes to the rate design applicable to the Provider of Choice contracts. For example, in the PRDM process, Bonneville will discuss peak net requirements to identify and address any rate implications, and address the resource support services and other important policy implementation elements.

**17. What are the REP plans for Post-2028?**

Bonneville currently implements the Residential Exchange Program through a settlement that is set to expire in 2028. Bonneville is engaging regional parties in a two-phased approach to develop the post-2028 REP implementation. The first phase, referred to as the settlement phase, is exploring whether a follow-on REP settlement can be reached. If a settlement is reached, Bonneville would likely conduct a section 7(i) rate-making process to consider and evaluate the settlement for statutory compliance. If an REP settlement is not achieved or appears unlikely, Bonneville would turn its attention from facilitating settlement to preparing for the traditional implementation of the REP. Learn more about the Post-2028 REP process [here](#).

**18. Does the Policy propose changing Columbia River System operations?**

The Provider of Choice Policy does not propose changing system operations.

**19. How will Power Services and Transmission Services coordinate?**

Bonneville recognizes the importance of coordination between its Power and Transmission business lines. Power Services and Transmission Services will continue to coordinate on policies and processes to help align policies and contracts across business lines.

The Policy does not address Bonneville's transmission products and services, which are available to all transmission customers under Bonneville's open access transmission tariff. Bonneville's transmission policies and public processes, including those associated with Network Integration Transmission Service, are outside the scope of the Policy.

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**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Thursday, March 21, 2024 1:10 PM  
**To:** Thompson, Kim T (BPA) - PS-6  
**Subject:** provider-of-choice-policy-march-2024.pdf  
**Attachments:** provider-of-choice-policy-march-2024.pdf

Bonneville Power Administration  
Provider of Choice Policy  
March 2024



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## 1. Introduction

The Bonneville Power Administration (Bonneville) has supplied reliable, affordable and low-carbon wholesale electric power to public power utility and investor-owned utility (IOU) customers serving retail consumers throughout the Pacific Northwest for over 85 years. This proud tradition is rooted in the agency's enabling legislation, and Bonneville looks forward to building on this legacy in the years ahead.

When requested by an eligible public body or IOU, section 5(b) of the Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act) directs the Administrator to offer a contract to meet the firm power load of the customer to the extent that such firm power load exceeds the capability of the customer's resources. Before offering such contracts, Bonneville has historically engaged with regional utilities and interested parties in a regional power sales policy and contract-development process to gain an understanding of their electric power needs and perspectives, which help shape Bonneville's power marketing policy and future contracts.

Developing the Provider of Choice Policy (Policy) is the first formal step of this effort and represents the culmination of a multi-year regional engagement designed to shape Bonneville's long-term power sales policy and contracts that will follow the expiration of the current Regional Dialogue contracts in September 2028. Regional engagement to this point has been comprised of an extensive, iterative, structured public process involving customers and interested parties who submitted proposals and provided feedback to Bonneville on a variety of important and challenging issues. Through the Policy and contracts, Bonneville looks to affirm its status as customers' "Provider of Choice" for years to come.

In 2016, Bonneville launched the Focus 2028<sup>1</sup> effort, which led to the first Provider of Choice discussions. Bonneville held periodic regional conversations to understand the current challenges facing utility customers as well as receive perspectives on these customers' future needs. Bonneville continued customer outreach with a year of educational sessions with public power that covered the foundational issues that would underpin the Provider of Choice Concept Paper.<sup>2</sup>

The Provider of Choice Concept Paper, published on July 14, 2022, set forth Bonneville's initial positions and considerations for Provider of Choice contract policies, products and services. The concept paper preceded a series of policy development workshops that provided grounding in the policy topics, discussed the intent and design of policy elements, and invited deliberation

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<sup>1</sup> Focus 2028 was a forum for regional leaders to begin to develop a common understanding of the types of industry changes and strategic choices Bonneville may face to maintain its cost competitiveness and financial strength.

<sup>2</sup> The Provider of Choice Concept Paper is available at <https://www.bpa.gov/-/media/Aep/power/provider-of-choice/bpa-provider-of-choice-concept-paper-final-july-2022.pdf>

and proposals. Participants provided informal comments that helped shape the policy development over the course of the year-long process.

Bonneville released a draft Policy on July 20, 2023, and collected comments through October 13, 2023. This Policy reflects Bonneville's final policy decisions, and the accompanying record of decision (ROD) responds to whether Bonneville adopted commenter requests.

With this Policy in hand, Bonneville will again engage the region in a public process to determine how to implement the Policy and codify these policy decisions in Provider of Choice contracts. Bonneville, in coordination with its power customers, will draft contracts and accompanying documentation and release the contract templates for public comment. The goal is to have all firm power customers request and execute new contracts by the end of calendar year 2025. Bonneville and customers will use the time between contract signing and power deliveries, slated to start October 1, 2028, to ensure a smooth transition between contracts.

Bonneville launched a process in January 2024 to develop the post-2028 rate design for its public rates — the 2029 Public Rate Design Methodology (PRDM) — that will update and replace the current Tiered Rates Methodology (TRM). This process will include a series of educational workshops to establish baseline knowledge of rates as well as explore potential options for changes to the rate design applicable to the Provider of Choice contracts. Bonneville will draft the PRDM with consideration of public input before introducing the methodology in a Northwest Power Act section 7(i) rate proceeding, expected to occur around the time of the BP-26 Rate Case. Bonneville may also consider other policy updates and new or enhanced business systems as needed to support the Provider of Choice contracts.

## 1.1 Principles and Goals

The Provider of Choice principles and goals are a cornerstone, intended to guide development of this Policy and the subsequent contracts. They convey Bonneville's aspirations for what future power sales contracts could provide to regional power customers through products and services. They also provide a framework against which Bonneville and the region will assess policy and contract decisions.

### 1.1.1 Principles

Bonneville's Provider of Choice principles below guide the Policy and contract development.

- 1. Tier 1 firm power rates are set at the lowest possible rates consistent with sound business principles.** Bonneville sells electric power at cost to its customers and strives to provide competitive rates. This includes considering its business needs and preserving the near and long-term value of the Federal Columbia River Power System (FCRPS) for the region.
- 2. Provider of Choice Policy and contracts are consistent with Bonneville's statutes.** Bonneville offers contracts to provide power to customers to meet their firm power



load net of their non-federal resources. This principle includes ensuring there are adequate resources to meet Bonneville's contractual load obligations.

3. **Contracts provide long-term supply of electric power through standardized products and services and transparent processes.** Bonneville develops its Policy and offers and implements standardized contracts transparently.
4. **Provider of Choice Policy and contracts provide financial stability for Bonneville and support Bonneville's regional obligations and commitments.** Bonneville's Policy and contracts support its financial obligations and objectives, such as its ability to meet all debt obligations. Offerings provide value to customers and the region while minimizing risk for Bonneville and customers.

#### 1.1.2 Goals

The Provider of Choice goals below embody Bonneville's aspirations for the Policy and contracts.

1. **Provider of Choice Policy and contracts are regionally supported.** Bonneville's regional firm power customers and the region generally support the Policy and contracts offered by Bonneville. The region will be engaged throughout the transparent process and regular input will ensure Bonneville meets this goal.
2. **The Federal Base System is fully subscribed to supply customers' net requirements.** Bonneville offers attractive products and services at competitive rates.
3. **Product and service offerings are equitable.** Bonneville's product offerings balance benefits, costs and risks while recognizing differences in customers' needs and interests.
4. **Contracts offer customers flexibility to invest in and integrate non-federal resources.** Bonneville will look for opportunities to accommodate the use and integration of customers' non-federal resources as part of power sales contracts and support customers meeting their firm power supply needs while limiting risk and cost increases to applicable power rates.
5. **Contracts support customers meeting national and regional objectives.** Bonneville supports customers in meeting their applicable compliance requirements. Current and emerging issues to be considered include clean energy policies, distribution of environmental attributes, emerging markets and electrification.
6. **Contracts are administratively straightforward and implementable.** Bonneville's contracts simplify the implementation of products and services in a way that minimizes administrative complexity and costs while taking into consideration customers' needs.

**7. Provider of Choice Policy and contracts build on a long history of stewardship and regional relationships.** Bonneville values its relationships and commitments in the Pacific Northwest.

## 1.2 Emerging Landscape

Over the course of the Provider of Choice contract period, the energy landscape is expected to experience shifts driven in part by new federal or state laws and regulations that require decarbonization and electrification, as well as by regional market development. During this time, the Policy and contracts must provide certainty that Bonneville will continue to deliver reliable power to its customers while remaining adaptive to future needs. The Policy addresses known areas of emerging industry changes and foreseeable impacts to load service during the Provider of Choice contract period, a few of which are highlighted below. However, given the evolving nature of these changes, uncertainties remain and not all impacts are foreseeable at this time.

### 1.2.1 Western Resource Adequacy Program

As the region's forecasts of load and resource mix changed, resource adequacy emerged as a critical focus area. The region created a voluntary program, the Western Resource Adequacy Program (WRAP), designed to leverage load and resource diversity and deliver resource adequacy efficiencies to participants. In late 2022, Bonneville decided to join the binding phase of the WRAP, which ensures that utilities plan and bring enough power to meet their own needs and helps the region avoid generation shortfalls. As a WRAP participant, Bonneville has agreed to specific planning obligations, such as ensuring that a planning contingency reserve is available on a forward showing basis. WRAP participants are working to develop business practices and implementation details around the program. As details emerge during the upcoming policy implementation and contract development phase, Bonneville will need to consider adjustments to its product and service offerings, including defining non-federal resource data requirements and planning obligations for products. These details are identified in the Policy where known.

### 1.2.2 Day-ahead Market

Western utilities are actively engaged in discussions regarding the formation of regional day-ahead markets<sup>3</sup> in two processes: the California Independent System Operator's Extended Day-ahead Market initiative and the Southwest Power Pool's Markets+ process. Bonneville is conducting an evaluation on whether it should join a day-ahead market, and if so, which market would be the best fit for Bonneville. Regardless of whether Bonneville decides to join one of the day-ahead markets, it is likely that other balancing authorities in the region will do so, and load that Bonneville serves may be located in those balancing authority areas and subject to third-

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<sup>3</sup> A day-ahead market would optimize a participant's loads, resources and transmission within the market footprint using a security constrained unit commitment and economic dispatch on a day-ahead basis with hourly granularity. A potential day-ahead market is expected to have a much larger volume of transactions than a real-time market.



party transmission provider tariffs. For these reasons, Bonneville intends to design its Provider of Choice products and contracts to be compatible with day-ahead market designs to ensure the ability of Bonneville and its customers to adapt to this aspect of the changing energy landscape. Among areas for discussion will be scheduling timelines and how power to public power customers is delivered under a day-ahead market construct. Bonneville will consider whether to join a day-ahead market, including which market, in a separate public process.

#### 1.2.3 Regional Transmission Organization

Similarly, discussions are emerging among Western utilities regarding a potential West-wide Regional Transmission Organization (RTO). However, as of issuing this Policy there is currently no formal process dedicated to the design and establishment of an RTO. Future development of an RTO could impact the Provider of Choice contracts even if Bonneville is not a direct participant. Should an RTO process develop during the policy implementation and contract development phase, Bonneville would consider how offerings are compatible with an RTO. Bonneville would consider any potential changes at a later date in a separate public process.

#### 1.2.4 Decarbonization

National, state, and local efforts to shift toward carbon-free resources are also changing the landscape of the energy industry. Some states in the Pacific Northwest are driving such changes with laws directed at reducing greenhouse gas (GHG) emissions, increasing the use of renewables, and electrifying transportation and other sectors traditionally dependent on fossil fuels. These policies and directives will persist and continue to evolve in the coming decades. Bonneville recognizes that it has a role to play in industry efforts to decarbonize and understands the importance of supporting customers that have state emission reduction mandates and local priorities. Bonneville highlighted its goals related to supporting decarbonization efforts in the 2024–2028 Strategic Plan<sup>4</sup> released in August 2023.

#### 1.2.5 Load Growth

The region anticipates high levels of load growth from electrification and in the number of large loads over the Provider of Choice contract period. Electrification refers to the increase in load served with electricity as the result of efforts to reduce GHG emissions. This is fueled by laws and regulations as well as by market forces. Substantial electrification would result in increased load for electric utilities, likely with an expectation that load is served by carbon-free resources.

In addition to electrification, in recent years a number of single large loads have located in the region, with this trend expected to accelerate into the next contract period. This load growth has largely been driven by server farms, which may or may not become designated as new large

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<sup>4</sup> The 2024–2028 Strategic Plan is available at: <https://www.bpa.gov/-/media/Aep/about/who-we-are/strategic-plan/2024-2028-strategic-plan.pdf>.

single loads<sup>5</sup> (NLSLs). If customers elect for Bonneville to serve these increasing loads, Bonneville may need to consider how it will acquire resources to do so, assuming the system is fully subscribed.

## 2. Provider of Choice Foundational Service Elements

Bonneville's products and service offerings form the essential building blocks of the Provider of Choice Policy and contracts. The following sections describe how Bonneville will provide service to utilities. This includes specific elements that apply to public power customers who are eligible to purchase power at a Priority Firm (PF) rate, sometimes referenced as PF customers in this Policy.

### 2.1 Net Requirements

Section 5(b)(1) of the Northwest Power Act obligates Bonneville to offer a contract for the sale of power to a requesting eligible customer to serve its firm power load that is not otherwise served by the customer's resources. The amount of firm requirements power a customer is able to purchase is referred to as the customer's net requirements. Bonneville performs a net requirements calculation for each requesting customer to determine the amount of electric power the Administrator is obligated to sell regardless of the product a customer selects.

Bonneville will adopt net requirements calculations that are durable and sustainable for the Provider of Choice contracts while also accounting for customer use of a diverse set of non-federal resources. The calculations will determine the customer's total retail load (TRL) as well as the firm energy and peaking capabilities of its dedicated resources.<sup>6</sup> Bonneville's calculations will leverage standard planning considerations and definitions wherever possible. The net requirements calculations will address the diverse fuel types of resources used by utilities to account for the specific resource's peaking capabilities.

#### 2.1.1 Energy Net Requirements

Bonneville will calculate energy net requirements on an annual average basis based on two components. The first component is determining a customer's TRL using a customer's forecast 50<sup>th</sup> percentile load (also referred to as P50), which establishes a customer's average annual load. The second component is determining the forecast firm energy output from a customer's dedicated resources, if any, on an annual basis.

Bonneville will establish a methodology to determine the firm capability of different non-federal resource types. For instance, consistent with current practice, Bonneville may apply one

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<sup>5</sup> Section 3(13) of the Northwest Power Act defines a NLSL as any new load or expansion of an existing load at a single facility which is not a Contracted For/Committed To load and will result in an increase in power requirements by 10 aMW or more in any consecutive 12-month period.

<sup>6</sup> Dedicated resources refer to customer's 5(b)(1)(A) and 5(b)(1)(B) resources that are required to serve load, or the customer has determined will be used to serve load. The Northwest Power Act requires a customer to continue to use these resources to serve load until such resources are discontinued because of obsolescence, retirement, loss of the resource, loss of contract right or with the Administrator's consent.



approach for determining the firm energy capability of an intermittent non-federal resource and another approach for determining the firm energy capability of a non-federal hydropower dam. Bonneville will include the firm resource amounts in an exhibit to the customers' Provider of Choice contracts.

The energy net requirements calculation is as follows:

$$\text{Energy Net Requirements} = \text{Total Retail Load} - \text{Dedicated Resources}$$

#### 2.1.2 Peak Net Requirements

Bonneville's annual peak net requirements calculation will establish the monthly peaking capability of a customer's dedicated resources for purposes of serving net requirements load. Bonneville will implement a peak net requirements calculation during the Provider of Choice contract period due to the potential for significant future load growth in the region and anticipated capacity constraints.

Similar to calculating energy net requirements, Bonneville will calculate two components in the peak net requirements calculation. The first component of peak net requirements is determining the customer's monthly TRL peak using a customer's forecast monthly P50 peak hour load.

The second component of the peak net requirements calculation is determining the peaking capability of the customer's dedicated resources. The WRAP provides a standardized, regionally supported methodology for the planning obligation that a load responsible entity<sup>7</sup> assumes if they choose to participate in the program. While WRAP participation is voluntary, it provides a common planning methodology known as Qualified Capacity Contribution (QCC) to determine a resource's capacity. WRAP defines QCC as "the megawatt quantity of capacity provided by a resource, contract or portfolio . . . ." Part II of the WRAP Tariff<sup>8</sup> provides information on the assumptions and methodologies specific to various resource types. Bonneville will use the WRAP's QCC methodology or its successor, with modifications described below, for determining customers' dedicated resource peaking capability for the Provider of Choice contracts regardless of a customer's decision to participate in WRAP.

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<sup>7</sup> A load responsible entity is defined by the WRAP as an entity that (i) owns, controls, and/or purchases capacity resources, or is a Federal Power Marketing Administration or a Canadian Power Marketing Entity, and (ii) has the obligation, either through statute, rule, contract, or otherwise, to meet energy or system loads at all hours.

<sup>8</sup> The current WRAP Tariff is available at [https://www.westernpowerpool.org/private-media/documents/WRAP\\_Tariff\\_12-12-22\\_W0327945x8DF47\\_2.pdf](https://www.westernpowerpool.org/private-media/documents/WRAP_Tariff_12-12-22_W0327945x8DF47_2.pdf).

The peak net requirements calculation is as follows:

$$\begin{aligned} \text{Peak Net Requirements} \\ &= \text{Peak TRL} - \text{Dedicated Resource Peaking Capability} \\ \text{or} &= \text{Monthly Peak P50 Load} - \text{WRAP QCC} \end{aligned}$$

Bonneville acknowledges there is a need to clearly articulate product design changes resulting from defining the peaking capability of customer's non-federal resources. Bonneville will ensure that the amount of power determined by a customer's energy net requirements will not be reduced due to peak net requirements implementation. Bonneville will implement peak net requirements in concert with other product and landscape changes described in Section 1. Bonneville believes that a holistic conversation will ultimately lead to a pragmatic and administratively straightforward approach for implementation of peak net requirements. Implementation details will be discussed during the policy implementation and contract development phase. Bonneville will also discuss peak net requirements in the PRDM process to identify and address any rate implications.

Finally, Bonneville recognizes that the WRAP designed the QCC methodology for short duration events and not sustained operations; this will be an important factor to consider in the Provider of Choice policy implementation and contract development phase.

## 2.2 Tiered Rate Construct

Bonneville will continue to tier PF rates for sales of firm requirements power under the Provider of Choice contracts. The tiered rate construct is an allocation of costs not an allocation of power. The tiered rate design will consist of two tiers of firm requirements power available to be purchased at PF rates.

Under the two-tier rate design and Provider of Choice contracts, customers will be entitled to purchase firm power to serve PF-eligible load up to a contractually defined amount, referred to as the customer's Contract High Water Mark (CHWM), at the applicable PF Tier 1 rate. See Section 2.4 for more details on how Bonneville will determine customer CHWMs. Customers will also be entitled to purchase firm power for any PF-eligible load above a customer's CHWM, referred to as the customer's Above-Contract High Water Mark (Above-CHWM) load. A customer may elect to serve their Above-CHWM load either with firm power from Bonneville at a PF Tier 2 rate, from dedicated resources, or from a combination of the two. A customer's service election for Above-CHWM load will be reflected in the Provider of Choice contract. See Section 3.5 for more details about the election process and options available for Above-CHWM load.

The tiered rate design does not alter Bonneville's statutory obligation to offer contracts to meet a customer's firm power load net of its resources. Rather, tiered rates differentiate the costs and risks associated with different resources and give customers opportunities to serve a portion of their load with non-federal resources.



There are three foundational tenets of adopting a tiered rate design. Tiered rates:

1. Protect the value of the existing federal system from unbound acquisition costs;
2. Enable customer resource choice for meeting load growth; and
3. Insulate customers from costs associated with other customers' resource choices.

Bonneville will continue to use a tiered rate construct for the Provider of Choice contracts. However, a section 7(i) rate process must be conducted to establish the details of the associated rate methodology. Bonneville will further define and establish the rate design in the PRDM, which will be followed by a separate 7(i) process to set the rates that will be effective at the commencement of contract purchases.

### 2.3 Serving Load

The Northwest Power Act requires Bonneville, when requested, to offer contracts to meet eligible Pacific Northwest utilities' firm power load net of their resources. Bonneville remains committed to serving all contractual load obligations. However, existing federal resources are finite. Determining how much power is available to customers at a PF Tier 1 rate, which recovers the costs associated with what is known as the Tier 1 system size under Regional Dialogue, and how system costs are allocated among customers is fundamental to tiered rates. The region has placed an emphasis on the development of non-federal resources and strategies to enable a carbon-free future for some utilities. The following section describes how Bonneville plans to track costs associated with resources under the tiered rate construct, including if resource acquisition is required, and how non-federal resources fit in the construct.

#### 2.3.1 Power at Priority Firm Tier 1 Rates

Bonneville will set the amount of power a customer is eligible to purchase at a PF Tier 1 rate constant for the duration of the Provider of Choice contract. This fixed value is referred to as a customer's CHWM. The total amount of power that will be available to purchase at a PF Tier 1 rate will be determined by the sum of all customer CHWMs, as determined by the CHWM calculation described in Section 2.4.1, and may only be adjusted pursuant to the subsequent CHWM adjustment categories discussed in Section 2.4.2.

Under the Regional Dialogue contracts, Bonneville recalculated the amount of power eligible to be purchased at a PF Tier 1 rate each rate period, based on the then-current capability of a defined set of federal resources. Bonneville performed this recalculation to limit the amount of acquisition costs included in the Tier 1 cost pool. By fixing the total amount of power available at a PF Tier 1 rate at the outset of the Provider of Choice contracts, Bonneville will reduce the Tier 1 load service uncertainty compared to the Regional Dialogue approach. Bonneville views the fixed approach as a reasonable and practical tradeoff that will aid resource planning for both Bonneville and its customers. This approach is intended to provide a stable and dependable load service obligation priced at PF Tier 1 rates for Bonneville and its customers.

despite inventory-impacting updates that will take place during the contract term, such as changes in forecast firm resource output, new contract purchases, existing contract expirations, and changes in system obligations.

Under the Provider of Choice fixed approach, if Bonneville's load obligation served at a PF Tier 1 rate exceeds the firm capability of its resources, Bonneville would acquire additional resources and allocate the cost of those resources through the rate setting process for its Tier 1 cost pool. How Bonneville would acquire resources is discussed in Section 2.3.2. Conversely, if Bonneville's firm capability is greater than the amount of power sold at a PF Tier 1 rate, Bonneville would use the excess firm capability to meet its other firm power obligations including sales of power at PF Tier 2 rates, and then any remaining firm inventory would be sold as firm surplus power. Bonneville will determine the rate at which that firm capability is sold through the PRDM and each rate setting process. See Above-CHWM load service, Section 3.5, for a description of how Bonneville intends to allocate the cost of firm inventory to the Long-Term Tier 2 rate when certain conditions exist. Bonneville will determine the total amount of power that is available to be purchased at a PF Tier 1 rate as a function of the CHWM calculation, discussed in Section 2.4.1.

### 2.3.2 Augmentation

If Bonneville's firm load obligations exceed its firm resource capability, then Bonneville will acquire additional resources to meet that obligation. Bonneville will develop a resource acquisition strategy that leverages Bonneville's Resource Program,<sup>9</sup> consistent with guidance from the Northwest Power and Conservation Council's<sup>10</sup> (Council) power plan, to determine the best strategy to meet forecast needs as they arise. Bonneville may acquire resources through market purchases or through acquisition of the rights to the output or capability of specific generating resources. Bonneville determines its need to acquire resources by studying load forecasts, resource availability, and projected acquisition timelines. Bonneville may need to acquire significantly more resource capability to meet firm load service obligations based on the load shape and the resource profile details. When making resource acquisitions, Bonneville will strive to acquire cost-effective carbon-free resources that complement the existing federal system, discussed more in Section 7.

Bonneville's 2024 Resource Program will employ sensitivities to its analysis that explore some of the implications of this Policy. Sensitivities may include looking at expected load shapes under electrification as well as an increase in load obligation placed on Bonneville. Bonneville will evaluate how that could impact Bonneville's resource acquisition decisions. While Bonneville will not have assurance of the load obligation that will be placed on it until contracts

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<sup>9</sup> More information on Bonneville's Resource Program is available at <https://www.bpa.gov/energy-and-services/power/resource-planning>.

<sup>10</sup> More information on the Council and its power plan is available at <https://www.nwccouncil.org/>.



are signed in 2025, the 2024 Resource Program will provide additional information on potential future outcomes.

If Bonneville acquires a major resource with a planned capability greater than 50 average megawatts (aMW) for a period of greater than five years, it must follow the statutory section 6(c) process prescribed by the Northwest Power Act and Bonneville's 6(c) Policy. Section 6(c) of the Northwest Power Act requires the Administrator to conduct a public process, including hearings on any Bonneville proposed contract to acquire a major resource. This process can be time-consuming and complex. Bonneville believes that long-term commitments regarding which party will take on the contractual obligation to serve load—Bonneville or the customer—will be increasingly important if significant load growth in the region occurs.

#### *2.3.2.1 Billing Credits*

Bonneville will seek to include a provision in the Provider of Choice contracts under which customers agree to waive their ability to request billing credits,<sup>11</sup> for both non-federal resources and conservation, mirroring the approach customers supported for the Regional Dialogue contract.

Under Regional Dialogue, the power eligible to be purchased at a PF Tier 1 rate is equivalent to the firm capability of the existing federal system. Bonneville may need to acquire resources for power accessed at a PF Tier 1 rate under Provider of Choice. Bonneville has multiple ways to acquire these resources, and billing credits would not be the best solution. The tiered rate construct allocates costs of resources used to supply load growth (Above-CHWM load) to the appropriate Tier 2 cost pool. If a customer takes on the obligation to supply Above-CHWM load with non-federal resources it also takes on the cost of that supply. Allowing billing credits would spread the cost of that customer's resource choice across the Tier 1 or Tier 2 cost pools, undermining the foundational tenets of the tiered rate construct. Therefore, it is important for customers to waive the ability to request billing credits in order to prevent one customer's resource choice resulting in a cost impact to other customers.

Furthermore, Bonneville's process to determine the value and implementation of billing credits based on the Northwest Power Act provisions is very complex. Billing credit resources must reduce Bonneville's resource obligation by the amount of actual energy and capacity from the resource that the customer uses to directly serve its retail load. If Bonneville is unable to specify the type of resource eligible for receiving billing credits, defining the alternative cost is not a simple exercise. Bonneville would need to gather market information that might only be available via a competitive acquisition process like a request for offer (RFO). If the billing credit resource serves Above-CHWM load, the customer would not likely realize financial value from

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<sup>11</sup> As provided for under section 6(h) of the Northwest Power Act, billing credits allow a requesting Bonneville customer to be reimbursed (through credits on its Bonneville power bill) for certain costs related to conservation or resource acquisitions that reduce Bonneville's load obligation.

crafting a billing credit because the alternative cost would likely be equivalent to the PF Tier 2 rate(s), yielding no effective credit to apply.

Billing credits are a byproduct of the 1970s understanding of Bonneville's then-much lower power cost compared to then-alternative generating resource cost. At the time, Bonneville's customers had little incentive to pursue their own, independent use of non-federal resources, due largely to the high cost of resource development compared to Bonneville's lower power rates. In contrast, the tiered rate construct intends to remedy the lack of incentive for a customer to develop resources. Under tiered rates, once a customer's load exceeds its rights to purchase at a PF Tier 1 rate, it faces the cost of acquiring more power, whether from Bonneville at PF Tier 2 rate(s) or by pursuing development of resources. Customers also have other incentives to develop non-federal resources, such as 1) state regulations incenting investments in carbon-free resources and 2) the Inflation Reduction Act or other legislation, which could offer funding to reduce the cost of non-federal resource development. Bonneville's tiered rate construct and these incentives reduce the gap in costs for which billing credits were originally intended and encourage the development of non-federal resources.

To further support customer interest in developing non-federal resources, this Policy includes additional flexibilities and opportunities that did not exist under Regional Dialogue. Bonneville will increase the minimum threshold for requiring non-federal resources to be dedicated in the contract and will provide an allowance for customers to add non-federal resources that offset their Tier 1 take-or-pay obligation, which is discussed in Sections 2.3.3.2 and 2.3.3.1. Both of these measures are intended to support and incentivize customer development of local generating resources. This flexibility extends beyond the customer's continued ability to add non-federal resources to serve Above-CHWM load (Section 2.3.3.3) and provides opportunities for new resource development regardless of whether a utility is growing or has relatively flat loads and wants to preserve its access to a PF Tier 1 rate for future load growth during the Provider of Choice contract period.

Bonneville will also consider customer-owned resources as a source for federal resource acquisition. If Bonneville identifies a need to acquire resources, it will consider issuing an RFO that could provide preference to acquiring customer-owned resources offered by PF-eligible customers. An RFO would allow Bonneville to best match resource acquisitions to its load needs, and would be based upon an evaluation of resource characteristics, such as generation profile, proximity to load and reduction of transmission congestion. Bonneville's acquisition of resources based upon an RFO would ensure the most cost-efficient resource is measured against planning, operational, and policy requirements. The RFO process would provide a meaningful price assessment to ensure that customers (via Bonneville's applicable cost pool) receive the best value in terms of cost and environmental attributes. If Bonneville ultimately acquires a customer resource, all customers would receive the same benefit of cost recovery through an RFO approach similar to how they would have received benefits via billing credits.



Additionally, an RFO approach would create the transparency necessary to realize the equivalent rate-outcome that was envisioned when billing credits were created.

### 2.3.3 Non-federal Resources

Bonneville recognizes that a key consideration in understanding its load service obligation and resource acquisition strategy is customer acquisition of non-federal resources. A goal of this policy is to offer flexibility to customers to invest in and integrate non-federal resources so customers can meet their firm power supply needs for a portion of their load. Customers have new drivers like state regulations supporting a decarbonized grid and Inflation Reduction Act incentives that encourage non-federal resource development. The following section describes how Bonneville will address non-federal resources under Provider of Choice.

#### 2.3.3.1 PF Tier 1 Non-federal Resource Allowance

Bonneville will provide an allowance for customers to add qualifying non-federal resources to offset load that would have otherwise been served by power priced at a PF Tier 1 rate or would have been subject to take-or-pay provisions. Customers will be allowed to add non-federal resources up to an aggregate nameplate capacity of 5 megawatts (MWs) or 50% of their CHWM, whichever is less. When a customer applies a qualifying non-federal resource under this allowance, it will not reduce their CHWM, but it may reduce the amount of power they are eligible to purchase at a PF Tier 1 rate and may create headroom for the customer unless they have a firm load need such as Above-CHWM load. The non-federal resource allowance will be similar to the Small Non-dispatchable New Resource Treated Equivalently to an Existing Resource Exception (SNEER Exception) adopted under Regional Dialogue that allows Bonneville to treat a customer's small renewable resources like existing resources.

To qualify for this allowance, the non-federal resource must be: 1) a new identified customer-owned generating resource, 2) connected to a customer's or a joint operating entity's utility member's distribution system, and 3) dedicated under the customer's Provider of Choice contract. Market purchases, or unspecified resources, will not be eligible for this allowance. Bonneville would not require a customer to purchase and apply resource support services (RSS) to support the non-federal resources that qualify for this allowance, but the customer could be subject to any additional capacity costs created by the addition of such resources. The customer will have a one-time election to choose whether the new non-federal resource will be used to obtain the non-federal resource allowance or to serve Above-CHWM load, assuming the customer has elected the Flexible Above-CHWM path.

The non-federal resource allowance will provide customers flexibility to add certain non-federal resources even if their loads are not growing. However, the limitations to the total allowance granted (aggregate of 5 MWs or 50% of their CHWM, whichever is less) ensure that one customer's resource decisions do not create significant cost shifts in the Tier 1 cost pool. The allowance is specific to each customer. Each utility member within a joint operating entity would have its own allowance; the allowance will not be aggregated for the entity. The

allowance thereby honors the foundational tenets of tiered rates and balances flexibility and costs.

#### *2.3.3.2 Non-federal Resource Minimum Threshold*

Bonneville will raise the minimum threshold required for a customer's non-federal resource to be included and tracked in the power sales contracts from a nameplate of 200 kilowatts to 1 MW. There will be no limit to the number of non-federal resources a customer can add under 1 MW and these resources will not be counted towards the allowance described in Section 2.3.3.1. However, customers will continue to be required to comply with any requirements outlined in their transmission contracts, including any metering requirements.

#### *2.3.3.3 Above-CHWM Non-federal Resources*

One of the foundational tenets of tiered rates is to give customers choices on how to serve their load growth. Customers will have the flexibility to add non-federal resources as part of their Above-CHWM load service options, regardless of whether they opt for the Long-term Tier 2 path or the Flexible Above-CHWM path. See Section 3.5 for more details on Above-CHWM load service options. Customer use of non-federal resources to serve Above-CHWM load will continue to be subject to data and dedication requirements and could be subject to RSS requirements outlined in Section 2.3.3.5 depending on the firm power product election.

#### *2.3.3.4 Additional Resource Considerations*

Bonneville anticipates proposing specific changes to the 5(b)9(c) Policy<sup>12</sup> to reflect the transition from Regional Dialogue to the Provider of Choice Policy and contracts. These changes will be deliberated in a separate public process. Examples of anticipated updates include: 1) determining at which point in time resources considered "New Resources" under Regional Dialogue will be considered "existing resources" for Provider of Choice; 2) whether an existing resource used by another customer to serve its load under a prior contract, such as Regional Dialogue, would be considered a "New Resource;" and 3) considerations resulting from Bonneville's decisions on WRAP and emerging markets. Bonneville intends to recognize that batteries will be treated as behind-the-meter storage facilities that will not affect Provider of Choice CHWMs or net requirements during the Provider of Choice contract period.

#### *2.3.3.5 Resource Support Services*

Bonneville believes it is important to maintain cost causation principles when allocating costs associated with integrating and shaping customers' non-federal resources to meet their loads under a tiered rate construct. Bonneville achieves this under Regional Dialogue by requiring customers to purchase RSS and not allocating such costs to either the Tier 1 or Tier 2 cost pools. Bonneville will continue to account for the costs associated with shaping non-federal resources during the Provider of Choice contract period. During the policy implementation and contract

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<sup>12</sup> The 5(b)9(c) Policy determines the net requirements of Bonneville's customers. The policy is available at <https://www.bpa.gov/-/media/Aep/power/provider-of-choice/5b9c-rod.pdf>.



development phase as well as the PRDM process, Bonneville will determine whether it will 1) maintain the RSS requirement; 2) require RSS but re-examine how it is assessed; or 3) propose a broader shift in capacity rate design that captures a similar cost-causation outcome.

## 2.4 Contract High Water Marks

Bonneville will calculate CHWMs to set a PF customer's maximum eligibility to access power priced at a PF Tier 1 rate under the tiered rate construct. CHWMs are unique to each individual PF-eligible customer. Because a joint operating entity's utility composition may change over time, its CHWM will be the combined individual CHWMs of its membership.

Bonneville will establish CHWMs independent of the net requirements calculation. A customer's actual right to purchase power from Bonneville is limited to its net requirements load. While a customer's CHWM may be higher than its net requirements load (known colloquially as headroom), the customer is limited to only purchasing firm power at a PF Tier 1 rate that meets its net requirements load, exclusive of its NLSLs. If a customer's CHWM is lower than its net requirements load, the customer would be eligible to access firm power up to its maximum CHWM eligibility at a PF Tier 1 rate, and any additional firm power would be served according to the customer's Above-CHWM election.

The total amount of power that can be accessed at PF Tier 1 rates, previously known as Tier 1 system size, and CHWMs are interdependent, and decisions in one area will create impacts in the other. Bonneville will use the calculation outlined below to determine CHWMs as well as the total fixed amount of power that will be available to be purchased at a PF Tier 1 rate for the term of the contract. Bonneville will only allow changes to CHWMs that may occur over the life of the contract as outlined in the subsequent CHWM adjustment categories described in Section 2.4.2.

### 2.4.1 CHWM Calculation

Bonneville will determine an individual customer's CHWM by using the CHWM calculation and that CHWM will be set for the Provider of Choice contract period. Bonneville will calculate CHWMs in fiscal year (FY) 2026, after contracts are executed, using actual load and resource data. Bonneville will conduct a public process specific to the CHWM calculation with an opportunity for customers to review and provide input on the information being used in the calculation to ensure the process captures accurate information. Bonneville recognizes that details, such as variables in the weather normalization process, will need to be determined in the FY 2026 CHWM calculation process. Bonneville will adopt and apply this CHWM calculation to establish individual customer CHWM's for the Provider of Choice contracts.

Bonneville's CHWM calculation for customers that sign Provider of Choice contracts will be:

$$\begin{aligned} \text{CHWM} = & \text{Base Allowance} - \text{Headroom Adjustment} + \text{Conservation Adjustment} \\ & + \text{New Specified Resource Adjustment} + \text{Load Growth Adjustment} \\ & + \text{Proportional Share Adjustment} \end{aligned}$$

The sections below describe the components of the CHWM calculation equation, including what index year CHWMs will be calculated from and what load will be eligible for a CHWM.

#### 2.4.1.1 Index Year

Bonneville will use an index year to establish PF-eligible load in the CHWM calculation. The index year will be FY 2023. Bonneville is using FY 2023 as the index year instead of a year closer to FY 2029 because it allows more effective firm resource planning for customers looking to invest in non-federal resources. While Bonneville will calculate CHWMs in FY 2026, customers should have reasonable information to estimate their potential CHWM. Customers will have ample time to determine if they will invest in non-federal resources ahead of Provider of Choice power deliveries commencing in October 2028. The index year of FY 2023 will also allow customers the opportunity to leverage potential funding opportunities including, for example, incentives under the Inflation Reduction Act or Bipartisan Infrastructure Law. Bonneville's use of the FY 2023 index year also eliminates uncertainty about potential economic or technology changes that could occur between FY 2023 and a later year.

#### 2.4.1.2 PF-Eligible Load

Bonneville's power sales contracts are based on net requirements load service. The tiered rate construct applies to the portion of net requirements load which is eligible to be served at a PF rate. A key component of the CHWM calculation is how that PF-eligible net requirements, referred to here as PF-eligible load, is calculated. Bonneville will determine PF-eligible load using the energy net requirements methodology, as described in Section 2.1.1, based on three components: TRL, NLSLs, and dedicated resources as shown in the calculation below:

*PF eligible load*

$$= \text{Total Retail Load} - \text{New Large Single Loads} - \text{Dedicated Resources}$$

#### Total Retail Load

While Bonneville will define TRL during the policy implementation and contract development phase, TRL generally means all of a customer's retail electric power consumption, including electric system losses, with some exceptions based on a customer's unique service territory. Bonneville will weather-normalize FY 2023 TRL using five years of historical load data (FY 2018 through FY 2022).

Bonneville will model the weather-normalization process on the methodology established in Section 4.1.1.3 of the TRM.<sup>13</sup> Bonneville will use two data sets to weather-normalize each customer's load – monthly FY 2023 data and monthly historical data for FY 2018 through FY 2022. Bonneville will employ different normalization methods for non-irrigation loads, such as residential and commercial loads, and for irrigation loads. If a customer has both types of loads,

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<sup>13</sup> TRM is available at <https://www.bpa.gov/-/media/Aep/power/provider-of-choice/bp-12-a-03.pdf>.



Bonneville will split the loads before the weather-normalization process and then aggregate the loads after the weather-normalization process.

For non-irrigation load, Bonneville will use temperature data obtained from the National Oceanic and Atmospheric Administration weather station nearest to a customer's point(s) of delivery to weather-normalize the non-irrigation load data for each customer. The differences between average daily historical and average daily actual temperatures will determine cumulative levels of above- and below-average temperatures, measured in heating degree days (HDDs) or cooling degree days (CDDs). The HDDs and CDDs will be multiplied by weather coefficient values to result in an electric load adjustment value (in average megawatts) associated with the non-average temperature conditions. Finally, the non-irrigation portion of the FY 2023 load and the HDD and CDD adjustment values will be combined to obtain the weather-normalized load.

For irrigation load, Bonneville will use an adjusted historical load average to weather-normalize the irrigation loads for each utility submitting irrigation load data. Bonneville will calculate a five-year historical load average of each customer's irrigation load for years FY 2018 through FY 2022. Bonneville will adjust the historical load average by the average annual growth rate. Bonneville intends to calculate the difference between the highest recorded annual irrigation loads in calendar year (CY) 2013 through CY 2015 and the highest recorded in CY 2021 through 2023. Bonneville will work with customers to determine the exact measurement periods ahead of the CHWM calculation process. Bonneville will conduct further verification with the customers and either confirm or adjust the growth rate as needed. In any event, this average annual growth rate cannot be negative. Finally, Bonneville will adjust the customer's actual FY 2023 irrigation load to meet the growth rate-adjusted historical load average.

Bonneville will determine the historical average irrigation load based on meter reads for FY 2018 through FY 2022. In order to determine the growth-adjustment factor, Bonneville will also require monthly irrigation load data for the historical period through CY 2023. If Bonneville does not have irrigation data already, customers will be required to submit monthly irrigation load data. Bonneville will specify a deadline for data ahead of the FY 2026 CHWM calculation process.

The only other factor that could change a TRL for purposes of the CHWM calculation is the economic adjustment described below.

#### Economic Adjustment to Total Retail Load

Bonneville will allow customers to request a one-time increase to their TRL in the CHWM calculation through an "economic" adjustment. The economic adjustment accounts for economic impacts (i.e., reduction in load due to high inflationary prices) to an individual retail consumer, excluding NLSLs, in FY 2023 that operated below the consumer's highest 12-month consecutive load for the period of FY 2018 through FY 2022 (historical high load). To qualify, a customer must have:

1. A single retail consumer load that in FY 2023 is at least 5 aMW below its historical high load, or
2. The consumer's lost load in FY 2023 represents a 10% reduction of the customer's TRL relative to the highest 12-month consecutive TRL from FY 2018 through FY 2022.

The maximum economic adjustment amount would be determined by taking the difference between the historic high load and the consumer's FY 2023 load. Bonneville would monitor qualifying loads during FY 2024 and FY 2025 to establish the highest 12-month consecutive load, or recovery load. If the recovery load is greater than or equal to the historical high load, the customer would gain the maximum economic adjustment. If the recovery load was higher than its FY 2023 load but lower than its historical high load, the customer would retain a portion of the economic adjustment. If the recovery load was lower than its FY 2023 load, the customer would receive no economic adjustment.

For example, if a load that had historically been running at 20 aMW but in FY 2023 was running at 8 aMW, it would qualify for the economic adjustment. The maximum adjustment that could be granted would be 12 aMW. The total adjustment that would be granted would be as follows:

If the FY 2024/2025 load is:	The adjustment would be:
Less than 8 aMW	Not applicable
Between 8 aMW and 20 aMW	0 to 12 aMW
20 aMW or greater	12 aMW

Customers must notify Bonneville if they believe they have a consumer load that qualifies for the economic adjustment. Customers must identify the load(s) they would like Bonneville to assess and provide information prior to the start of the CHWM process. This information could include load data, potentially hourly, if Bonneville does not have a way to measure the load with its own meters.

Bonneville will not provide an adjustment for any load that is already, or becomes, an NLSL. A Contracted For/Committed To<sup>14</sup> (CF/CT) load, however, could qualify for this adjustment, assuming it fits the parameters outlined here.

#### New Large Single Loads

Under the Northwest Power Act, NLSLs are not part of a customer's "general requirements" load, which receives service at the PF rate. If a customer's TRL includes an NLSL, Bonneville will deduct the FY 2023 load associated with the NLSL from a customer's weather normalized TRL, regardless of whether the NLSL is served by power priced at the New Resource (NR) rate or by a customer's dedicated resources.

<sup>14</sup> A Contracted For/Committed To is a load that existed prior to September 1, 1979, that would have otherwise qualified as a NLSL.



#### Dedicated Resources

Bonneville accounts for customers' dedicated resource capability as a key component of the net requirements calculation. In order to establish PF-eligible load, Bonneville will deduct dedicated resources the customer used to serve its load during the index year. This will include all resources dedicated as "Existing" or "New" resources as well as SNEER Exceptions. Resources that were temporarily removed in FY 2023 will be included in the calculation and treated how they were originally dedicated in Regional Dialogue at pre-removal levels.

Bonneville will not deduct from a customer's TRL unspecified resources in the Provider of Choice CHWM calculation. This follows section 5(b)(1) of the Northwest Power Act, which provides that a customer may remove a dedicated resource and not receive a decrement to its net requirements if that resource will be discontinued because of "obsolescence, retirement, loss of resource, or loss of contract rights." Under the Regional Dialogue contract, customers have no obligation to apply "Unspecified Resource Amounts" beyond the expiration of the Regional Dialogue contracts.

Bonneville acknowledges that some customers may request a permanent removal of a specified resource, as it is defined in the Regional Dialogue contracts and consistent with Bonneville's 5(b)9(c) Policy before the expiration of the Regional Dialogue contracts on September 30, 2028. If a customer intends to pursue a permanent resource removal, Bonneville will consider removing that resource from the PF-eligible load determination for the CHWM calculation. Interested customers must submit their request via a process ahead of or at the time of the Provider of Choice CHWM calculation. The resource removal must meet the eligibility criteria established under the Northwest Power Act to be removed and the Administrator must approve a resource removal request. If the Administrator grants a permanent resource removal, the removed resource will not be included in the Provider of Choice CHWM calculation.

Resources that are less than 1 MW will not need to apply for resource removal based on the policy to raise the non-federal minimum threshold for resources tracked in the Provider of Choice contract, as described in Section 2.3.3.2. Bonneville will not include these resources in the Provider of Choice CHWM calculation.

#### 2.4.1.3 Base Allowance

Bonneville will begin the Provider of Choice CHWM calculation with a base allowance from which all adjustments are added or subtracted. A customer's base allowance is equal to its Rate-Period High Water Mark (RHWM) established in the 2024 RHWM process<sup>15</sup>.

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<sup>15</sup> Final 2024 RHWMs are available at <https://www.bpa.gov/-/media/Aep/rates-tariff/rhwm/FY-2024-2025-RHWM-Process/Final-2024-RHWM-Outputs-08312022.xlsx>.

In FY 2022, Bonneville conducted a public process to propose a change to how Bonneville evaluates critical, or firm, water<sup>16</sup> and adopted the firm monthly 10<sup>th</sup> percentiles (P10) to define firm output of the FCRPS. Bonneville will use 2024 RHWMs, instead of 2022 RHWMs, and a FY 2023 index year, as outlined in Section 2.4.1.1. Because the 2024 RHWM process took into account the shift to the new firm monthly P10 methodology, Bonneville believes it is prudent to use the 2024 RHWMs when setting new CHWMs.

#### *2.4.1.4 Headroom Adjustment*

Bonneville will apply a headroom adjustment to customers whose PF-eligible load is lower than their base allowance. To determine the headroom adjustment, Bonneville will subtract the difference from the base allowance so that a customer's new starting point is its PF-eligible load in the index year. In other words, if a customer's PF-eligible load in FY 2023 is lower than its 2024 RHWM, Bonneville will adjust the customer's starting point for the Provider of Choice CHWM to its FY 2023 PF-eligible load instead of its 2024 RHWM.

A customer could have headroom under Regional Dialogue for two reasons: load loss and conservation. Bonneville maintains that headroom should only exist when establishing CHWMs for the Provider of Choice contracts if there is a policy driver behind it, such as to encourage conservation. Bonneville does not have an obligation to preserve any headroom that exists under Regional Dialogue. In the framework of a tiered rate construct, Bonneville believes the FY 2023 index year and FY 2024 base allowance are the appropriate points from which load growth should be measured to ensure customers receive appropriate PF Tier 1 and PF Tier 2 price signals.

#### *2.4.1.5 Conservation Adjustment*

Bonneville will include a conservation adjustment for eligible customers to add a defined amount of self-funded conservation to the Provider of Choice CHWMs. The conservation adjustment will be equal to 50% of self-funded conservation achievements approved by Bonneville from FY 2012 through FY 2023. Customers must complete conservation by the end of FY 2023 and report it by the end of FY 2025 for it to qualify for the adjustment.

Self-funded conservation is conservation not funded using Energy Efficiency Incentive (EEI) funds received by a customer from Bonneville under its Energy Conservation Agreement (ECA). Bonneville will include two types of self-funded conservation in the adjustment. The first type is self-funded conservation that meets the eligibility and reporting requirements of the Bonneville Energy Efficiency Implementation Manual (IM) as incorporated by the ECA. Bonneville notes that Section 18.1.2.1 of the Regional Dialogue contracts requires reporting of cost-effective self-funded savings. Bonneville will use savings that have been reported to Bonneville within the timelines established in the IM.

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<sup>16</sup> More details on the move to firm P10 monthly percentiles is available at <https://www.bpa.gov/energy-and-services/power/climate-change-fcrps>.



The second type of self-funded conservation that will qualify is self-funded Northwest Energy Efficiency Alliance (NEEA) savings. Bonneville is a direct funder of NEEA and relies on the conservation NEEA invests in to achieve its goals as outlined in Bonneville's Resource Program and the Council's power plan. Bonneville relies on NEEA savings to meet its resource needs and fulfill its Northwest Power Act obligations. NEEA savings are evaluated and validated to a degree sufficient to justify significant Bonneville funding. Bonneville will include customer's self-funded NEEA savings proportional to each direct funding utility's annual funding percentage of the annual regional total savings reported by NEEA. Bonneville will include calendar year savings for CY 2012 through CY 2023, as the NEEA reporting cycle does not align to Bonneville's fiscal year.

Under the Northwest Power Act, cost-effective conservation is Bonneville's priority resource for acquisition. Conservation reduces the Administrator's obligation to acquire resources by reducing the consumer load of a customer. Bonneville's conservation goals are informed by the Council's power plan and Bonneville's Resource Program. Under Regional Dialogue, Bonneville collected 70% of projected programmatic energy efficiency acquisition costs as EEI funding in PF Tier 1 rates.<sup>17</sup> Bonneville uses EEI funding to acquire verified energy savings from its customers under Bonneville's conservation program. Separate from EEI funding Bonneville expected that customers who invested in additional conservation would make up the remaining 30% of achievement through reported self-funded savings. Self-funded conservation savings benefit all customers by reducing Bonneville's conservation cost and in turn the PF Tier 1 rate for EEI costs that would have otherwise needed to be collected. For this reason, Bonneville believes it is appropriate to include a CHWM adjustment for self-funded conservation savings reported to Bonneville or self-funded through NEEA during the Regional Dialogue contract period.

#### *2.4.1.6 New Specified Resource Adjustment*

Bonneville will include a new specified resource adjustment that will add 50% of the aMW amount of new specified resources dedicated to load in FY 2023 to an eligible customer's Provider of Choice CHWM. New specified resources refers to a customer's resources listed in Section 2 of Regional Dialogue Exhibit A that are identified as new. These are resources that were first obligated to serve load after September 30, 2006. One goal of Bonneville's Regional Dialogue Policy was to encourage non-federal resource development. The new specified resource adjustment recognizes that customers accomplished a Regional Dialogue policy goal by investing in new specified resources that continue to apply to load after the Regional Dialogue contracts expire. To qualify for the adjustment, the new specified resource must also be included in the PF-eligible load calculation.

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<sup>17</sup> From FY 2012 to FY 2018, PF Tier 1 rates collected 75% of projected energy efficiency acquisition costs for EEI funding.

#### 2.4.1.7 Load Growth Adjustment

Bonneville will include a load growth adjustment that will add a defined amount of load growth from the Regional Dialogue contract period to the Provider of Choice CHWM. Customers whose index year PF-eligible load is greater than their base allowance (those customers whose FY 2023 PF-eligible load is greater than their 2024 RHW) will qualify for this adjustment. Bonneville will take the difference between the base allowance and index year PF-eligible load and add 25% of that load difference to the Provider of Choice CHWM.

Bonneville's Regional Dialogue policy provided for low and stable PF Tier 1 rates by limiting the amount of augmentation costs that were included in the Tier 1 cost pool. The tiered rate construct insulates customers from each other's decisions on how to serve their growing loads and the resulting costs. If Bonneville were to include all load growth in the CHWM calculation, this would undermine the intent of the tiered rate construct and could eliminate the price signals to invest in non-federal resources or conservation. That said, firm adherence to a CHWM that includes no adjustment for load growth becomes increasingly outdated and disconnected from current conditions. Bonneville will allow 25% of load growth to be added to Provider of Choice CHWMs to address that concern, while also signaling the importance of investments in conservation and development of non-federal specified resources.

#### 2.4.1.8 Proportional Share Adjustment

Bonneville will include a proportional share adjustment if, after calculating CHWMs according to the steps taken in Sections 2.4.1.1 through 2.4.1.7, the aggregate of those initial CHWMs is less than 7,250 aMW. This provides an equitable adjustment to all customers as part of the CHWM calculations.

The proportional share adjustment will equal the difference between 7,250 aMW and the initial aggregate CHWMs, as determined by the steps taken in Sections 2.4.1.1 through 2.4.1.7. Bonneville will adjust individual CHWMs by an amount equal to the customer's pro rata share of the proportional share adjustment, if triggered. A customer's share is based on its individual CHWM relative to the initial aggregate CHWMs of all customers. Customers that have no exposure to Above-CHWM load under the CHWM, as determined by the steps in Sections 2.4.1.1 through 2.4.1.7, will build headroom, allowing them to grow loads before being exposed to Above-CHWM load service options. The proportional share adjustment provides a buffer for load growth that has already occurred or will occur between FY 2023 and when power deliveries start in FY 2029.

Initial Aggregate CHWMs	Proportional Share Adjustment Amount
7,000 aMW	250 aMW
7,150 aMW	100 aMW
7,350 aMW	No adjustment



Bonneville will not include a proportional share adjustment if the initial aggregate CHWMs, as determined by the steps taken in Sections 2.4.1.1 through 2.4.1.7, exceeds 7,250 aMW; however, Bonneville will not reduce initial aggregate CHWMs.

#### *2.4.1.9 Returning Public Utility Treatment*

Bonneville must calculate a CHWM for any existing public utility seeking to purchase power from Bonneville including a public utility that does not have a Regional Dialogue power sales contract or has a Regional Dialogue contract for service only to a discrete part of its retail load. The Public Utility District No. 2 of Grant County, Washington, (Grant) inquired about a 5(b) power sales contract from Bonneville for its net requirements load service starting in FY 2029. Under Regional Dialogue, Bonneville only served a portion of Grant's municipal load in the Grand Coulee area. Bonneville had served Grant's net requirements load under the prior Subscription contract. Therefore, Grant presents a unique exception as a returning public customer, and Bonneville will establish Grant's CHWM for the first time.

Bonneville will apply a similar CHWM calculation methodology for Grant as all other PF customers. However, there will be some unique considerations based on Grant's status as a returning utility. Bonneville will use the last block purchase amount Grant made under the Subscription contract in lieu of the 2024 RHWM to set its base allowance. Bonneville does not believe it is prudent to recalculate what Grant's CHWM could have been under Regional Dialogue as it would require reconstructing a set of assumptions from over a decade ago and would ignore the relationship between Grant and other customer CHWMs. Bonneville will use Grant's last block purchase as a proxy for the 2024 RHWM because it provides a known historical load basis without creating a revisionist process. Like other customers, Grant will have the opportunity to apply for resource removal which would be contingent upon Bonneville's approval through a formal process.

Bonneville will restrict Grant when applying two of the CHWM calculation adjustments—the conservation adjustment and the new specified resource adjustment. The only self-funded conservation that will qualify for an adjustment for Grant are self-funded measures for the load Bonneville served during Regional Dialogue that was reported to Bonneville. Grant's other conservation will not qualify because the rationale for the conservation adjustment is to recognize achievements that helped Bonneville reduce its obligation and meet its total conservation targets; any conservation achieved by Grant for its broader load did not reduce Bonneville's obligation. For this reason, Bonneville will not include any NEEA savings Grant may have acquired during the Regional Dialogue contract period in the conservation adjustment. Grant will also not qualify for the new specified resource adjustment because Grant did not add any new specified resources to serve its load in the Grand Coulee area, and Bonneville will not retroactively determine what would have been considered a new specified resource under Regional Dialogue.

Grant will be subject to the same data requirements and transparent processes that all other Bonneville customers will be subject to in determining its net requirements load, including determining NLSs, and CHWM. Bonneville will not pursue any special data provisions or unique process based on Grant's status as a returning public utility.

Bonneville would develop a similar CHWM calculation approach if it receives requests for power from other returning utility customers.

#### 2.4.2 Subsequent CHWM Adjustment Categories

Bonneville believes that certain conditions merit an increase to the amount of power a customer can purchase at a PF Tier 1 rate, or said another way, an increase to a customer's CHWM, after the one-time CHWM calculation outlined in Section 2.4.1. These subsequent CHWM adjustment categories would increase the sum of all CHWMs and could require Bonneville to acquire resources for firm power to be sold at PF Tier 1 rates. Bonneville has identified six CHWM adjustment categories for the Provider of Choice contract term: small utility, new public utility, tribal utility, U.S. Department of Energy (DOE) vitrification load, CF/CT loads, and Port Townsend Paper.

These are the only subsequent CHWM adjustment categories that will be available during the Provider of Choice contract period. Bonneville will determine implementation details for these subsequent adjustments as part of the FY 2026 CHWM process. At that time, Bonneville will establish a process to update CHWMs for any changes based on the subsequent CHWM adjustment categories and to calculate the amount of Above-CHWM load a customer has in any given rate period for use in the rate case process. This will ensure timely information is available to establish future rates while weighing the administrative process that will be needed to ensure accurate information is calculated. The process to update CHWMs and the timing, likely by rate period ahead of the rate case, will be determined as part of the FY 2026 CHWM process to ensure timing best suits the rate case needs.

##### 2.4.2.1 Small Utility Adjustment

Bonneville will increase a small utility customer's CHWM under this adjustment. Bonneville will allow customers with PF-eligible load under 5 aMW to increase their CHWM up to the lesser of double their initial Provider of Choice CHWM, as defined in Section 2.4.1, or 5 aMW. This adjustment helps mitigate the relatively greater effective PF rate impact these customers experience from small amounts of load growth served at PF Tier 2 rates compared to large customers. Small customers may see a proportionally larger change in their effective rate because they have less existing load across which to blend the effect of increasing load service costs at PF Tier 2 rates. Bonneville will cap this small utility adjustment to the load which qualifies for the adjustment based on Provider of Choice CHWMs calculated in FY 2026.



#### 2.4.2.2 *New Public Utility Adjustment*

Bonneville will allow new public utilities that meet Bonneville's standards for service and request service under the Northwest Power Act to purchase power sold at a PF Tier 1 rate. Bonneville will calculate new public utilities' CHWMs based on their PF-eligible load. This will ensure that new public utilities have a CHWM even if they are not formed at the start of the contract period.

Bonneville will limit the amount of Tier 1 that can be purchased by new public utilities to a total of 200 aMW during the Provider of Choice contract period, with no more than 50 aMW added in any rate period. To the extent power needs exceed the rate period limit or the 200 aMW threshold, a new public utility will only be able to purchase power at PF Tier 2 rates for their net requirements loads until the next long-term contract period. The 50 aMW rate period and 200 aMW contract period limitations balance providing any new public utility with the ability to purchase power at the lowest-cost PF power and limiting increased costs that would dilute benefits of the PF Tier 1 rate for existing customers. Bonneville will grant additional CHWMs on a first come, first serve basis.

#### 2.4.2.3 *Tribal Utility Adjustment*

Bonneville will allow a tribal utility to increase its CHWM for load within the tribal utility's service territory, as will be defined by the customers' contracts. This exception will only apply to customers that are recognized as a tribal utility consistent with Bonneville's standards for service or a utility that is operated by a federally recognized tribe pursuant to a 638 contract<sup>18</sup> and serves reservation load. Tribal utilities face sovereign, legal, jurisdictional and geographic circumstances that sometimes lead to unique challenges in providing service to loads. These unique challenges may result in the need for additional time to establish service territory compared to other newly formed public utilities. Bonneville believes that these challenges persist whether a tribal utility is newly forming, growing, or annexing load later. Therefore, any utility that qualifies as a tribal utility will be eligible for this category.

Bonneville will limit the amount of additional CHWM for tribal utilities to a total of 40 aMW during the Provider of Choice contract period. The amount will be added to the 50 aMW rate period limits noted above, if applicable, and count toward the overall 200 aMW contract-term limit established under the new public utility category. Bonneville will grant additional CHWM on a first come, first serve basis similar to new public utilities; therefore, if a tribal utility annexes load after the new public utility 200 aMW adjustment is exhausted, there will be no additional CHWM access for tribal utilities. To the extent annexed load exceeds the 40 aMW

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<sup>18</sup> Under the Indian Self-Determination and Education Assistance Act, tribes can request to assume the responsibility for programs and services administered to them on behalf of the Secretary of the Interior through contractual or compact agreements. These are often referred to as 638 contracts. See Indian Self-Determination and Education Assistance Act of 1975, Pub. L. No. 93-638.

limit, tribal utilities would be able to purchase power at a PF Tier 2 rate like any other PF customer.

Tribal utility customers under 5 aMW would also qualify for the small utility adjustment, described in Section 2.4.2.1. Those customers would first serve load growth (including annexed load) with the small utility adjustment, and after they reach that threshold they would be eligible for the tribal utility adjustment, if there are any remaining aMWs in the category.

#### *2.4.2.4 DOE Vitrification Load Adjustment*

Bonneville will increase DOE Richland's CHWM to serve the total DOE Richland's vitrification plant load up to the difference between DOE Richland's Provider of Choice CHWM and their base allowance. Bonneville supports this ongoing high-priority program for cleanup, defense materials production, and waste processing and disposal activities at the DOE Hanford site in Washington.

#### *2.4.2.5 CF/CT Adjustment*

Bonneville will increase a customer's CHWM if it has a CF/CT load whose electric power demand significantly dropped due to certain qualifying factors. The adjustment is to account for CF/CT loads that were adversely impacted in FY 2023 but do not qualify for the economic adjustment. To qualify for the adjustment, the customer must meet the following three requirements.

First, a customer's Provider of Choice CHWM must be lower than its base allowance. The adjustment will be capped at the difference between a customer's Provider of Choice CHWM and their base allowance.

Second, the CF/CT load must: 1) be listed in the customer's Regional Dialogue Exhibit D; 2) have operated during the Regional Dialogue contract period; and 3) not have been demolished. Bonneville will take the highest consecutive 12-month operating period from FY 2012 to FY 2022 to establish the CF/CTs historic high load. The CF/CT load must have been operating at less than 50% of its historic high load in FY 2023.

Third, the CF/CT load must resume production demand by October 1, 2028. Bonneville will measure the recovered load based on the highest consecutive 12-month operating period from FY 2024 through FY 2028. If the difference between the recovered load and the historic high load is greater than the cap, the adjustment will be set equal to the cap. If the difference is lower than the cap, the adjustment would be set equal to the difference between the recovered load and the historic high load.

The CF/CT adjustment is tied to a specific load. If the CF/CT load ceases to consume electricity or significantly lowers the amount of electricity it consumes for production demand, Bonneville will remove all or a portion of the CF/CT adjustment. Once the adjustment is removed, a customer will not have access to that portion of the adjustment again if loads were to return.



Customers must notify Bonneville if they believe they have a CF/CT load that qualifies. If Bonneville does not have meter data that isolates the specific CF/CT load to distinguish it from the rest of the customer's general requirements load, Bonneville will require the customer to submit such data for purposes of calculating the adjustment as well as to verify the CF/CT remains operational after the adjustment is granted. No adjustment will be applied if such data either does not exist or support the applicable qualifying factors.

A returning utility, as described in Section 2.4.1.9, will not qualify for this adjustment as it did not receive power from Bonneville during the Regional Dialogue contract period.

A CF/CT load could qualify for the economic adjustment to TRL as outlined in Section 2.4.1.2 of the Policy. If a CF/CT qualifies for the economic adjustment, the customer must take the economic adjustment and would not qualify for this subsequent adjustment.

#### *2.4.2.6 Port Townsend Paper Adjustment*

Bonneville will consider increasing Jefferson PUD's CHWM to serve Port Townsend Paper load contingent on three conditions: 1) Port Townsend Paper is not offered a direct service industry (DSI) contract; 2) the load is determined to be eligible for PF service; and 3) Bonneville holds a public process to consider such an increase. The increase would be limited to the Port Townsend Paper load but the process could determine a partial adjustment or no adjustment at all and whether the adjustment would be tied to the load's continued operations.

#### *2.4.3 Rate Period High Water Marks*

With a set amount of power sold at PF Tier 1 rates (Section 2.3.1), Bonneville will no longer calculate RHWs under Provider of Choice. Under Regional Dialogue, Bonneville reevaluated the RHWs each rate period to resize the CHWMs commensurate with changes in the federal system capability from rate period to rate period. Under Provider of Choice, Bonneville will no longer need to calculate RHWs each rate period because Bonneville will set the amount of power that customers are eligible to purchase at a PF Tier 1 rate for the duration of the contract.

### *3. Products and Services at Priority Firm Rates*

Bonneville will provide PF customers product options to purchase firm power at a PF Tier 1 rate and options to purchase power for Above-CHWM load at PF Tier 2 rate(s). Bonneville intends to offer contracts for the following products: Load Following, Block, and Slice/Block. Bonneville will develop details for each product in the policy implementation and contract development phase.

During the Provider of Choice contract implementation phase (FY 2026 through FY 2028), Bonneville will work to ensure that any remaining elements of products and services are fully implementable by the start of power deliveries under the Provider of Choice contracts. Bonneville will ready systems, develop internal processes and update technology to ensure all

products function correctly under the Provider of Choice contract. System or process changes could require customers to adapt their own systems for compatibility.

### 3.1 Product Basics

Bonneville's intent is to provide a suite of products and services that include Load Following, Block, and Slice/Block. Bonneville refers to Block and Slice/Block as planned products. Under the Load Following product, Bonneville will meet a customer's energy and peak net requirements. In contrast, under planned products, Bonneville will meet a customer's energy and peak net requirements based on a forecast planned annual amount, but the customer is responsible for meeting its hourly energy and peak net requirements.

The Load Following product will offer customers defined flexibility to add non-federal resources to serve load. Bonneville will require that customers provide information regarding how those resources will be applied to serve load. To account for the value of the resource shape and other characteristics, Bonneville will require RSS, or its future equivalent as developed in the PRDM, as discussed in Section 2.3.3.5.

In contrast, planned products will offer customers greater flexibility in how they use non-federal resources to serve load. Customers electing a planned product will not be required to purchase RSS from Bonneville. Bonneville will only be responsible for the net requirements established in the annual calculation. Planned product customers will be responsible for meeting any monthly, daily or hourly shaping needs.

Another key distinction between the Load Following product and planned products is who takes on the planning obligation. Bonneville will plan for the average expected amount of power needed to supply load for all product types. Bonneville will assume the planning obligation for a Load Following customer but will require more assurance of how non-federal resources are operated, as outlined above, than it does of planned product customers. Conversely, in providing flexibility to planned products, Bonneville does not assume any planning obligation beyond the monthly planned power delivery, including for power sold at a PF Tier 2 rate, if elected.

Given that Bonneville decided to join the binding WRAP (see Section 1.2.1 for more details), Bonneville will consider WRAP's Planning Reserve Margin<sup>19</sup> (PRM) as part of its own planning obligation. Bonneville's planning obligation is dependent upon a customer's product selection. Bonneville is open to exploring an additional stand-alone PRM service to help planned product customers meet WRAP requirements, provided Bonneville has firm surplus capacity available, and Bonneville determines not all firm surplus capacity should be offered to the Long-term Tier 2 rate (Section 3.5.1). Any specific details about a PRM service would be part of detailed

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<sup>19</sup> The WRAP defines PRM as "[a]n increment of resource adequacy supply needed to meet conditions of high demand in excess of the applicable peak load forecast and other conditions such as higher resource outages, or lower availability of resources, expressed as a percentage of the applicable peak load forecast . . ."



product and rate design discussions. Because this would be a surplus service, if available, Bonneville would sell this service subject to the then-effective, and yet to be established, Firm Power Products and Services (FPS) rate.

Bonneville recognizes that products require both services design and rate design. Bonneville plans to develop products with different services and would reflect the costs of those differences through its rate design. For example, some products may provide more capacity than other products. Customers that select such products should expect capacity rate design to ensure balance exists between services and costs as it does under Regional Dialogue. Updated products may also carry additional benefits or risks not contemplated under today's products and services, which will be established in the policy implementation and contract development phase and reflected in the rate design phase of the process.

#### 3.1.1 Product Switching

Bonneville will include a one-time right for customers to request a change to their product election during the term of the contract. A customer request to change products will be subject to cost-shift assessments and conditions such as defined election windows and/or requiring the start of power deliveries under the new product to align with the start of a rate period. Bonneville will develop specific product switching requirements during the policy implementation and contract development phase.

#### 3.1.2 Emerging Markets

Western utilities are currently engaging in discussions regarding emerging markets under development, as discussed in Section 1.2.2. These evolving initiatives will have implications for the Provider of Choice products and services design.

Bonneville will design Provider of Choice firm power products to operate and accommodate potential changes that emerging markets may bring regardless of whether Bonneville decides to join an emerging market. Customers will need to evaluate which product offering is the best fit for them under Provider of Choice and weigh the costs, benefits, and risks associated with different products in light of the emerging market landscape. Bonneville may need to address foundational product viability as changes necessary to align products with emerging market requirements unfold. Bonneville anticipates discussing how product offerings will be adapted to better align with emerging markets during the policy implementation and contract development phase and PRDM process as emerging market designs mature.

### 3.2 Load Following

Bonneville will offer the Load Following product, which will serve a customer's energy and peak net requirements load on an hourly basis. Customers that purchase this product will benefit from load service certainty and will retain the opportunity to develop non-federal resources. To ensure that customer resource decisions do not shift costs or benefits to other customers,

Bonneville will require shaping services for resources, as discussed in Section 2.3.3.5. Bonneville does not currently anticipate major changes to the Load Following product.

### 3.3 Block

Bonneville will offer the Block product, which is a planned product that will provide firm power each month on a planned annual basis to meet a customer's planned annual net requirements load in pre-defined quantities and shapes. Provider of Choice contracts will establish hourly amounts for the month. Bonneville will not follow load hour to hour. Bonneville will offer two shapes for a customer's block purchase options under Provider of Choice:

1. A flat block which delivers an equal amount of power in all hours of the year.
2. A shaped block, which reshapes the customer's annual net requirements amounts into the forecast shape of its monthly net requirements. Bonneville will offer two options in how to shape these monthly amounts. The first option will provide block amounts in equal quantities across all hours by month. The second option will provide a diurnal shape, and Bonneville intends to require the monthly amounts are shaped with up to 60% of the megawatt hours in heavy load hours.

Customers purchasing the Block product will plan and operate their non-federal resources to meet their actual hourly loads beyond what they are provided from Bonneville. Bonneville will establish each customer's monthly net requirements shape at the start of the contract based on the customer's actual load shape. Bonneville will allow customers one recalculation of their block shape during the contract period.

#### 3.3.1 Block with Shaping Capacity Option

Bonneville will offer a Block with Shaping Capacity option that will allow customers to reshape their hourly block amounts based on the monthly characteristics of their net requirements load. Bonneville will only offer this option to a customer electing the standalone Block product. Bonneville and the customer will determine shaping amounts based on the customer's net requirements load, which means that customers with greater load variations could expect to be able to purchase greater amounts of shaping capacity. The addition of shaping capacity offers a customer the ability to reshape their block purchase to better meet the changes in their hourly loads and peak load needs.

The Block with Shaping Capacity option under Regional Dialogue limited the reshaping of hourly block amounts to within heavy load hours within a day. Bonneville is evaluating a redesign for this product. For example, Bonneville will assess if a customer can obtain benefits from the product by shifting amounts of their block purchase across the day and the month. Bonneville will develop the specific product features during the policy implementation and contract development phase to ensure any changes are consistent with broader product design changes.



### 3.4 Slice/Block

Bonneville intends to offer the Slice/Block product, which bundles the Slice product and the Block product to meet a customer's planned annual net requirements load. Slice/Block would be a planned product that offers customers flexibility in how they manage their loads and resources, including autonomy in marketing, and comes with the benefits and risks associated with the capabilities of the federal system.

The block portion of this product will provide a planned amount of flat firm power to serve a portion of a customer's net requirements. Customers will be able to elect either a flat annual or flat within-month block shape. Bonneville will not offer an add-on Shaping Capacity option for the block portion of the Slice/Block product. Bonneville offers limited options for the block portion because the slice portion provides significant shaping flexibility.

In the slice portion of this product, Bonneville offers a federal system sale of power that includes 1) firm requirements power, and 2) an advance sale of surplus power. A customer's planned slice amount is calculated based on a percentage of the forecast annual firm portion of a predefined set of resources with costs allocated to a Tier 1 cost pool. This will include any specific augmentation types as identified in the PRDM and quantified in each rate case. A customer's actual slice amount will be a percentage of the capability of those same resources and includes any surplus associated with actual water conditions. The slice portion of the product will allow the customer to monetize surplus energy directly because surplus energy is a component of the actual system output provided under the product. A customer purchasing the Slice/Block product agrees to take power associated with the slice portion in the shape of the actual, approximated or simulated output of the predefined set of resources and accepts that Bonneville will not shape it to meet their actual loads, capacity or reserve needs. By purchasing the Slice/Block product, the customer takes on the risk associated with output capability and water year variations.

Despite being modeled to mimic the capabilities of the set of resources with costs allocated to a Tier 1 cost pool, the slice portion of the Slice/Block product will be a system sale and not a sale of operational rights, resources or resource capability, and it will not transfer control of federal resources to customers. Federal operating agencies retain all operational control of all resources that comprise the FCRPS at all times.

As Bonneville moves into the policy implementation and contract development phase of the Provider of Choice process, Bonneville and customers will negotiate updated characteristics of a Slice/Block product. Bonneville must ensure that product design is consistent with the proposal to fix the amount of power sold at a PF Tier 1 rate (see Section 2.3.1). Bonneville must also ensure that it continues to meet a customer's planned (annual) net requirements without causing cost shifts to non-Slice/Block customers. Bonneville will also consider and weigh changes necessary to deliver an efficient and durable product in the changing energy landscape. For example, Bonneville will seek to reduce the operational uncertainty associated

with the product in the day ahead time frame and evaluate whether current processes are compatible with potential future markets. Customers should assess how markets and potential product changes impact their power product evaluation. Bonneville is committed to exploring these challenges in the next phase, and will need to move swiftly and work with customers to determine whether there is adequate interest to continue offering the Slice/Block product under Provider of Choice.

### 3.5 Above-CHWM Load Service

Bonneville will offer customers choices in how they serve their Above-CHWM load. Customers may elect to serve Above-CHWM load with Bonneville-provided power, non-federal resources or a combination of the two. Bonneville's foremost objective for Above-CHWM load service is to establish clear expectations of who (Bonneville, the customer or a combination of the two) will have the obligation to plan for and serve future loads and in what amounts. Bonneville believes that clear obligations support resource planning and equitable allocation of costs among customers, both of which are necessary elements of achieving a cost-effective and long-lasting federal and non-federal resource portfolio. Bonneville will work with customers to develop carefully crafted flexibilities to accommodate customer choice and help customers manage the unpredictable and evolving energy landscape.

Bonneville's Above-CHWM load service options balance establishing known obligations with flexibility to foster the development of physical resources while simultaneously supporting equitable cost allocation.

Bonneville will offer a Long-Term Tier 2 Path and a Flexible Above-CHWM Path for Above-CHWM load service. A customer will make a one-time election to determine what portion of its Above-CHWM load will be served through the Long-Term Tier 2 Path and what portion will be served through the Flexible Above-CHWM Path. Each individual customer within a joint operating entity will need to make its own Above-CHWM load service election.

After CHWMs are calculated, each customer will elect one of these four options:

- A. All Long-Term. All of a customer's Above-CHWM Load will be served at Bonneville's Long-Term Tier 2 rate.
- B. Fixed Long-Term then Flexible. A fixed aMW amount of a customer's load will be served at Bonneville's Long-Term Tier 2 rate with any excess Above-CHWM load served through the Flexible Above-CHWM Path.
- C. Fixed Flexible then Long-Term. A fixed aMW amount of a customer's load will be served through the Flexible Above-CHWM Path with any excess Above-CHWM load served at Bonneville's Long-Term Tier 2 rate.
- D. All Flexible. All of a customer's Above-CHWM Load will be served through the Flexible Above-CHWM Path.



### 3.5.1 Long-Term Tier 2 Path

Bonneville will provide one opportunity, 60 calendar days after CHWMs are established, for a customer to elect to have some or all of its Above-CHWM Load served at Bonneville's Long-Term Tier 2 rate. The Long-term Tier 2 rate will be made available in a flat annual block. A customer's election associated with the Long-Term Tier 2 rate will give Bonneville certainty to plan for cost-effective resource acquisitions to meet its Above-CHWM load obligation. Further, a customer's one-time election will insulate the Long-Term Tier 2 rate from additional acquisition costs not associated with service to customers in the Long-Term Tier 2 cost pool. Bonneville believes that the certainty and stability of the Long-Term Tier 2 rate would be lost if other customers are provided an opportunity to purchase power at the Long-Term Tier 2 rate in response to after-the-fact economic choices. Bonneville may require a phase-in period for the Long-Term Tier 2 rate for a new public utility initiating service.

Each rate period, Bonneville will use the rate-setting process to calculate the Long-Term Tier 2 rate applicable to all customers purchasing power at the Long-Term Tier 2 rate. Bonneville will propose through the PRDM that the costs of any firm inventory, inclusive of any augmentation amounts and calculated after all other obligations are considered, are allocated to the Long-Term Tier 2 rate to meet any otherwise unmet Long-Term Tier 2 rate load obligation. This could result in a portion, or all, of the Long-Term Tier 2 rate being set at a cost equivalent to the cost of power sold at Bonneville's PF Tier 1 rates if sufficient firm inventory is available.

Bonneville will provide a one-time change option to any customer that elected at contract signing to have any amount of its load served at Bonneville's Long-Term Tier 2 rate. A minimum of three-year's notice would apply with the applicable change effective at the start of the next rate period. The one-time change would allow customers to cap, or reduce, the amount of its load that is subject to the Long-Term Tier 2 rate. Bonneville intends to explore the adoption of a fee for exercising the one-time change option to protect other Long-Term Tier 2 rate customers from cost shifts that could result from the change in election. Bonneville would establish the method for determining the cost of exercising the one-time change option through the contract, the PRDM document, and/or Bonneville's rates as established through each rate setting process.

Additionally, customers may reduce their initial Long-Term Tier 2 Path election, without a fee, provided that the notice of the reduction is given to Bonneville: 1) before Bonneville acquires power for the purposes of serving Long-Term Tier 2 Path obligations, or 2) if no such acquisition has occurred, the customer notice of a reduction occurs at least 3 months prior to the start of the BP-29 rate proceeding, whichever occurs first. This option to reduce would not count toward the customer's one-time option to reduce its Long-Term Tier 2 option during the term of the contract (with a fee) discussed above.

Lastly, Bonneville intends to include provisions in the PRDM that explain what happens if Bonneville has Long-Term Tier 2 costs and no load being served at the Long-Term Tier 2 rate.

The provision would also address situations where a subset of customers that elected service at the Long-Term Tier 2 rate are determined to be bearing an inequitable amount of the Long-Term Tier 2 costs.

### 3.5.2 Flexible Above-CHWM Path

Prior to each rate period, Bonneville will provide customers that elect to serve all or a portion of their Above-CHWM load through the Flexible Above-CHWM Path an opportunity to serve all or a portion of their Above-CHWM load at the Short-Term Tier 2 rate for the upcoming rate period. The Short-Term Tier 2 rate will be made available in a flat annual block. Customers will make this election at least three months before each rate case as identified in the Provider of Choice contract and PRDM. Bonneville will need to consider if there is a limit each rate period to the amount of load that can be placed on the Short-Term Tier 2 rate. Such a limit, if any, shall be employed only if Bonneville concludes, after making a good faith effort to acquire such power at any available price, that insufficient power is available to serve all customer Short-Term Tier 2 elections.

Customers that elect to serve all or a portion of their Above-CHWM load through the Flexible Above-CHWM Path may also have opportunities to elect to serve all or a portion of their Above-CHWM load at a Vintage Resource Tier 2 rate. This option will only be available prior to Bonneville making an RFO for the output of a physical resource to meet any of Bonneville's load obligations. The maximum amount of power a customer can request to purchase at a Vintage Resource Tier 2 rate would be set equal to the annual maximum forecast of the customer's future Above-CHWM load; subject to the Flexible Above-CHWM Path less any non-federal resources serving that Above-CHWM load. When a customer purchases power in excess of actual Above-CHWM load, Bonneville would treat it as an advanced sale of surplus power to be managed by the customer.

If a customer has elected to serve all or a portion of their Above-CHWM load through the Flexible Above-CHWM path and they do not select a federal service option, Bonneville will assume the customer will serve their Above-CHWM load with non-federal resources.

## 4. Products and Services at New Resource Rate and Industrial Firm Power Rate

In addition to offering firm power products and services at PF rates, Bonneville will, consistent with statute, also offer service to Pacific Northwest customers not eligible to purchase power at a PF rate when requested. This includes IOUs and service to NLSLs, whether supplied by PF customers or IOUs. Bonneville also has discretion to sell power to its only existing DSI customer. The following sections outline Bonneville's proposed load service to these customers should they request a contract for the Provider of Choice contract period.



#### 4.1 5(b) for Investor-Owned Utilities

Under section 5(b) of the Northwest Power Act, IOUs have a statutory right to request that Bonneville sell them power to meet their net requirements load.

Bonneville's sales of power to IOUs under section 5(b) are sold at the section 7(f), New Resource (NR) rate. The NR rate includes the cost of the Federal Base System resources not otherwise allocated to PF customers under section 7(b), new resources, and exchange resource costs. Additionally, the NR rate includes an allocation of the section 7(b)(3) surcharge (if applicable).

Bonneville intends to provide power sold at the NR rate that IOUs elect to purchase as a standalone Block product, also referred to as the NR Block product, with similar features to the standalone Block product offered to PF customers (Section 3.3) and on the same development timeline. In contrast to the Block product for PF customers, IOUs would not receive a CHWM nor would their NR Block contract reflect elements of the tiered rate construct, as all power sold under such agreement would be at the NR rate.

#### 4.2 New Large Single Loads

Bonneville will maintain its NLSL Policy.<sup>20</sup> As defined by the Northwest Power Act, an NLSL is a load that results in an increase in power requirements of 10 aMW or more during a consecutive 12-month monitoring period. If requested by a customer, Bonneville will sell it power to serve NLSLs at the section 7(f), NR rate. Bonneville will continue to examine ways to improve NLSL policy implementation as part of the policy implementation and contract development phase. Customers will retain the option to serve NLSLs with dedicated resources in lieu of electing service from Bonneville. Once a customer elects either the NR rate or dedicated resources to serve an NLSL that election will be final for the remaining Provider of Choice contract period. Bonneville will continue to require Slice/Block customers to use dedicated resources to serve NLSLs.

#### 4.3 Direct Service Industry Customer

Bonneville has discretion to offer contracts to existing DSI customers, which are served at the Industrial Firm Power (IP) rate. Although historically an important Bonneville customer group, the majority of entities that were DSI customers have ceased to exist or operate in the Pacific Northwest or terminated their DSI contracts. Once an entity is no longer a DSI customer it is no

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<sup>20</sup> Bonneville published an NLSL policy in April 2001, which is available at <https://www.bpa.gov/-/media/Aep/power/regional-dialogue/nls-policy-04-2001.pdf>. Bonneville addressed NLSL issues in a 2002 ROD, available at <https://www.bpa.gov/-/media/Aep/power/regional-dialogue/20020327-nlso-policy-rod.pdf>, and a Policy for Power Supply Role for Fiscal Years 2007-2011 published in February 2005, available at <https://www.bpa.gov/-/media/Aep/power/regional-dialogue/20050204-rod-policy-for-power-supply-role-for-fys-2007-2011.pdf>.

longer eligible to purchase power at the IP rate. Bonneville is not authorized to sell power to any new DSIs.

Port Townsend Paper is Bonneville's only remaining DSI customer. Port Townsend Paper has a current peak demand of 15.75 MW and its current DSI contract is effective through September 30, 2028, commensurate with the expiration of the Regional Dialogue contracts.

Should Port Townsend Paper request a contract for service beginning October 1, 2028, Bonneville would analyze whether offering a DSI power sales contract at the IP rate will have a benefit to Bonneville and its other customers. Depending on the outcome of such analysis, Bonneville may offer Port Townsend a power sales contract. Bonneville remains open to exploring alternative approaches to economically meeting the Port Townsend Paper load, consistent with Bonneville's statutes, including the approach discussed in Section 2.4.2.6 to create a subsequent CHWM adjustment.

## 5. Rate Discounts

Bonneville will offer two rate discounts: the Irrigation Rate Discount (IRD) and Low Density Discount (LDD).

### 5.1 Irrigation Rate Discount

Under Provider of Choice, Bonneville will include an IRD as a rate adjustment in its wholesale power rate proceedings. Bonneville has a long-standing history of providing some form of rate mitigation to irrigation loads in the agricultural sector dating back to the early 1940s. Bonneville recognizes that agriculture is a dominant driver in many rural communities across the region and understands the importance of this sector to the Pacific Northwest's economy.

Bonneville will offer the IRD in the form of a fixed mills-per-kilowatt hour (kWh) amount, calculated each rate proceeding according to the IRD methodology. Bonneville's IRD methodology will be determined in the PRDM. For each rate period, participants will receive the same fixed mills-per-kWh discount for eligible irrigation loads during the months of May, June, July, August, and September. Bonneville intends to calibrate the overall program costs at the onset of the new contract under the new IRD methodology to a level similar to that observed during the Regional Dialogue contract period (i.e., \$22 million per year). Bonneville is proposing the irrigation load eligible to receive a discount will be a five-year average of the May through August irrigation load amounts for FY 2018 through FY 2022. If a customer does not have irrigation data available, Bonneville will determine whether to accept alternative historical data. The amount of eligible irrigation load would be fixed for the Provider of Choice contract period.

Customers must meet one of the following criteria to be eligible for IRD program participation under Provider of Choice:

1. The customer must have participated in Bonneville's IRD program under Regional Dialogue or



2. At least 75% of the customer's TRL must be placed on Bonneville starting October 1, 2028; and the ratio of the customer's irrigation rate schedule sales, May through September in FY 2018 through FY 2022, divided by its TRL for FY 2018 through FY 2022, is at least 5%; or, if less than 5%, the average megawatt hour (MWh) use for May through September in FY 2018 through FY 2022 (25 months/five years) is 7,500 MWhs or more.

During the Provider of Choice contract period Bonneville will continue to require that participating customers implement cost-effective conservation measures on irrigation systems in their service territories to be eligible for the IRD.

## 5.2 Low Density Discount

Section 7(d)(1) of the Northwest Power Act directs the Administrator to provide a discount to the wholesale power rates of customers with low system densities to the extent appropriate. The intent of LDD is to avoid adverse impacts on the retail rates of customers with low system densities. The Administrator has discretion to establish the criteria under which the LDD is offered.

In future rate proceedings, Bonneville will review implementation details for the LDD such as eligibility criteria, discount level, and applicable rates, and will examine whether the LDD should apply to load growth purchases. Bonneville intends to evaluate customer eligibility on a rate period basis, in contrast to the current practice of evaluating on an annual basis, which should provide customers with information for their planning purposes well in advance of implementation.

## 6. Power Delivery

Bonneville Transmission Services delivers power to customers across several states via the Federal Columbia River Transmission System (FCRTS) and pursuant to its Open Access Transmission Tariff<sup>21</sup> (OATT). The agency has sometimes elected to, or circumstances have required that it, serve customers over transmission systems owned and operated by entities other than Bonneville, rather than build to directly connect those customers to its transmission system. Bonneville refers to this kind of delivery as "transfer service."

Whenever requested by a public body or cooperative entitled to preference and priority under the Bonneville Project Act, Bonneville is obligated to offer to sell electric power to that public body or cooperative through contracts that cannot exceed 20-year terms. Congress also authorized Bonneville to construct, own, and operate transmission or to purchase transmission to deliver the electric power in satisfaction of this contractual obligation. In exercising its authority to market and transmit electric power, Bonneville's statutes provide that there be sufficient capacity for the transmission of

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<sup>21</sup> Bonneville's OATT is available at <https://www.bpa.gov/-/media/Aep/transmission/open-access-transmission-tariff/bpa-open-access-transmission-tariff-20211001.pdf>.

electric power—generated or acquired—to satisfy Bonneville’s contractual obligations. Prior to 1996, Bonneville fulfilled this obligation through a bundled power and transmission contract. With the advent of transmission deregulation in 1996, Bonneville has fulfilled this obligation by and through its adoption of the OATT. Under its OATT contracts, Bonneville has a legal obligation to provide transmission service, consistent with the terms of the Tariff and customer’s respective transmission contracts.

Customers purchasing power from Bonneville Power Services under Provider of Choice contracts will continue to be responsible for arranging and contracting for transmission service with Bonneville Transmission Services. Customers will be responsible for contracting with Bonneville Transmission Services to deliver power from the point of receipt to the point of delivery; or in the case of a transfer point of delivery, the customer will be responsible for contracting to the relevant point of interconnection between Bonneville’s transmission system and the intervening transmission system. This section outlines the relationship of this Policy to power delivery.

## 6.1 Transmission

The Policy does not address Bonneville’s transmission products and services, which are available to all transmission customers under Bonneville’s OATT. Bonneville’s transmission policies and public processes, including those associated with Network Integration Transmission Service, are outside the scope of this Policy. Bonneville Power Services and Bonneville Transmission Services will continue to coordinate on policies and processes to help align policies and contracts across business lines.

## 6.2 Transfer Service

The intent of this section is to: 1) clarify the circumstances and limitations related to Bonneville’s continued acquisition of and payment for third-party transmission capacity to serve PF customer loads and 2) ensure Bonneville’s delivery of firm power sold at PF rates is subject to policies similar to Bonneville transmission policies regardless of whether the customer is served by the contiguous FCRTS or through a combination of the FCRTS and an intervening system.

### 6.2.1 Administration of Transfer Service

Bonneville will contract directly with third-party transmission providers to procure transmission capacity to meet the obligations of the Provider of Choice contracts. If a customer is interested in contracting directly with a third-party transmission provider, the customer may request Bonneville to consider such arrangements. Bonneville will review any customer requests to contract directly with a third-party transmission provider and determine whether to accommodate such requests in its sole discretion on a case-by-case basis. In its review, Bonneville will consider several factors, including but not limited to, whether Bonneville has



cost responsibility for the load served at the requested points of delivery, consistency with the transmission provider’s tariff and other business practices, and any impacts to Bonneville’s other service with that provider.

Currently, Bonneville serves the majority of transfer loads using firm transmission, and Bonneville expects that to continue. Bonneville will attempt to acquire firm transmission for all federal and non-federal deliveries to transfer customer loads. However, in the event that firm transmission is not immediately available, Bonneville will not guarantee firm delivery on the customer’s timeline.

6.2.2 Cost Recovery for Transfer Service for Power Priced at a PF Rate

In the PRDM, Bonneville will continue the practice of proposing to recover the costs of the network component of transfer service for electric power sold at any PF rate from the Tier 1 cost pool in its initial rate proposal. Bonneville will also propose to recover the costs of transfer service for power sold at an FPS rate serving requirements load, excluding NLSL load, from the Tier 1 cost pool.

Bonneville will pass-through the costs of transfer service associated with power sold at an NR rate, whether serving an NLSL or an IOU, to the individual customer serving the load.

6.2.3 Cost Recovery of Non-federal Transfer Service

Bonneville will support customer development of non-federal resources by continuing the practice of proposing to recover the costs of the network component of transfer service for non-federal power serving Above-CHWM load from the Tier 1 cost pool. Additionally, Bonneville will propose to recover the costs of the network component of transfer service for non-federal resources serving PF-eligible loads below their CHWM from the Tier 1 cost pool. Bonneville will propose this cost treatment in the PRDM. Bonneville will limit its support to the last leg required for delivery to the customers’ load and the non-federal resource must be designated as a network resource on firm transmission.

Bonneville will set a limit on its financial assistance to transfer customers for non-federal resource deliveries. The limit will be 41 incremental MWs per year, similar to the limit under Regional Dialogue. The overall MW limit would increase over the contract period. If non-federal power exceeds the limit, Bonneville would not recover the costs of transfer from the Tier 1 cost pool; but it could cover the costs in a future year depending on total load growth served by non-federal resources. For example:

Year	Annual Non-federal Load Limit (MW)	Cumulative Non-federal Load Limit (MW)	Additional Non-federal Load Requests (MW)	Non-federal Load Receiving Support (MW)
1	41	41	10	10
2	41	82	80	51
3	41	123	0	90

#### 6.2.4 Quality of Service and Similar Cost Treatment

Bonneville will work to ensure that quality of service is provided by the third-party transmission providers, consistent with established contracts and tariffs. Bonneville will seek to include formalized communications standards in transfer agreements and will commit to take a proactive role in working with third-party transmission providers during the process of planning local transmission facilities that would be used to serve customer loads. Bonneville also commits to involve transfer service customers in these discussions. Effective communication with third-party transmission providers and the inclusion of the transfer customers, where possible, should maintain or improve the quality of service going forward.

Customer collaboration with third-party transmission providers or Bonneville Transmission Services is vital for Bonneville's planning process to uphold or enhance service quality while minimizing costs. To achieve this, Bonneville will require transfer customers to provide timely planning information regarding load and resource forecasts, expansions, or upgrades, as well as load additions or losses. By actively engaging with transfer customers and third-party transmission providers well in advance of needs, Bonneville has an opportunity to ensure the best possible service.

As it relates to cost exposure, it is Bonneville's intent that transfer customers pay the same, or similar, categories of costs as those paid by directly connected customers. Specifically, when structuring contracts, policies, and rates for transfer service, Bonneville will endeavor to maintain consistent treatment of costs categories between customers that are served by transfer service and customers that are directly connected to the FCRTS.

#### 6.2.5 Direct Assignment Guidelines

When Bonneville Power Services has determined that a customer is adding, changing or increasing load in a way that requires a new, altered or unplanned transfer path, capacity or facilities, Bonneville Power Services, as the transfer service contract holder, and Bonneville Transmission Services, will work with both the customer and the third-party transmission provider to develop the best overall plan of service. Bonneville will use the Direct Assignment Guidelines, as memorialized and periodically updated in Bonneville's Power Rate Schedules and General Rate Schedule Provisions, to propose allocation and recovery of new transfer service costs similar to the rate treatment of transmission costs for customers directly connected to the FCRTS. Any updates made to the Direct Assignment Guidelines will be through a 7(i) rate case process.

Additionally, when determining the need for new or altered transfer service, Bonneville will use the established and periodically updated Guidelines Regarding Request for Transfer Service to



New Points of Delivery<sup>22</sup> to assess alternate delivery options, cost-effectiveness, and quality of service.

#### 6.2.6 Ancillary Services and Losses

Transfer customers will pay for each ancillary service that directly connected customers would purchase from Bonneville Transmission Services. To avoid exposure to pancaked ancillary services charges, Bonneville will pay the third-party transmission provider for all required ancillary services. Bonneville Power Services will then construct a rate or charge and assess that rate or charge to transfer customers for any ancillary services, or portions of ancillary services that the customer did not have to pay to Bonneville Transmission Services, by virtue of being served by transfer service.

Transfer customers will also pay for losses associated with delivered power, similar to how directly connected customers pay for losses. To avoid exposure to losses from multiple transmission providers, Bonneville will pay the third-party transmission provider for all losses and construct a rate or charge assessed to transfer customers for any losses, or portions of losses, that the customer did not have to pay to Bonneville Transmission Services by virtue of being served by transfer. This represents a shift from Regional Dialogue, where Bonneville passed through the cost of losses associated with non-federal transfer service in all instances. The Regional Dialogue policy resulted in certain instances where transfer customers were responsible for losses to both Bonneville Transmission Services and Bonneville Power Services for the losses over the third-party transmission provider's system. To ensure consistent cost treatment, and for administrative simplicity, transfer customers will be responsible for losses over a single transmission system, similar to directly connected customers.

#### 6.2.7 New Utilities and Annexed Load

Bonneville will arrange and propose to recover the costs of the network component of transfer service for power deliveries to serve the load of a newly formed public customer or a transfer customer's annexed<sup>23</sup> load in the following situations: 1) if the annexation is not disputed and the utility losing load and service territory provides written consent to the annexation and transfers any rights and ownership interest in the distribution facilities and properties in the annexed territory; or 2) if the relinquishing utility is opposed to the annexation, once a state or court has made a final determination that the utility has the legal right to serve the annexed load. These provisions are necessary if Bonneville is to remain a neutral party in annexation disputes and not provide service until a clear decision has been made on which entity has the

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<sup>22</sup> The Guidelines Regarding Request for Transfer Service to New Points of Delivery is available at <https://www.bpa.gov/-/media/Aep/power/transfer-service/transfer-service-guidelines-for-transfer-service-to-new-pods.pdf>.

<sup>23</sup> For purposes of this portion of policy, Bonneville defines annexations as "the acquisition of existing load, existing distribution, and service territory by means of annexation, merger, purchase, trade, or a judicial decision."

legal right to serve the load, and the acquiring utility has obtained an ownership interest in the distribution facilities and properties in the territory sought to be annexed.

Bonneville will use established and periodically updated Guidelines Regarding Request for Transfer Service to New Points of Delivery, referenced in Section 6.2.5, to assess alternate delivery options, cost-effectiveness, and quality of service for new and annexed load.

## 7. Carbon

National, state, and local efforts to shift the energy industry toward carbon-free resources include reducing GHG emissions, increasing the use of renewables, and electrifying transportation and other sectors traditionally dependent on fossil fuels. Some states have also mandated that retail utilities and other load serving entities achieve a 100% carbon-free power supply. This includes Washington's Clean Energy Transformation Act (CETA) mandate of 100% carbon-free by 2045. Moving toward a carbon-free future is a collective challenge that will take industry-wide efforts and require new energy and capacity resources to ensure sufficient supply for meeting load and maintaining grid reliability.

As the Pacific Northwest tackles the challenge of decarbonization, Bonneville will strive to meet future load needs with cost-effective, carbon-free resources when acquisitions are required. But Bonneville cannot provide 100% carbon-free power or offer a 100% carbon-free product at this time.

Bonneville sells power produced largely from a system of federal resources, which is on average 95% carbon-free. This system of resources includes the federal hydropower system, the Columbia Generating Station (CGS), as well as non-federal resources and market purchases. Market purchases help Bonneville meet near-term and real-time energy demands not met by the base federal system. Current energy markets do not delineate the generating source for power sold in these markets. States with GHG reporting programs consider this power to be unspecified, and they attribute a default emissions factor to all unspecified power purchases akin to a natural gas generator. Bonneville is optimistic that electricity markets and state accounting practices will evolve to provide options for clean near-term and real-time purchases in the future. Bonneville anticipates that the federal system will move closer to 100% carbon-free over the Provider of Choice contract period. Bonneville intends to provide information through its Resource Program and other public forums on ways Bonneville is achieving its strategic goals related to decarbonization, which in turn customers can use to demonstrate progress toward their state targets.

### 7.1 Environmental Attributes

Bonneville will convey the environmental attributes of the power sold, including emissions and any renewable energy credits (RECs), commensurate with a customer's firm power purchase amount and rate elections.



### 7.1.1 Renewable Energy Credits

Bonneville will convey RECs based on the actual amount of power purchased by a customer. Bonneville will provide separate REC conveyance for power purchased at PF Tier 1 rates, PF Tier 2 rates, the NR rate, and the IP rate. Not all resources that make up a particular cost pool will necessarily create RECs. Bonneville will determine a customer's base allocation of RECs by applying the megawatt hours purchased from Bonneville at a particular rate to the percentage of qualifying resources assigned to that rate's cost pool. For example, a PF customer purchasing power at a PF Tier 1 rate would receive RECs based on the number of RECs generated by the resources assigned to the Tier 1 cost pool. Bonneville can convey, retire or otherwise dispose of additional RECs created by the federal system not associated with firm power sales at its discretion.

A customer will be able to elect whether Bonneville transfers their RECs to them, to another customer, to a third-party-managed REC market account or to a Bonneville-managed subaccount. Bonneville will not provide remarketing services for these RECs under Provider of Choice.

### 7.1.2 Emissions Accounting

Bonneville intends to provide separate emissions accounting for power purchased at PF Tier 1 rates, PF Tier 2 rates, FPS rates, the NR rate, and the IP rate. For example, Bonneville will convey emissions attributed to resource(s) that comprise the Long-term Tier 2 rate pool to customers electing the Long-term Tier 2 rate.

Bonneville envisions it will convey a single emissions accounting associated with power sold at PF Tier 1 rates and not attempt to create emissions accounting subcategories within power sold at PF Tier 1 rates.

Bonneville will provide transparent accounting of the fuel mix and conveyance of environmental attributes. Bonneville anticipates its methods to account and convey environmental attributes will be flexible enough to adapt to the variety of existing and evolving program needs, but Bonneville will evolve its methods as needed to provide a durable framework.

## 8. Long-term Cost-Management

Bonneville understands the value that customers place on the cost of power supplied by Bonneville and its need to practice prudence in cost-management. Bonneville intends to continue to promote accountability, trustworthiness, and transparency to guide its projected costs so that customers continue to have ample opportunities to understand and provide input. While not legally required, Bonneville has established norms in access and transparency to financial information by establishing processes that provide the region the opportunity to comment on Bonneville's projected costs for the upcoming rate period. Bonneville offers quarterly financial and business performance updates, which allow the region to understand

any variance from planned business performance. Bonneville intends to continue to evaluate financial health goals as part of its ongoing strategic and financial plans, which help provide financial goals for the agency.

## 9. Conservation

Bonneville's conservation program acquires reliable, cost-effective conservation to reduce the Administrator's load obligation. When Bonneville moved to a tiered rate construct under Regional Dialogue, it created a direct nexus between the cost and impact of conservation for each customer that necessitated a restructuring of Bonneville's conservation program. The conservation program that Bonneville and its customers established in the Regional Dialogue contract period has been successful in achieving consistent, reliable energy savings.

With the continuation of tiered rates under Provider of Choice, Bonneville proposes to maintain its approach to conservation acquisition and does not intend to pursue major changes to its conservation program. Bonneville will continue to acquire conservation through customer achievements. Bonneville intends to allocate EEI budgets to customers proportional to the amount of load supplied with firm power sold at a PF Tier 1 rate. Bonneville will offer a diverse set of conservation measures that customers may implement within their service territories and report to Bonneville. Once reported, customers may request payment for qualifying measures using established EEI budgets or report measures as self-funded.

Ahead of October 1, 2028, Bonneville intends to engage customers in a separate public process to discuss potential program changes, including a re-evaluation of the appropriate self-funding percentage. Bonneville is open to discussing conservation program improvements that may better serve customers' needs, lead to more effective conservation program implementation, and be more adaptive to an evolving energy landscape. Following this engagement, Bonneville will update the ECAs to reflect any program changes and meet the needs of the Provider of Choice contracts.

## 10. Residential Exchange Program

Section 5(c) of the Northwest Power Act establishes Bonneville's statutory obligation to regional utilities participating in Bonneville's Residential Exchange Program<sup>24</sup> (REP). The REP provides residential and farm retail ratepayers of Pacific Northwest utilities with high-cost resources (public power and investor-owned) access to the cost benefits of low-cost Bonneville power through a power "exchange." While the REP is not within the scope of the Provider of Choice Policy and contracts, REP costs must be recovered in Bonneville's power rates.

Bonneville currently implements the REP through a settlement that is set to expire in 2028. Bonneville is engaging regional parties in a two-phased approach to develop the post-2028 REP

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<sup>24</sup> More information on REP is available at <https://www.bpa.gov/energy-and-services/power/residential-exchange-program>.



implementation of the program. The first phase, referred to as the settlement phase, is exploring whether a follow-on REP settlement can be reached. During this phase, Bonneville will develop scenario analysis with potential levels of REP benefits for IOU and public stakeholders to consider. Bonneville anticipates completing its scenario analysis by early 2024. If a settlement is reached, Bonneville would likely conduct a section 7(i) rate-making process to consider and evaluate the settlement for statutory compliance. The timing of such a process depends on the success of REP settlement negotiations.

If an REP settlement is not achieved or appears unlikely, Bonneville would turn its attention from facilitating settlement to preparing for the traditional implementation of the REP. With the expiration of the current REP settlement in 2028, a number of previously settled legal and policy issues will become live issues. In preparation for this transition, a collection of processes, policies, and proceedings would be needed to ensure that Bonneville has the necessary components of the REP ready for the BP-29 Rate Case implementation of the REP. Those processes would likely address, at a minimum, the following:

- 7(b)(2) legal interpretation.
- 7(b)(2) implementation methodology.
- Average System Cost methodology, consultation process, Federal Energy Regulatory Commission filing.
- 5(c)(5) In lieu Policy.
- Residential purchase and sales agreement negotiation and development.
- Treatment of environmental attributes of the FCRPS.

The timing for commencing these processes will depend on the status of the REP settlement negotiations. If no settlement is reached, all of these processes must be completed by the time rates go into effect for the post-2028 period.

### 10.1 Residential Exchange Program for PF Customers

Under Regional Dialogue and the TRM, PF customers agreed to a limited waiver of their participation in the REP. Specifically, PF customers were permitted to only receive REP payments from Bonneville for certain resources. The customers' limited waiver reduced the cost of the REP in the PF Tier 1 rates, preserving the value of the Tier 1 system, which was a foundational element of the TRM and the Regional Dialogue contracts. Bonneville intends to expand upon that principle in the Provider of Choice contracts and include a provision whereby PF customers would waive their participation in the REP for the Provider of Choice contract period. This proposal will reduce the costs of the REP recovered in a PF Tier 1 rate as well as reduce the administrative burden and complexity of administering the REP.

## 11. New Long-term Contracts

Bonneville will offer and execute Provider of Choice contracts to utilities in late 2025. Bonneville will begin power deliveries under these contracts on October 1, 2028, following the

expiration of the Regional Dialogue contracts. Executing contracts in 2025 with service beginning in 2028 provides a three-year window for both customers and Bonneville to transition to the new contracts and plan for post-2028 power resource needs.

### 11.1 Duration of Contracts

Bonneville will offer 19-year Provider of Choice contracts, with an expiration date of September 30, 2044. Bonneville will offer the contracts to all eligible customers at the same time. Long-term contracts are critical for Bonneville's financial health and will provide certainty by guaranteeing customers an assured and adequate supply of power. A 19-year contract also means that the Provider of Choice contracts will expire before CETA's 100% carbon-free standard applies. This will provide necessary time for Bonneville and customers to consider how subsequent contracts will interact with future carbon requirements.

Bonneville will work with customers to ensure that its Provider of Choice contracts provide customers with flexibility to take actions necessary to comply with other applicable provisions of federal or state law, including obligations under the Public Utility Regulatory Policies Act, and state clean energy requirements. Because certain federal agency customers are not authorized to execute 19-year contracts, Bonneville will work with those customers to offer a contract that complies with such limitations and can be renewed to result in a 19-year term.

### 11.2 Duration of Power Service

The Provider of Choice contracts will become effective on the date of execution between the parties, and power deliveries under the Provider of Choice contracts will begin October 1, 2028, immediately following the expiration of the Regional Dialogue contracts on September 30, 2028. Therefore, the duration of power deliveries under the Provider of Choice contracts will be 16 years.

### 11.3 Standardized Contracts

Bonneville will develop standardized Provider of Choice contracts with customers. Bonneville expects that contract provisions will be as identical as possible for customers taking similar services. Bonneville expects that the contracts will include options that will capture customers' elections through option-specific clauses. Bonneville acknowledges that some customer circumstances are unique. In the contract, Bonneville will include special provisions necessary to address unavoidable and unique individual customer situations.

Bonneville will develop contracts in two phases. First, standard contract templates will be developed and refined in consultation with customers. A standard template will be created for each product offered. These standard contract templates will be released for public review and comment, and Bonneville will then finalize the templates. Second, Bonneville will provide a "window" or time period for customer product/contract selection between individual customers and Bonneville. During this time, Bonneville will take into account the individual utility service circumstances and allow time for contract finalization and signature. This includes



selecting the applicable version of standard language where multiple options have been developed, populating the contract with customer-specific details, and negotiating necessary special provisions. Changes to the standardized contract templates will be limited to issues that do not change the general terms and conditions of the products offered (e.g., special provisions may address individual customer resource issues, metering information, etc.).

Bonneville will use provisions of the current Regional Dialogue contracts as the starting point for drafting the Provider of Choice contracts, with changes in contract language to reflect changes in policy, products, and improved business practices.

Bonneville's offer of a Provider of Choice contract to an individual customer will be subsequent to and dependent upon 1) a customer's request for Bonneville to serve it, 2) a customer's eligibility under statute, and 3) meeting Bonneville's standards for service. Bonneville will obtain an individual customer's request of service and its product election in advance of preparing individual contract offers.

All new customers requesting service must meet Bonneville's standards for service prior to requesting such service.

#### 11.4 Take-or-Pay Requirements for Purchases

Bonneville will include take-or-pay provisions in the contract for the amount of electric power that the customer is obligated to purchase. Bonneville will continue to refine implementation details accounting for the different business relationships inherent in load following contracts (in which a customer commits to buy all of its power from Bonneville beyond its dedicated resource amounts) and planned product contracts (in which a customer buys specific amounts of power). Take-or-pay is a cornerstone of the Policy because 1) it provides assurance to the U.S. Treasury that Bonneville will be able to meet its repayment obligation, and 2) take-or-pay commitments minimize cost shifts among customers as Bonneville recovers its costs through more certain power rates over the term of the agreement.

#### 11.5 Load and Resource Information Requirement

Bonneville's Provider of Choice contracts will require specific information and data from customers that are necessary for the contract, including but not limited to:

- Meter data.
- Historic data needed for load forecasting.
- Load and resource data relating to serving large loads and NLSLs.
- Resource information needed for purposes of calculating net requirements.
- Battery and storage facility information.

Bonneville will require customers to provide any data necessary for the QCC calculation, or the specific resource QCC values, of the customers' resources.

Bonneville will clearly delineate between the electric power a customer commits to buy from Bonneville and non-federal power the customer commits to supply for its load from other sources in the Provider of Choice contracts. Contracts will include terms on which party—Bonneville, the customer or a combination of the two—will have responsibility to serve load growth.

The Provider of Choice contracts will require customers to annually provide information on their 10-year loads and resource plans. A utility that is required by state law to produce an integrated resource plan that includes such 10-year load and resource information can submit that plan to meet Bonneville's requirement. Bonneville will produce load and resource information for customers who certify that they plan to rely on Bonneville for their additional power needs during the 10-year period.

For regional planning purposes, the Provider of Choice contracts will require that customers provide forecast loads and resources data annually on a confidential basis to the Pacific Northwest Utilities Conference Committee, or its successor organization. Load-following customers who purchase all their power supply from Bonneville would be excluded from this requirement as Bonneville would provide data on their behalf.

#### 11.6 Federal Income Tax-Exemption on Columbia Generating Station Bonds

Bonneville meets the debt service costs of about \$4.5 billion in tax-exempt bonds for Energy Northwest's Project 1, Project 3, and CGS. The tax exemption is predicated on a tax law analysis that is in part based on existing agreements and arrangements with customers relating to the use of the output of CGS and the payment of the costs of CGS. Notwithstanding anything else in this Policy, Bonneville will structure Provider of Choice contracts so that the tax-exempt status of these bonds is preserved.

#### 11.7 Flexibility to Amend Contracts and Rates

Provider of Choice contracts will specify under which circumstances the contracts will be amended and revised. Bonneville and customer flexibility to update the contract will allow the contracts to be sustainable throughout the term of the agreement as new services are developed, products evolve, and the energy landscape matures.

Similar to the TRM, Bonneville intends to offer processes to revise the PRDM to avoid unintended consequences or to allow for improvements and enhancements. Bonneville believes that will provide a flexible yet predictable approach for the rate methodology going forward and allow for the ability to adapt to unexpected events under the contract while maintaining the necessary certainty to aid planning, customer equity, and cost recovery.

#### 11.8 Dispute Resolution

Bonneville will develop dispute resolution procedures for the Provider of Choice contract period and the PRDM.



#### 11.8.1 Provider of Choice Dispute Resolution

Bonneville will rely on the dispute resolution procedures used under the Regional Dialogue contracts for developing the dispute resolution procedures that will be included in the Provider of Choice contracts. These processes were carefully negotiated between Bonneville and customers taking into consideration each party's needs while also addressing legal requirements and consistency with Bonneville's Binding Arbitration Policy. The core of this dispute resolution process will be as follows: final actions subject to section 9(e) of the Northwest Power Act are not subject to arbitration and remain within the exclusive jurisdiction of the Ninth Circuit Court of Appeals. For issues that are not subject to section 9(e), either party to the contract may request to engage in either binding or non-binding arbitration. Bonneville believes that any dispute resolution process ultimately included in the Provider of Choice contracts will need to continue to balance efficiency with a fair opportunity to raise disputes to a neutral third party for resolution.

Bonneville acknowledges that not all issues are appropriate for resolution by a third party, and many matters for discussion under the contracts can be resolved informally. Under the Provider of Choice contracts, issue-identification processes would be designed to collaboratively address issues before they become formal disputes. Efficient and effective processes for customer and interested party input into Bonneville decision-making lessen the likelihood of unresolved disputes and the need for formal dispute resolution. Bonneville believes that issue-identification processes serve to clarify the exact nature of potential disputes and would precede any formal dispute resolution.

Bonneville also notes that the Administrator retains sole discretion to make policy decisions necessary to administer and interpret federal statutes and regulations. With the details of Bonneville's Provider of Choice contracts yet to be determined, any dispute resolution framework will need to be reviewed to ensure compatibility with the proposed contract. In summary, Bonneville believes that the current approach is suitable for the Provider of Choice contracts. Bonneville will need to carefully consider any proposed change to the dispute resolution framework to ensure that any change would be consistent with statutory requirements and Bonneville's Binding Arbitration policy.

#### 11.8.2 Proposed Dispute Resolution for 2029 Public Rate Design Methodology

For the PRDM, Bonneville intends to draw upon the dispute resolution provisions in the TRM in developing the dispute process for changes to (or disputes over) the PRDM. The description of the current dispute process in the TRM is cumbersome and lengthy, and therefore, Bonneville is considering some simplifications to the process in the next version of these procedures. However, Bonneville will work with parties to determine the best approach and does not intend to limit or otherwise alter the substantive protections afforded by the TRM dispute process in the PRDM.

## 12. Environmental Analysis

Consistent with the National Environmental Policy Act<sup>25</sup> (NEPA), Bonneville assessed the potential environmental effects that could result from implementing the Policy.

This Policy would lay the foundation for Bonneville's potential future formation of sales contracts providing for the long-term supply of electric power through standardized products and services and transparent processes. The Policy describes the underlying principles that would guide formation of those potential future contracts, including a description of the types of products and services that would be offered. As discussed in this decision document, the Policy's foundational service elements would include: (1) specifying how net requirements would be calculated (the amount of firm requirements power a customer is able to purchase); (2) continuing the tiered rate construct; (3) defining the amount of power available at PF Tier 1 rates; and (4) specifying how CHWMs are calculated (the maximum amount of power available to each customer at PF Tier 1 rates). The Policy also identifies which products and services would be offered at PF rates, products and services available at the NR rate and IP rate, and various rate discounts. All of these proposed decisions would guide formation of any such potential future contract, and none would involve any new facility construction, changes in existing generator operations, or physical changes beyond previously disturbed or developed facility areas.

Because the Policy would not require Bonneville to take any action that would have a potential effect on the environment, no further NEPA analysis is required. As Bonneville begins contemplating new contracts with customers, with the goal of executing any such contracts by the end of calendar year 2025, appropriate NEPA analysis would be conducted and documented prior to making any final agency decisions about entering into potential Provider of Choice contracts.

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<sup>25</sup> 42 U.S.C. § 4321 et seq.



## APPENDIX – Abbreviations/Acronyms

Abbreviation/Acronym	Definition
Above-CHWM	Above-Contract High Water Mark
aMW	average megawatt
Bonneville	Bonneville Power Administration
CETA	The State of Washington's Clean Energy Transformation Act
CDD	cooling degree days
CF/CT	Contracted For/Committed To
CGS	Columbia Generating Station
CHWM	Contract High Water Mark
Council	Northwest Power And Conservation Council
CY	calendar year
DOE	U.S. Department of Energy
DSI	direct service industry
ECA	Energy Conservation Agreement
EEI	Energy Efficiency Incentive
FBS	Federal Base System
FPS	Firm Power Product and Services
FCRPS	Federal Columbia River Power System
FCRTS	Federal Columbia River Transmission System
FY	fiscal year
GHG	greenhouse gas
Grant PUD	Public Utility District No. 2 of Grant County, Washington
HDD	heating degree days
IM	Bonneville Energy Efficiency Implementation Manual
IP	Industrial Firm Power
IOU	investor-owned utility
IRD	Irrigation Rate Discount
kWh	kilowatt hour
LDD	Low Density Discount
MW or MWh	megawatt, megawatt hour
NEEA	Northwest Energy Efficiency Alliance
NEPA	National Environmental Policy Act
Northwest Power Act	Pacific Northwest Electric Power Planning and Conservation Act
NLSL	New Large Single Loads
NR	New Resource
OATT	Open Access Transmission Tariff
P10	monthly 10 <sup>th</sup> percentiles
PF	Priority Firm
Policy	Provider of Choice Policy
PRDM	2029 Public Rate Design Methodology
PRM	Planning Reserve Margin

Abbreviation/Acronym	Definition
QCC	Qualified Capacity Contribution
REC	renewable energy credit
REP	Residential Exchange Program
RFO	request for offer
RHWM	Rate-Period High Water Mark
ROD	record of decision
RSS	Resource Support Services
RTO	Regional Transmission Organization
SNEER Exception	Small Non-dispatchable New Resource Treated Equivalently to an Existing Resource Exception
TRL	total retail load
TRM	Tiered Rate Methodology
WRAP	Western Resource Adequacy Program



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**From:** Cook,Joel D (BPA) - K-7  
**Sent:** Monday, March 25, 2024 8:04 PM  
**To:** (b)(6)  
**Subject:** FW: ENW SMR RequestI  
**Attachments:** ENW SMR Request\_fiinal.docx

**Joel D. Cook**  
Chief Operating Officer, K-7  
**BONNEVILLE POWER ADMINISTRATION**  
C:(b)(6) | P: 503-230-7640 | [jdcook@bpa.gov](mailto:jdcook@bpa.gov)

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**From:** Chong Tim,Marcus H (BPA) - L-7 <[mhchongtim@bpa.gov](mailto:mhchongtim@bpa.gov)>  
**Sent:** Thursday, October 19, 2023 11:47 AM  
**To:** Cook,Joel D (BPA) - K-7 <[jdcook@bpa.gov](mailto:jdcook@bpa.gov)>  
**Cc:** Johnson,Tim A (BPA) - LP-7 <[tajohnson@bpa.gov](mailto:tajohnson@bpa.gov)>; Cathcart,Michelle M (BPA) - PG-5 <[mmcathcart@bpa.gov](mailto:mmcathcart@bpa.gov)>;  
Cooper,Suzanne B (BPA) - P-6 <[sbcooper@bpa.gov](mailto:sbcooper@bpa.gov)>  
**Subject:** Fwd: ENW SMR RequestI

----- Forwarded message -----

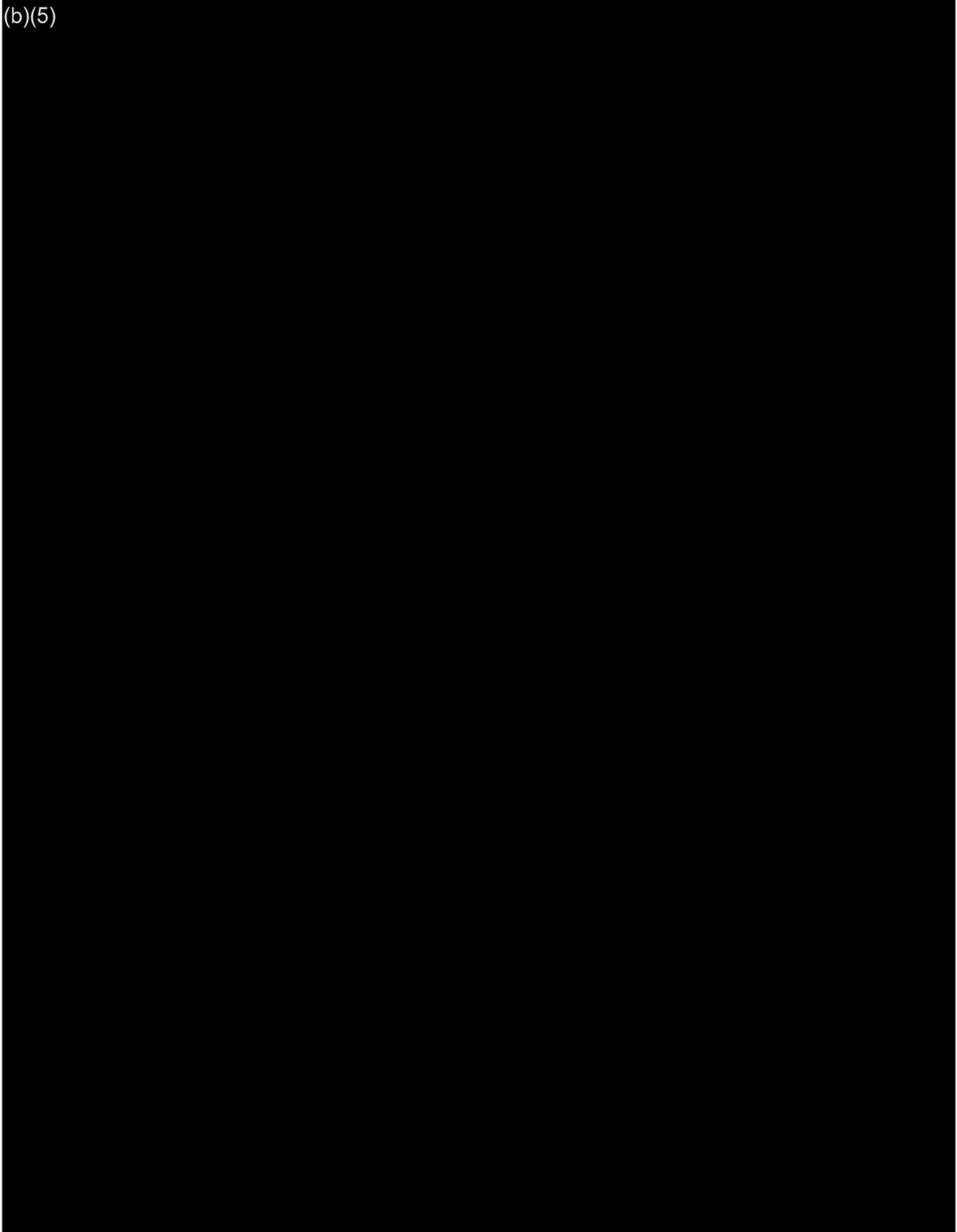
From: "Johnson,Tim A (BPA) - LP-7" <[tajohnson@bpa.gov](mailto:tajohnson@bpa.gov)>  
Date: Oct 18, 2023 10:18 AM  
Subject: ENW SMR RequestI  
To: "Cathcart,Michelle M (BPA) - PG-5" <[mmcathcart@bpa.gov](mailto:mmcathcart@bpa.gov)>  
Cc: "Chong Tim,Marcus H (BPA) - L-7" <[mhchongtim@bpa.gov](mailto:mhchongtim@bpa.gov)>, "Cooper,Suzanne B (BPA) - P-6" <[sbcooper@bpa.gov](mailto:sbcooper@bpa.gov)>

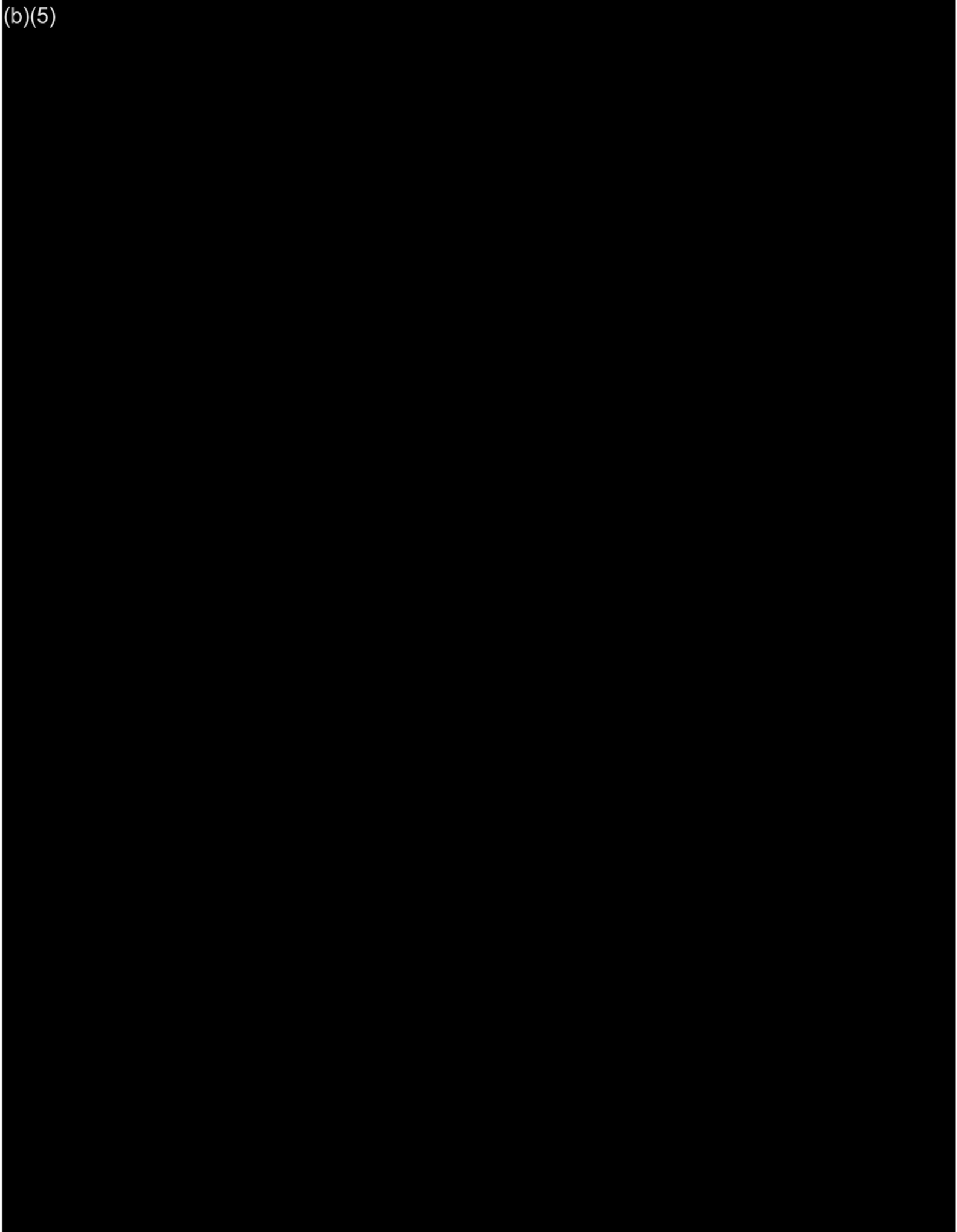
(b)(5)

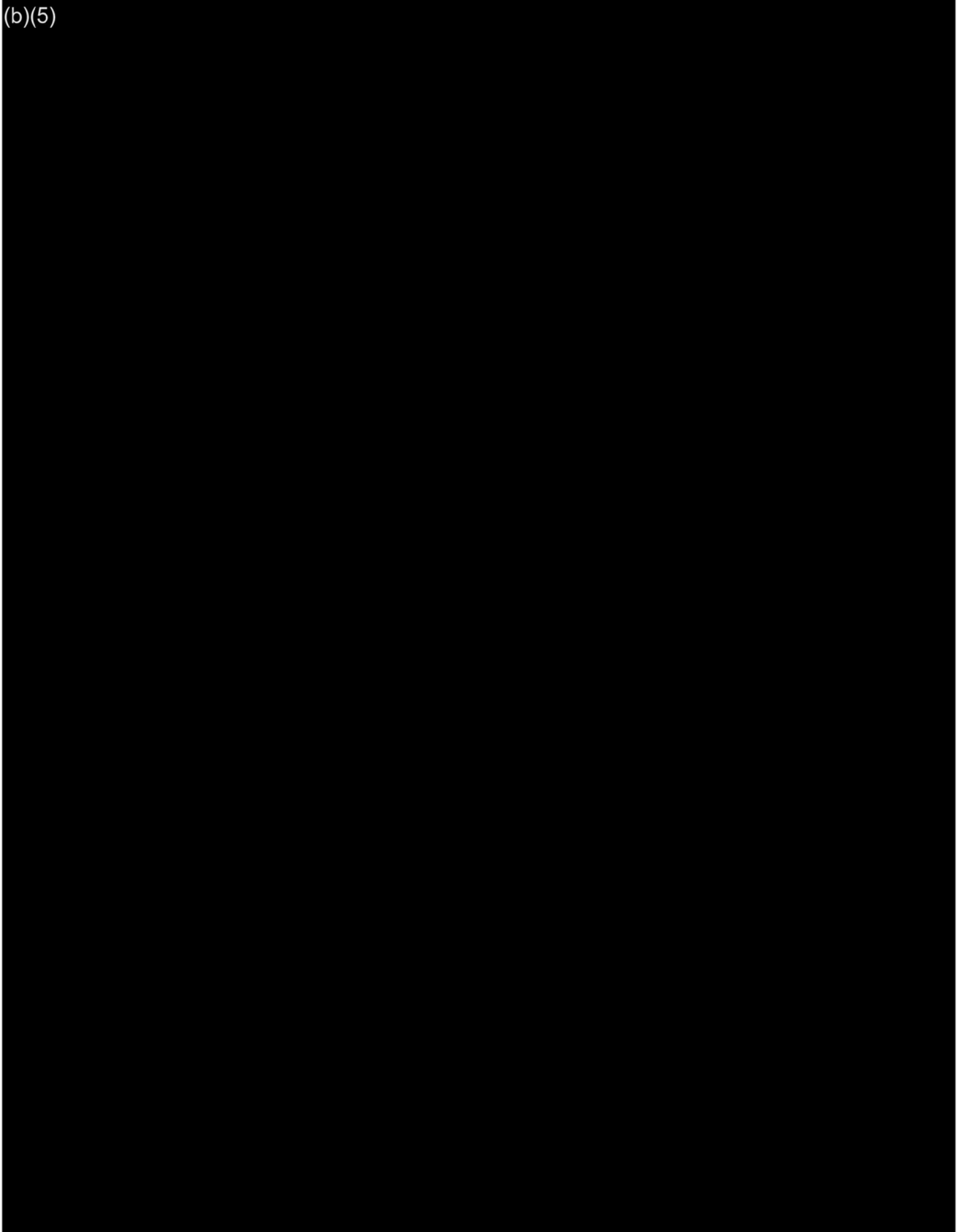


Tim

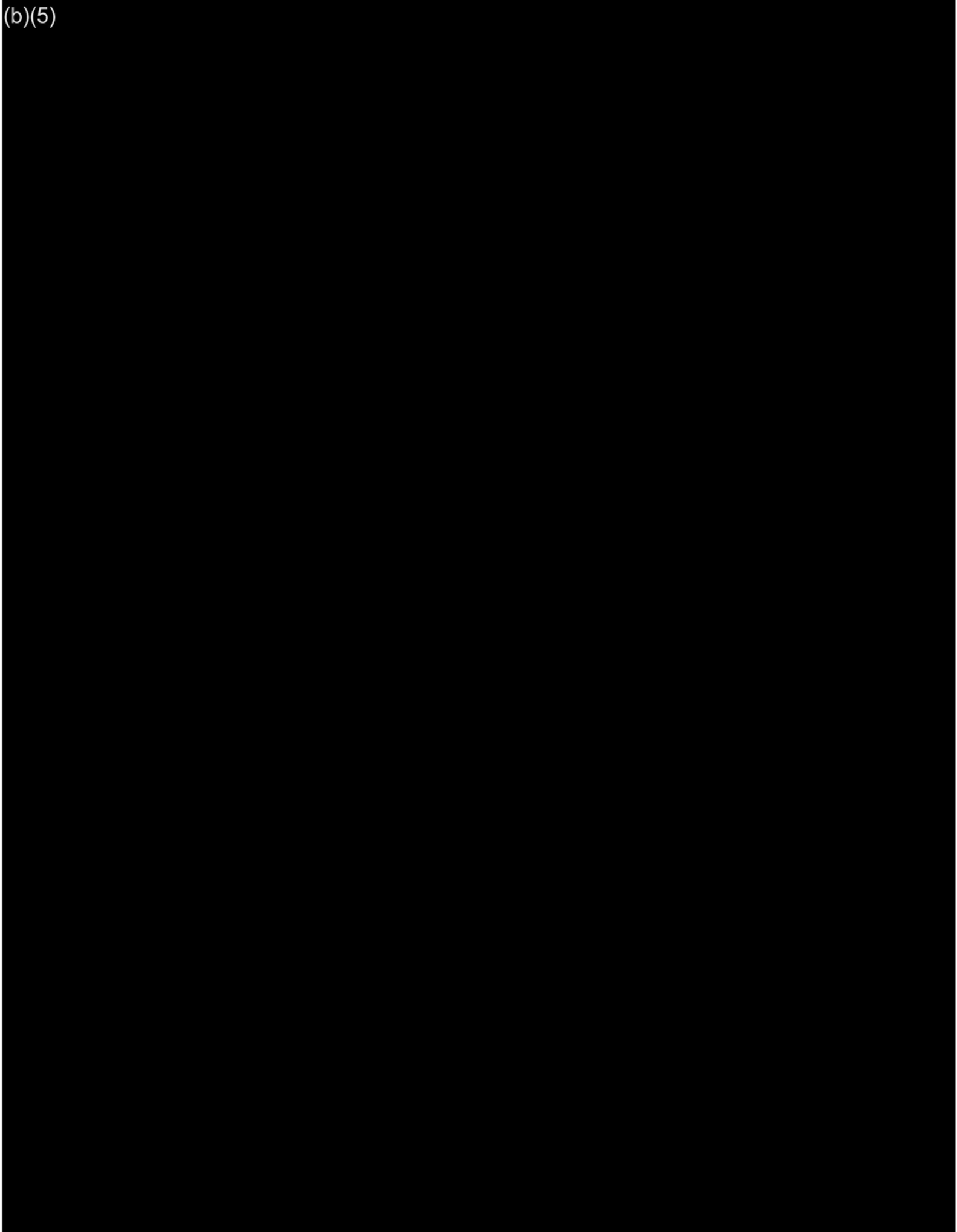
P.S. just saw your email one second ago. Here is the memo for Joel but I think talking points may be in order too.

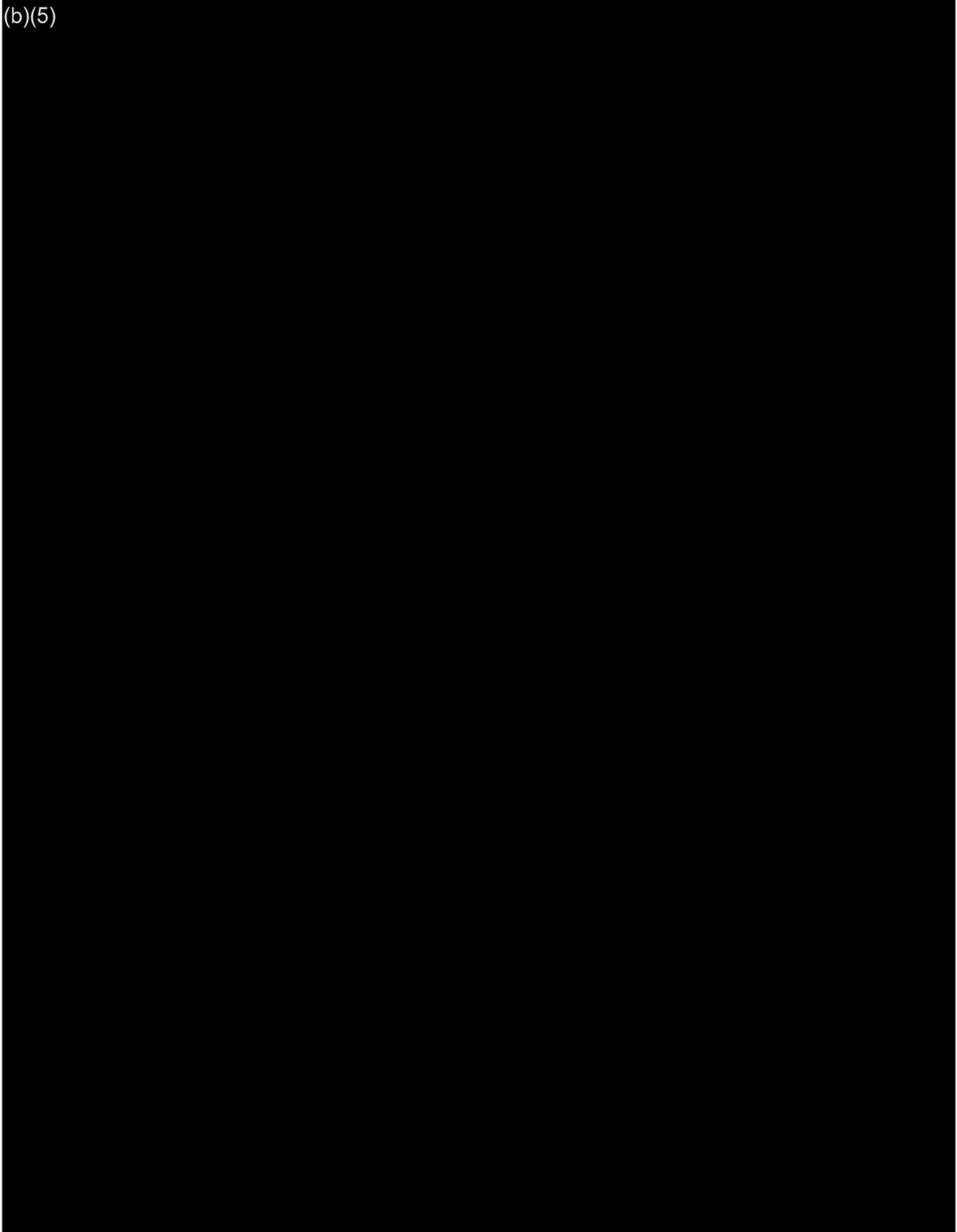












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**From:** Cooper,Suzanne B (BPA) - P-6  
**Sent:** Monday, April 1, 2024 6:49 PM  
**To:** Bas,JoAnn L (BPA) - P-6  
**Subject:** FW: Prep for PPC  
**Attachments:** PPC Talking Points.docx

Hi JoAnn – Will you print a hard copy of this for me. If you don't end up coming in, I can pick it up from the printer.

---

**From:** Burczak,Sarah E (BPA) - PS-6 <[sburczak@bpa.gov](mailto:sburczak@bpa.gov)>  
**Sent:** Friday, March 29, 2024 2:29 PM  
**To:** Cooper,Suzanne B (BPA) - P-6 <[sbcooper@bpa.gov](mailto:sbcooper@bpa.gov)>  
**Subject:** RE: Prep for PPC

Hi Suzanne –

I have initial talking points/structure for us to talk from. I will bring any slides we could leverage to the discussion.

Thanks!  
Sarah

-----Original Appointment-----

**From:** Cooper,Suzanne B (BPA) - P-6 <[sbcooper@bpa.gov](mailto:sbcooper@bpa.gov)>  
**Sent:** Monday, March 25, 2024 2:57 PM  
**To:** Cooper,Suzanne B (BPA) - P-6; Burczak,Sarah E (BPA) - PS-6  
**Subject:** Prep for PPC  
**When:** Tuesday, April 2, 2024 1:00 PM-1:30 PM (UTC-08:00) Pacific Time (US & Canada).  
**Where:** Suzanne's office

- Introduction (Suzanne)

*Cover what the Policy is and how it fits into the broader process and where we are going. Policy focuses on comments submitted through process. Acknowledge events since then may have shifted customer perspective and as we restart workshops will look to hear from customers if there are key areas we need to discuss. (Note that Scott brought off Tier 1 resource off-ramps).*

- The Provider of Choice process formally kicked off in 2022, although initial conversations started long before that.
  - The Policy represents the culmination of years-long engagement starting with the concept paper from which we worked together to develop new policy stances.
  - With the Policy in hand, we can start to define the next set of details including product design. We can also start to draft the contracts themselves.
  - The goal is to have contracts developed and ready for offer by September 2025 with all contracts signed by December 2025.
  - This provides us three years to get systems and processes changed (and gives customers same opportunity) before power deliveries start October 1, 2028.
- Changing customer sentiments
  - The Policy is based on written comments submitted in October.
  - Recognize that events since then may have changed perspectives or introduced new questions. For example, we have heard there are questions on whether we should reset CHWMs based on major changes to federal system.
  - If there is consensus on shifting from Policy, open to dialogue on what that would entail.
- Post-2028 Initiative (if you want to address?)
  - Recognize that contracts are just one component of our Post-2028 initiative.
  - 2029 PRDM: New rate methodology underway to adapt the TRM for the Provider of Choice contract period. Conversations have started and where appropriate will overlap with Provider of Choice.
  - REP: Settlement expires in 2028. Discussions underway to assist customers in determining whether to pursue another settlement or traditional implementation.
  - Conservation: New conservation agreements will be drafted and executed. Current expected timing is after Provider of Choice contracts are executed.
- Tiered Rates (Suzanne - or Sarah)
  - Tiered rates is a cost allocation concept – not resource allocation.
  - CHWM sets the amount of power a customer is eligible to purchase at a PF Tier 1 rate.
    - Goal to limit this cost pool from unbound acquisition costs.
    - Have been responsive to customer requests that there is some desire to grow this beyond current system capability, which is where we set this today. Balanced against concerns about costs.
  - Any Above-CHWM load can be served by BPA, non-federal resources or some combination.
    - BPA still offering federal service. Tier 2 rates will reflect the cost to acquire resources to serve that growth.



- Could go into discussion that LT Tier 2 will provide most certainty and therefore BPA can take a LT planning approach and optimize how it serves that pool. Compared to ST Tier 2 that is rate case to rate case so no LT planning available.
- Policy decision making (Suzanne)
  - Defer to you how in the weeds you want to go here...
- Changes from Regional Dialogue
  - Non-federal flexibility (Suzanne)
    - Reiterate that goal of tiered rates continues to be to insulate customers from unbound acquisition costs or costs of serving load growth. Allow customers the ability to make their own choice.
    - That being said included two new flexibilities to help develop non-fed.
      - Non-federal resource allowance allows customers to add up to 5 MW or half their CHWM, whichever is less, in resources to offset Tier 1 take-or-pay obligation.
      - Minimum threshold raised to 1MW for power contracts. Will not track resources, for power contract, under 1 MW.
  - RECs/Emissions Accounting (Sarah)
    - Customers requested new accounting to align with state program requirements.
    - Proposed shift to be with MWs purchased. General support for approach.
- Changes from draft Policy
  - Peak net requirements (Suzanne)
    - Received a lot of feedback from customers and interested parties on both the calculation proposed in the Policy and concerns over how it could be implemented.
    - Change
      - Kept the calculation to industry standard (WRAP QCC).
      - Dropped the adjustments we would make for PRM and contingency reserves.
      - Recognize that there may need to be an adjustment for hydro resources that are capacity rich but often have energy constraints so open to further conversations.
        - Could highlight our own experience to underline that we deal with this in how we deliver power to all our customers today.
    - Implementation
      - Fall workshops were prompted over the concerns to start earlier conversations around product design and potential implementation.
      - Starting next Wednesday will pick back up talking product design, which will include formalizing approach for peak net requirements by product.
  - CHWM (Sarah)
    - Recognize that the CHWM proposal included in the draft Policy took shape due to customer input and dialogue. Significant changes from the concept paper.
    - Intend to consider calculation complete.
    - Made several minor changes in response to customer comments
      - Expanded economic adjustment

- Inclusion of NEEA savings
  - Change proportional share to 7,250 aMW
  - New or expanded subsequent adjustments.
- Products (Suzanne)
  - Load Following
    - Made minor update to acknowledge hourly delivery.
    - Not intentional to leave out hourly, more to acknowledge we deliver in any time horizon but understood that language was important to customers and added back in.
  - Diurnal block
    - With changes in markets, saw that there may be a shift away from standard diurnal splits.
    - However, feedback clear that even if market context shifting, retail loads are now.
    - Will offer a diurnal block and look forward to discussions kicking off this month.

---

**From:** Cooper,Suzanne B (BPA) - P-6  
**Sent:** Tuesday, April 2, 2024 7:11 PM  
**To:** Cooper,Suzanne B (BPA) - P-6  
**Subject:** POC Final Policy TPs  
**Attachments:** TPs\_ final Provider of Choice Policy and Record of Decision.docx

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**From:** Cooper,Suzanne B (BPA) - P-6  
**Sent:** Wednesday, April 3, 2024 10:36 AM  
**To:** Burczak,Sarah E (BPA) - PS-6  
**Subject:** FW: Please review ASAP (or by 11 am at least): Slides for PPC  
**Attachments:** PPC Talking Points Final.docx; Provider-of-Choice-PPC-04032024.pptx

Hi Sarah – A couple comments in the slides. One thought on TPs is to consider moving your description of HWM, PNR, etc. up as the Net Requirements slide would still be up

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**From:** Burczak,Sarah E (BPA) - PS-6 <[seburczak@bpa.gov](mailto:seburczak@bpa.gov)>  
**Sent:** Wednesday, April 3, 2024 9:47 AM  
**To:** Cooper,Suzanne B (BPA) - P-6 <[sbcooper@bpa.gov](mailto:sbcooper@bpa.gov)>  
**Subject:** RE: Please review ASAP (or by 11 am at least): Slides for PPC

Proposing one more slide to align with change to talking points. Also attached.

Sarah

---

**From:** Burczak,Sarah E (BPA) - PS-6  
**Sent:** Wednesday, April 3, 2024 8:39 AM  
**To:** Cooper,Suzanne B (BPA) - P-6 <[sbcooper@bpa.gov](mailto:sbcooper@bpa.gov)>  
**Subject:** Please review ASAP (or by 11 am at least): Slides for PPC

Hi Suzanne –

These are the three slides I can easily pull together for tomorrow. Please let me know if you want any changes. Otherwise I will send on to Karen. Note slides are due at noon.

I am working on updating speaking notes per our convo yesterday and will pass those on shortly.

Thanks!  
Sarah

**Sarah Burczak**

Provider of Choice Policy Lead | NW Requirements Marketing

[BONNEVILLE POWER ADMINISTRATION](https://www.bonnevillepower.org/)

[seburczak@bpa.gov](mailto:seburczak@bpa.gov) | O: 503-230-3264 | C: (b)(6)





## PPC Talking Points

- **Other Topics (Suzanne)**

- Recognize here to discuss the Policy and ROD but other developments this week to acknowledge.
- Markets Letter
- Slice/Block product switch letter

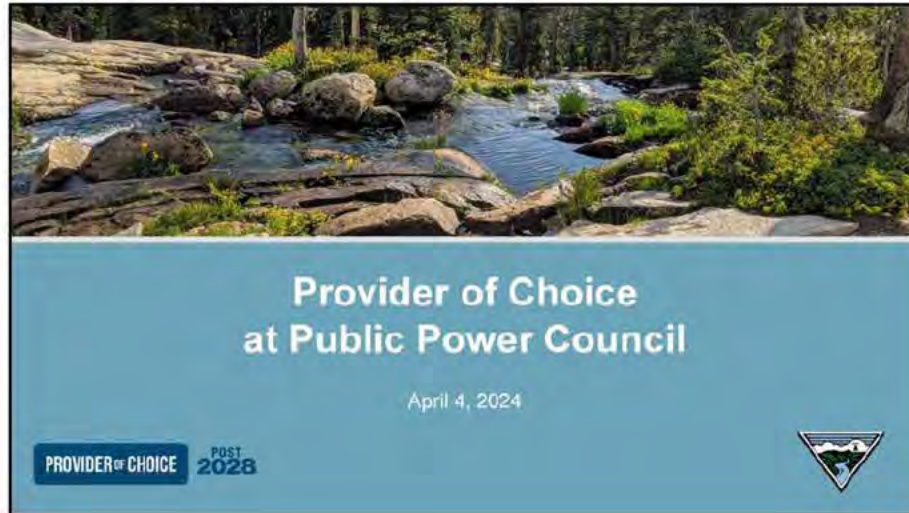
- **Provider of Choice Introduction (Suzanne)**

- **Slide 1: Provider of Choice Process High-Level**
  - The Provider of Choice process formally kicked off in 2022, although initial conversations started long before that.
  - The Policy represents the culmination of years-long engagement starting with the concept paper from which we worked together to develop new policy stances.
  - With the Policy in hand, we will:
    - Work through implementation details including robust product design discussions.
    - Start drafting the contracts themselves.
  - Goal remains to have contracts developed and ready for offer by September 2025 with contracts signed by December 2025.
  - This provides us three years to get systems and processes changed (and gives customers same opportunity) before power deliveries start October 1, 2028.
- **Slide 2: Post-2028 Initiative and other key processes**
  - **Post-2028 Initiative**
    - Recognize that contracts are just one component of our Post-2028 initiative.
    - 2029 PRDM: New rate methodology underway to adapt the TRM for the Provider of Choice contract period. Conversations have started and where appropriate will overlap with Provider of Choice.
    - REP: Settlement expires in 2028. Discussions underway to assist customers in determining whether to pursue another settlement or traditional implementation.
    - Conservation: New conservation agreements will be drafted and executed. Current expected timing is after Provider of Choice contracts are executed.
  - **Other processes**
    - Day-ahead Market: Separate process to determine whether and which market to join.
    - 2024 Resource Program: Evaluating whether there is a need to acquire resources and if so what type of resources we may be looking at.
- **Changing customer sentiments**
  - The Policy is based on written comments submitted in October.
  - Restarting workshops next week and look forward to discussions. If viewpoints have significantly shifted, open to that as well.
- **Policy/ROD Intro (Suzanne) and Slide 3: Policy and ROD**
  - Policy and ROD released on March 21.
  - Received over 16,800 comments.
    - Includes 16,500 form letters and 300+ form letter variants.
    - Around 70 unique comments addressing all aspects of Policy.

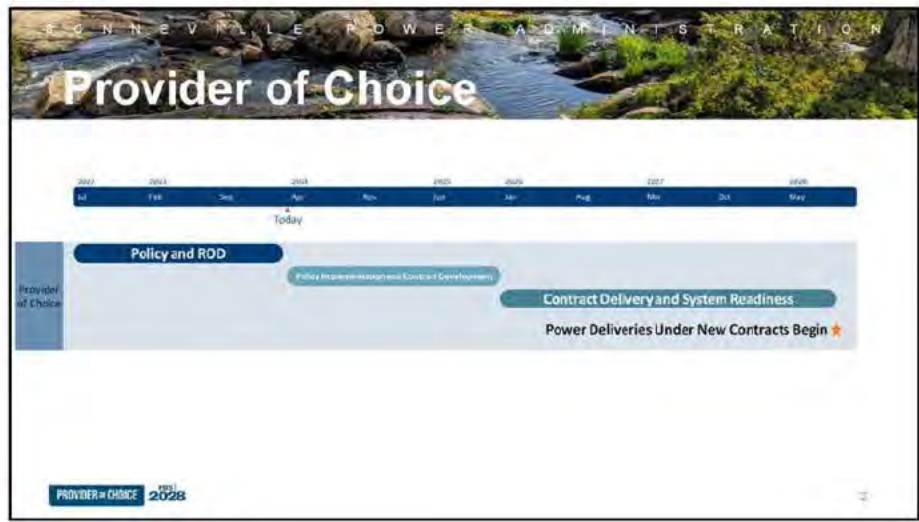
- Process
  - Staff immediately started to process comments and identify a number of issues that evolved into the 147 issues in the ROD.
  - Hours of decision meetings to determine where we made changes and where we stayed the same.
  - Highlight one or two examples of the deliberation process.
- **Tiered Rates (Suzanne) and Slide 4: Net Req under Tiered Rates**
  - Tiered rates is a cost allocation concept – not resource allocation.
  - CHWM sets the amount of power a customer is eligible to purchase at a PF Tier 1 rate.
    - Goal to limit this cost pool from unbound acquisition costs.
    - Have been responsive to customer requests that there is some desire to grow this beyond current system capability, which is where we set this today. Balanced against concerns about costs.
  - Any Above-CHWM load can be served by BPA at a PF Tier 2 rate, non-federal resources or some combination.
- **Policy Highlights**
  - **Non-federal flexibility (Suzanne)**
    - That being said included two new flexibilities to help develop non-fed.
      - Non-federal resource allowance allows customers to add up to 5 MW or half their CHWM, whichever is less, in resources to offset Tier 1 take-or-pay obligation.
      - Minimum threshold raised to 1MW for power contracts. Will not track resources, for power contract, under 1 MW.
    - Did not change these although deliberated requests. Reiterate that goal of tiered rates continues to be to insulate customers from unbound acquisition costs or costs of serving load growth. Allow customers the ability to make their own choice but without cost shifts to other. Proposed flexibility limits that risk.
  - **RECs/Emissions Accounting (Sarah)**
    - Customers requested new accounting to align with state program requirements.
    - Proposed shift to be with MWs purchased. General support for approach.
  - **Peak net requirements (Sarah)**
    - Received a lot of feedback from customers and interested parties on both the calculation proposed in the Policy and concerns over how it could be implemented.
    - Change
      - Kept the calculation to industry standard (WRAP QCC).
      - Recognize that there may need to be an adjustment for hydro resources that are capacity rich but often have energy constraints so open to further conversations.
    - Implementation
      - Starting next Wednesday will pick back up talking product design, which will include formalizing approach for peak net requirements by product.
  - **CHWM (Sarah)**
    - Recognize that the CHWM proposal included in the draft Policy took shape due to customer input and dialogue. Significant changes from the concept paper.

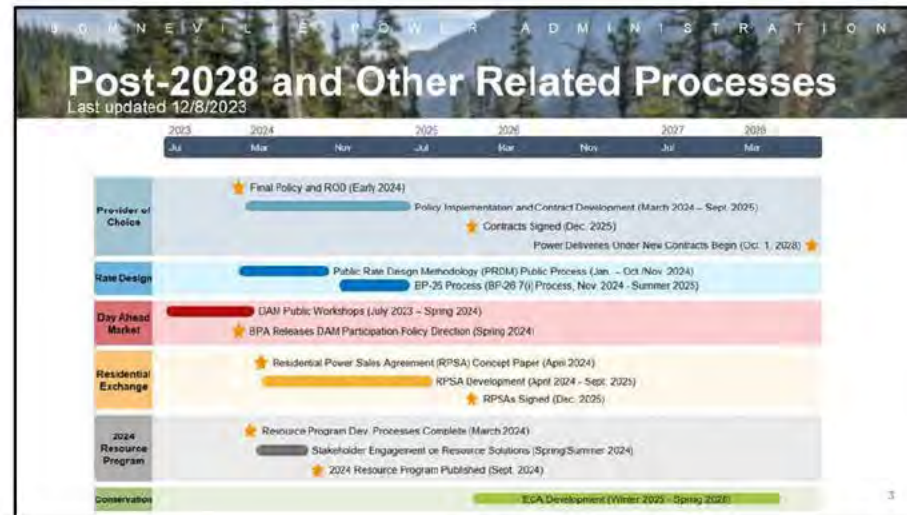


- Deliberated each change against comments on specific issue as well as how it fit into intent of whole calculation.
- Intend to consider calculation complete.
- Made several minor changes in response to customer comments
  - Expanded economic adjustment
  - Inclusion of NEEA savings
  - Change proportional share to 7,250 aMW
- **Products (Sarah)**
  - Load Following
    - Made minor update to acknowledge hourly delivery.
    - Not intentional to leave out hourly, more to acknowledge we deliver in any time horizon but understood that language was important to customers and added back in.
  - Diurnal block
    - With changes in markets, saw that there may be a shift away from standard diurnal splits.
    - However, feedback clear that even if market context shifting, retail loads are now.
    - Will offer a diurnal block and look forward to discussions kicking off this month.









## Policy and Record of Decision

- Bonneville received over 16,800 comments.
  - Most of comments were form letters or form letter variants.
- Ultimately led to 147 issues documented in the ROD.



## Net Requirements Under Tiered Rates

$$\text{Net Requirement} = \text{Total Retail Load} - \text{Dedicated Resources}$$

Under a tiered rate construct, Bonneville sells firm requirements power to meet customer net requirements.

PF rates apply subject to Contract High Water Marks and Bonneville's 2029 Public Rate Design Methodology.

- Firm requirements power serving up to CHWM is subject to the PF Tier 1 rate.
- Firm requirements power used to serve Above-CHWM load is subject to a PF Tier 2 rate. Or customers can opt to serve Above-CHWM load with non-federal resources.



---

**From:** Cooper,Suzanne B (BPA) - P-6  
**Sent:** Wednesday, April 3, 2024 11:58 PM  
**To:** Cooper,Suzanne B (BPA) - P-6  
**Subject:** PPC Talking Points Final\_SBC\_4April2024 Exec Comm  
**Attachments:** PPC Talking Points Final\_SBC\_4April2024 Exec Comm.docx

## PPC Talking Points

- **Other Topics (Suzanne)**

- Recognize here to discuss the POC Policy and ROD but there are a couple of other developments this week I want to take a moment to acknowledge.
- This morning, BPA released its initial staff recommendation and preliminary legal assessment for potential participation in a day-ahead market.
  - In this, staff recommends that BPA pursue joining a DAM due to the potential to strengthen the supply and deliverability of power available to meet our obligations, and opportunity for further optimizing the value of the federal system.
  - Our staff also identifies SPP's Markets+ as the preferred DA market option, based on market design features and its independent governance model and stakeholder-driven market and policy development process.
  - We're taking **comment** on the staff recommendation and legal analysis **through May 3**, and will hold a **workshop on May 8** that will focus these documents and other market topics.
  - We'll release a draft DAM policy in August for public comment and intend to issue a final policy and DAM decision in November.
  - Really want to thank Scott and PPC staff for all their work in the area of DAMs, including in the stakeholder processes of both EDAM and Markets+, and their partnership and engagement in BPA's public process.
- The other item I want to acknowledge is that **in response to several requests from individual Slice/Block customers** to have an opportunity to switch to the Load Following product starting in the BP26 rate period, **earlier this week, we sent a letter to all Slice/Block customers opening an opportunity** for them to do so. The deadline for formal requests is June 30.

- **Now on to the topic you invited us here for: The Provider of Choice Policy! (Suzanne)**

- **Slide 1: Provider of Choice Process High-Level**
  - The Provider of Choice process formally kicked off in 2022 when BPA released our initial concept paper, although initial conversations had started several years before that.
  - Extensive engagement and input in the ensuing policy development phase guided changes in policy stances from that initial concept paper which were reflected in the draft Policy released last July. The final Policy represents further adjustments in consideration of comments received on the draft Policy.
  - With the Policy in hand, we will start working through and defining:
    - implementation details including robust product design discussions.
    - And start drafting the contracts themselves.
  - The Goal for this next phase remains to have contracts developed and ready for offer by September 2025 with contracts signed by December 2025.
  - This provides three years for both BPA and customers to make necessary changes to systems and processes before power deliveries start October 1, 2028.
- **NEXT Slide 2: Post-2028 Initiative and other key processes**
  - This next slide outlines the overall Post-2028 Initiative of which the POC contracts are just one component.



- The 2029 Public Rate Design Methodology is the next swim lane. This effort is already underway with its focus being to adapt the TRM for the Provider of Choice contract period. There will be areas of overlap between the PRDM with Provider of Choice implementation and contracts.
    - Residential Exchange Program or REP: Settlement expires in 2028. Discussions underway to assist customers in determining whether to pursue another settlement or traditional implementation. *(REP is administered through the Residential Power Sales Agreements (RPSAs) that will need to be developed/updated.)*
    - Conservation: New conservation agreements for the next contract period will be drafted and executed. Current expected timing for the ECA's is after Provider of Choice contracts are executed.
  - Also included the 2024 Resource Program here. This RP is where we evaluate whether BPA has a need to acquire resources and if so what type of resources may best meet that need. The RP stakeholder process is underway now, and the assessment will be published this fall. We do RPs every 2 so the next one will be after new contracts are executed.
- Changing customer sentiments
  - John's cover letter acknowledged that developments after the comment period closed in October may have led to a shift in perspectives for some relative to what was expressed in their comments. The Policy considered written comments submitted before the October deadline.
  - We are restarting workshops next week and are looking forward to discussions of the policy and its implementation. To the extent any viewpoints have significantly shifted, we are open to discussing that as well.
- **Policy/ROD Intro (Suzanne) and Slide 3: Policy and ROD**
  - Policy and ROD were released on March 21.
  - Received over 16,800 comments.
    - Includes 16,500 form letters and 300+ form letter variants.
    - Around 80 unique comments addressing all aspects of Policy.
  - Process
    - Staff immediately started to process comments and identify specific issues being expressed, which evolved into the 147 issues in the ROD.
    - Hours of decision meetings with the Administrator, senior executives, SMEs and attorneys to discuss issues and determine whether to change course or stay with the draft policy's stance.
    - An example of these deliberations is the CHWM adjustment for DOE Richland's Vitrification plant.
      - In the draft policy, we proposed to increase DOE Richland's CHWM up to 70 aMW inclusive of any load online during the RD period.
      - No commenters supported this adjustment, while some opposed it.

- We had adopted this adjustment under RD to cover expected load growth at the plant, recognizing DOE's strategic goal to clean up contaminated nuclear weapons manufacturing and testing sites.
  - There were different perspectives internally regarding maintaining the 70aMW – the policy rationale around clean up was still valid, the plant still anticipates growth; no customers support it... asked staff to do some more thinking about it, resulting in limiting the adjustment to the difference b/w DOE Richland's POC CHWM and their base allowance which is expected to be ~20aMW. (issue 70)
- **Tiered Rates (Suzanne) and Slide 4: Net Req under Tiered Rates**
  - The tiered rate construct remains a foundational element of the policy. Its intent is to protect the value of the existing federal system from unbound acquisition costs and shield customers from costs of other customers' resource choices.
  - Though folks sometimes use shorthand terms like "Tier 1 power", tiered rates is a cost allocation concept – not actual resource allocation.
  - The CHWM sets the amount of power a customer is eligible to purchase at a PF Tier 1 rate that goes toward meeting its net requirement.
    - The goal is to limit the Tier 1 cost pool from unbound acquisition costs.
    - We have been responsive to customer requests that there be some growth or addition beyond current system capability, which is where we set Tier 1 system size today and adopted a larger system size at 7250 aMW. BPA will augment current resources as needed up to this amount, which we think strikes a reasonable balance against concerns about costs.
  - Any Above-CHWM load can be served by BPA at a PF Tier 2 rate, by non-federal resources or some combination of both. Each customer chooses the approach that works best for them.

- **Policy Highlights – SARAH for whole section?**

- **Non-federal flexibility (Suzanne) SARAH?**

- That being said the final policy includes two new flexibilities to help develop non-federal resources.
      - **Non-federal resource allowance** lets customers add up to 5 MW or half their CHWM, whichever is less, in resources to offset Tier 1 take-or-pay obligation.
      - Also, we **raised the Minimum threshold for resources** to 1MW for power contracts. Under POC, we will not track resources, for power contract, under 1 MW.
    - Though we deliberated comments requesting changes in these flexibilities, we did not change from the draft policy as the changes would have undermined the tiered rates goal to insulate customers from unbound acquisition costs. The proposed flexibility lets customers make their own choice while limiting the risk of cost shifts to others.

- **RECs/Emissions Accounting (Sarah)**

- Customers requested new accounting to align with state program requirements.
    - Proposed shift to be with MWs purchased. General support for approach.

- **Peak net requirements (Sarah)**



- Received a lot of feedback from customers and interested parties on both the calculation proposed in the Policy and concerns over how it could be implemented.
- Change
  - Kept the calculation to industry standard (WRAP QCC).
  - Recognize that there may need to be an adjustment for hydro resources that are capacity rich but often have energy constraints so open to further conversations.
- Implementation
  - Starting next Wednesday will pick back up talking product design, which will include formalizing approach for peak net requirements by product.
- ◻ **CHWM (Sarah)**
  - Recognize that the CHWM proposal included in the draft Policy took shape due to customer input and dialogue. Significant changes from the concept paper.
  - Deliberated each change against comments on specific issue as well as how it fit into intent of whole calculation.
  - Intend to consider calculation complete.
  - Made several minor changes in response to customer comments
    - Expanded economic adjustment
    - Inclusion of NEEA savings
    - Change proportional share to 7,250 aMW
- ◻ **Products (Sarah)**
  - Load Following
    - Made minor update to acknowledge hourly delivery.
    - Not intentional to leave out hourly, more to acknowledge we deliver in any time horizon but understood that language was important to customers and added back in.
  - Diurnal block
    - With changes in markets, saw that there may be a shift away from standard diurnal splits.
    - However, feedback clear that even if market context shifting, retail loads are now.
    - Will offer a diurnal block and look forward to discussions kicking off this month.

---

**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Monday, April 8, 2024 4:15 PM  
**To:** Cooper, Suzanne B (BPA) - P-6  
**Subject:** FW: [EXTERNAL] Snohomish Product Request Letter  
**Attachments:** Snohomish Product Request letter.pdf

Hi Suzanne and Michelle – Ensuring you’re in the loop on the letter from Snohomish. Since they sent this in just before we issued the product-change announcement (that included conditions), we *will* need a response from Snohomish affirming they agree to the conditions we cited.

Best Regards,  
**Kim Thompson** (she/her/hers)  
Vice President | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
[bpa.gov](http://bpa.gov) | P 503-230-3408 | C 971-352-2625



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**From:** Wilson, Scott K (BPA) - PSW-6 <[skwilson@bpa.gov](mailto:skwilson@bpa.gov)>  
**Sent:** Monday, April 8, 2024 8:44 AM  
**To:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>  
**Subject:** FW: [EXTERNAL] Snohomish Product Request Letter

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**From:** Wilson, Scott K (BPA) - PSW-6  
**Sent:** Friday, March 29, 2024 9:16 AM  
**To:** Schimmels, Nancy M (BPA) - PSE-MEAD-GOB <[nmschimmels@bpa.gov](mailto:nmschimmels@bpa.gov)>; Normandeau, Mike (BPA) - PSE-ROAN <[mrnormandeau@bpa.gov](mailto:mrnormandeau@bpa.gov)>  
**Subject:** FW: [EXTERNAL] Snohomish Product Request Letter

FYI

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**From:** Perry, Marcus I (BPA) - PSW-6 <[miperry@bpa.gov](mailto:miperry@bpa.gov)>  
**Sent:** Friday, March 29, 2024 7:55 AM  
**To:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>  
**Cc:** Cisco, Kayla A (BPA) - PGL-5 <[kacisco@BPA.gov](mailto:kacisco@BPA.gov)>; Farleigh, Kevin S (BPA) - PSW-6 <[ksfarleigh@bpa.gov](mailto:ksfarleigh@bpa.gov)>; Wilson, Scott K (BPA) - PSW-6 <[skwilson@bpa.gov](mailto:skwilson@bpa.gov)>; Harris, Adelle L (TFE)(BPA) - TSE-TPP-2 <[alharris@bpa.gov](mailto:alharris@bpa.gov)>  
**Subject:** FW: [EXTERNAL] Snohomish Product Request Letter

Good morning. Hot off the press...Please find attached Snohomish’s formal request for product switch.

Let me know if you have any questions.

-Marcus

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**From:** Marr, Garrison <[GBMarr@Snopud.com](mailto:GBMarr@Snopud.com)>  
**Sent:** Thursday, March 28, 2024 5:20 PM

**To:** Perry, Marcus I (BPA) - PSW-6 <[miperry@bpa.gov](mailto:miperry@bpa.gov)>

**Cc:** Zyskowski, Jason <[JAZyskowski@SNOPUD.com](mailto:JAZyskowski@SNOPUD.com)>; Haarlow, John <[JAHaarlow@Snopud.com](mailto:JAHaarlow@Snopud.com)>

**Subject:** [EXTERNAL] Snohomish Product Request Letter

Marcus,

Please see Snohomish's Product Request letter attached. Please distribute to BPA staff as appropriate to facilitate the request.

Thanks,

**Garrison Marr**

Senior Manager, Power Supply

[Snohomish County PUD](#) | (425) 309-6923

2320 California Street | Everett, WA | 98201

Marcus Perry  
Power Account Executive, Power Services  
Bonneville Power Administration  
PO Box 3621  
Portland, OR 97208-3621

March 28, 2024

Marcus,

The purpose of this letter is to request that BPA grant Snohomish Public Utility District #1 (Snohomish) the option to change its purchase obligation from Slice/Block to Load Following effective October 1, 2025. Associated with this request, we ask that BPA include Snohomish in any and all analyses associated with any offers of product switching that may occur on October 1, 2025 for the remainder of the current contract term (September 30, 2028) and for the term of the Provider of Choice contract. Understanding all customers will have the option to switch products October 1, 2028 and that many customers did so on October 1, 2024, the request may be viewed as pursuit of a schedule acceleration, in line with previous and current requests of our peers.

There are a number of factors that are helpful context in consideration of Snohomish's request:

- Snohomish Point-to-Point (PTP) transmission portfolio expires in 2025, and Snohomish is considering whether a rollover of PTP is appropriate, or a conversion to Network Transmission (NT) service is the best fit. Obviously, a critical component of this choice is the transmission's alignment with Snohomish's current and future BPA Power Product. PTP was previously selected largely to market advanced sale of Slice surplus and to facilitate balancing market purchase needs. These needs would be different under a Load Following product, and the misalignment with the new Power Contract start date of Oct 1, 2028 and our transmission decision is difficult. If we were to switch transmission products to facilitate a product change, it would help align major Transmission Product and Power Product needs and it is possible it could be helpful in providing some measure of regional transmission relief for regional renewable resource development and other load service needs.
- Snohomish has been an active participant in Western Resource Adequacy Program (WRAP) and Southwest Power Pool Markets + day-ahead market offering. We are also aware of the CAISO Extended Day-Ahead Market offering, and Pacificorp and Portland General Electric's plan to join it. These developments, while positive at a regional level, present new challenges in the operating environment that were not present at previous points in the contract and create new operational challenges for Snohomish due to decreased forward and day-ahead market liquidity in the bilateral market. At this time, Snohomish does not have a clear path to WRAP compliance at the Western Power Pool's preferred 2026 binding date, nor does it have a clear path to meeting the co-mingled resource adequacy obligations of the proposed Markets + design at a cost that would be acceptable to the community we serve under our current BPA Power Product. While Snohomish is committed to contributing to the success of these important regional initiatives, we understand this was also a core driver in the decisions of other utilities to change products in BP-24, and Snohomish has similar needs and issues.
- Snohomish is a winter-peaking utility with material non-federal resources, a robust conservation program, and a balanced customer base of residential and commercial/industrial loads. As such, further analysis may show benefits to BPA from a product switch that reduces advanced sale obligations for summer months, the same months previous BPA Resource Program studies have found the potential for energy deficits within.



- It is possible that facilitating Snohomish's request for the option to change its product in BP-26 could result in a reduction in administrative burden for the Provider of Choice process, understanding Snohomish's intention in a product switch would be to continue with the Load Following product into the Provider of Choice contract.

Snohomish understands a product switch may impact BPA and its other customers, and would not expect such a switch to occur without rigorous analyses and requisite public input. We are ready to assist with data, more discussion, and by providing more insights to our situation as warranted.

We appreciate BPA's efforts to consider its customers' ever-evolving challenges and concerns, and request consideration of a product switch to the Load Following Product in October 2025.

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**Subject:** PDT Materials

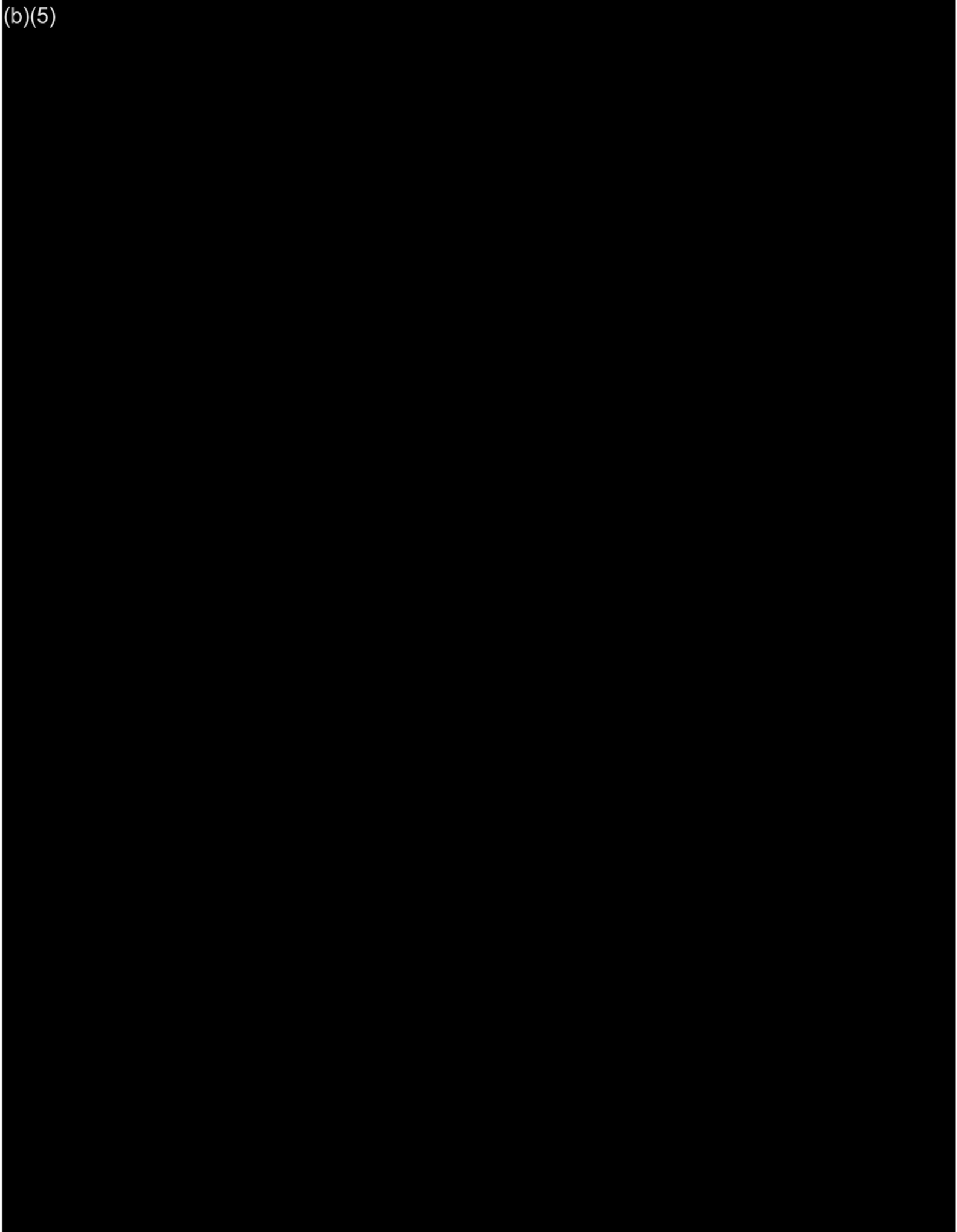
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**End:** Thu 4/11/2024 3:00 PM  
**Show Time As:** Free

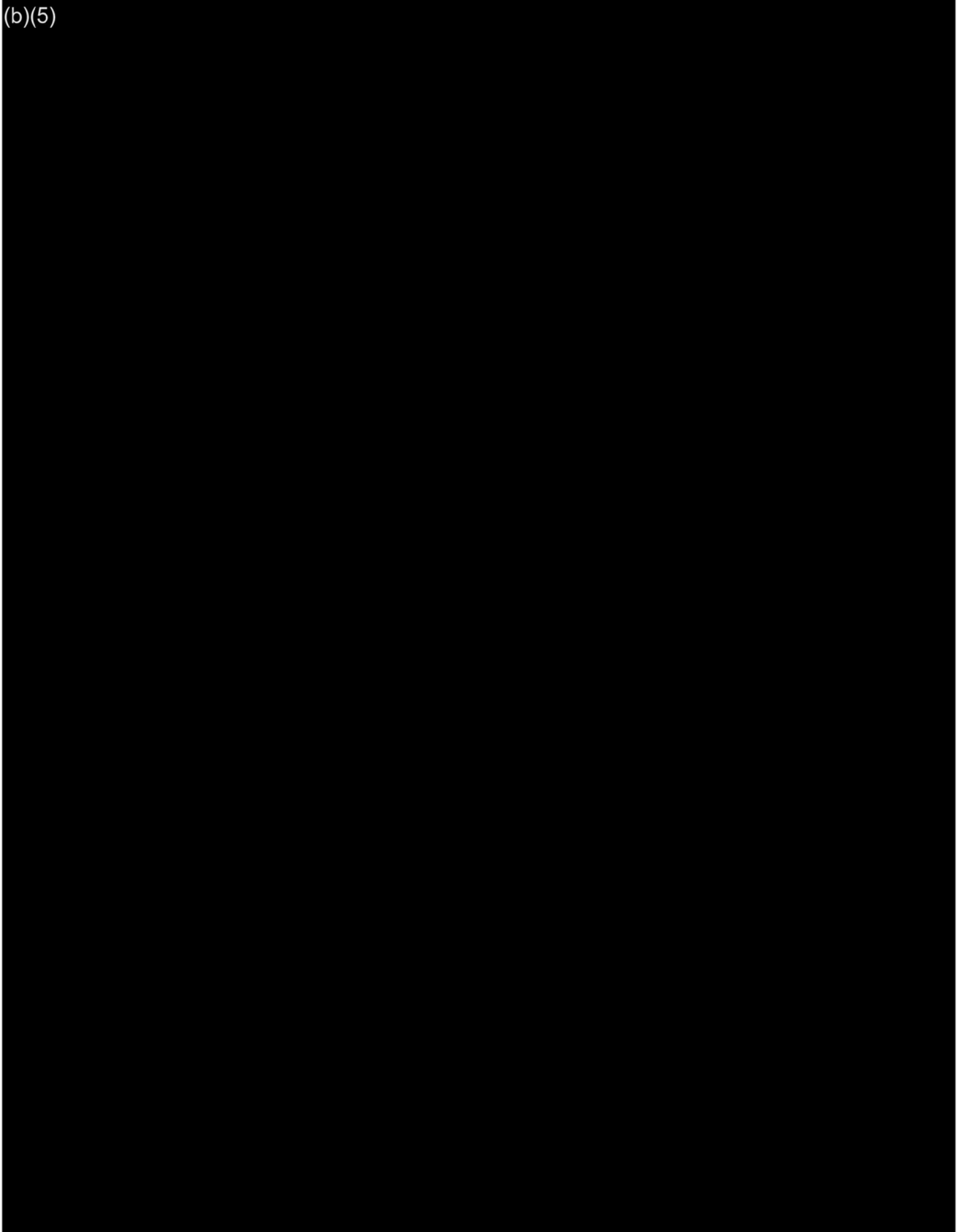
**Recurrence:** (none)

**Organizer:** Cooper,Suzanne B (BPA) - P-6

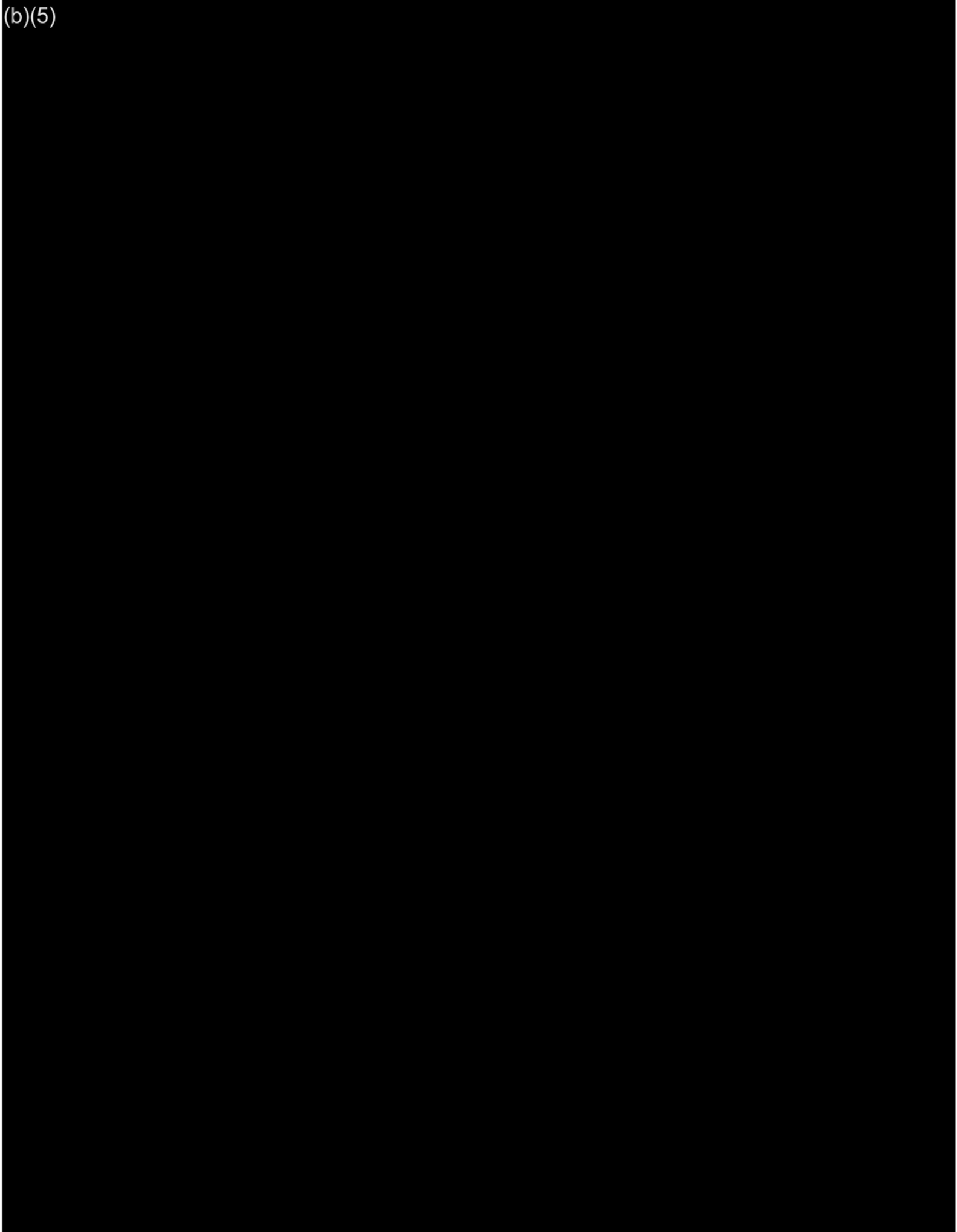


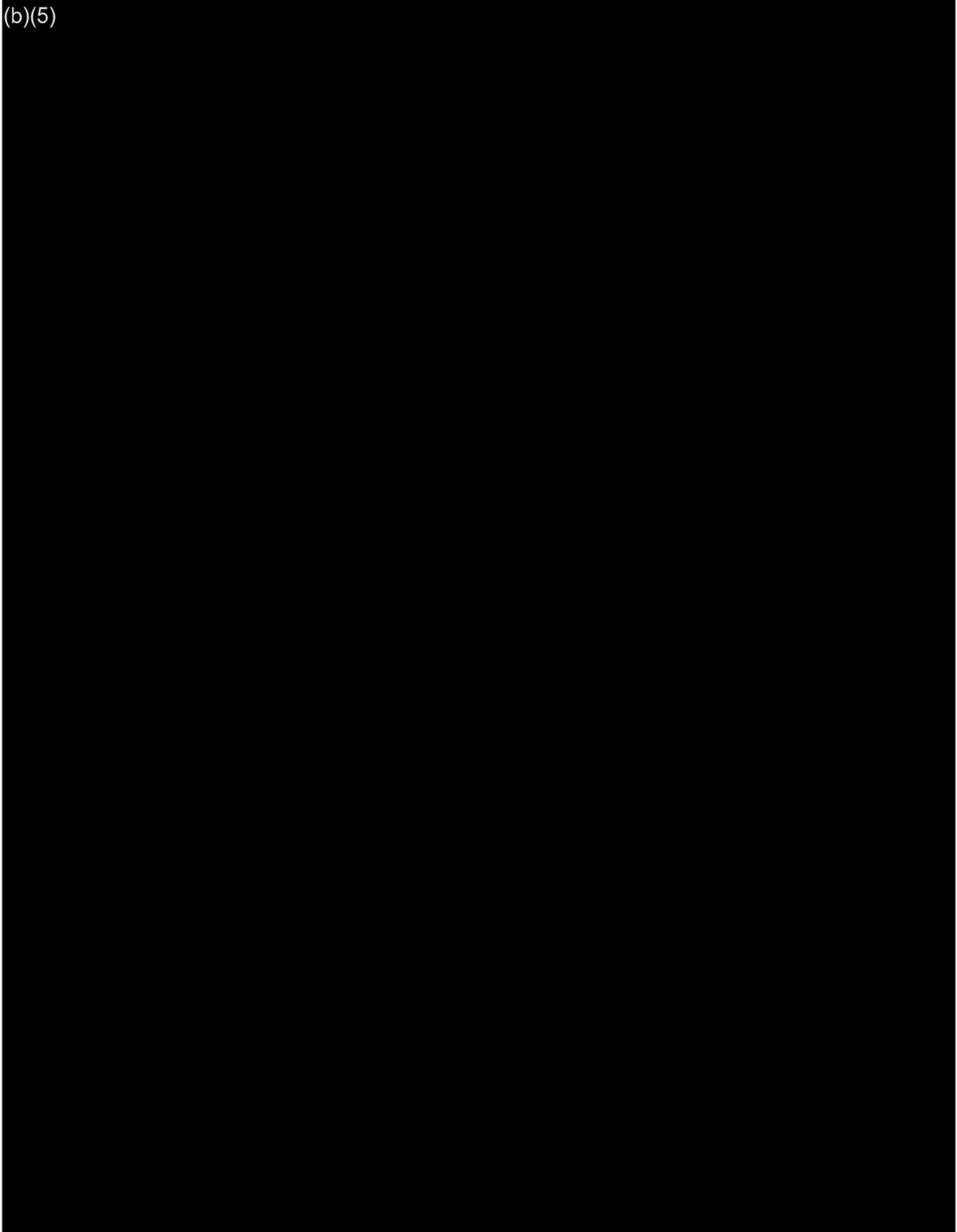
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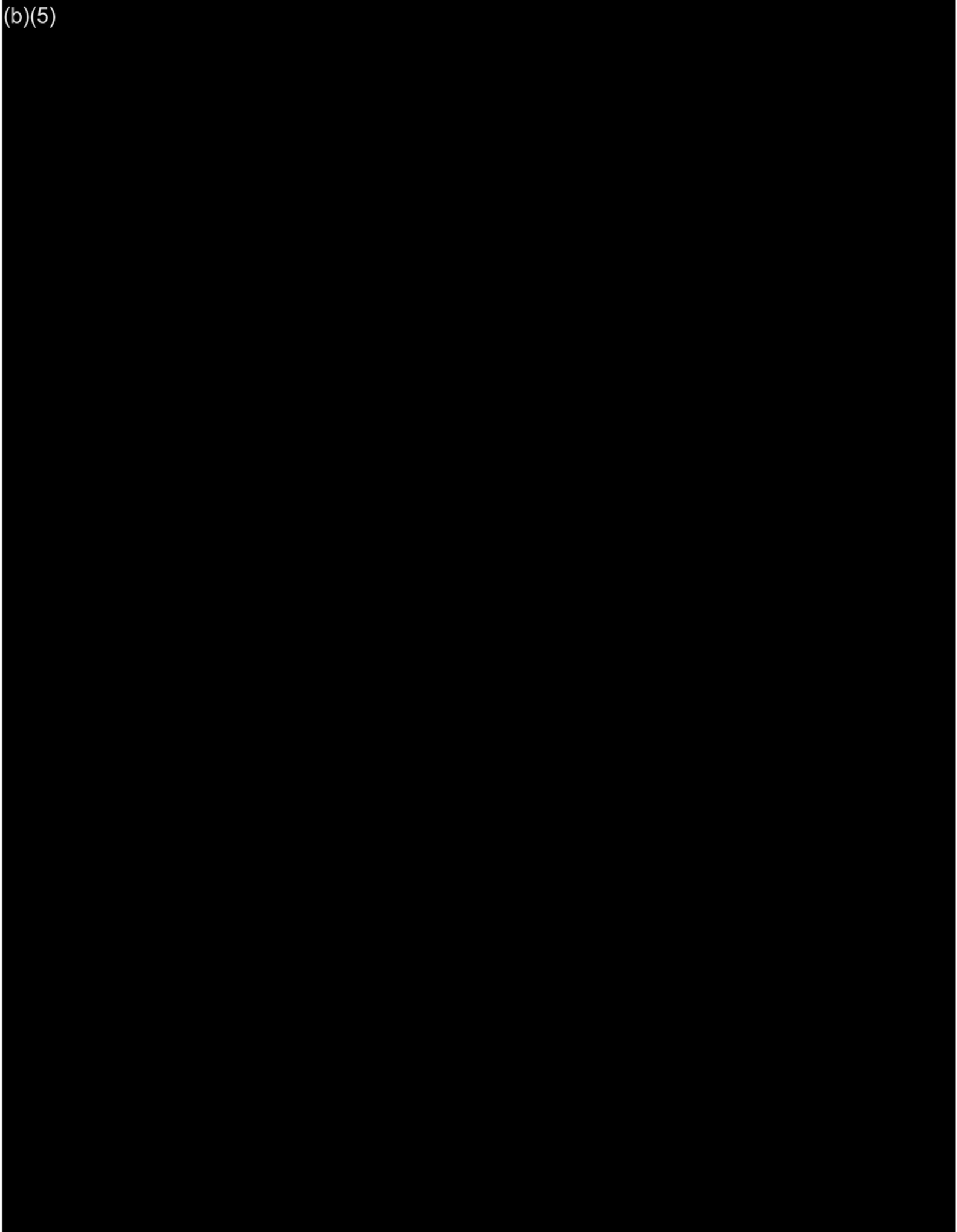


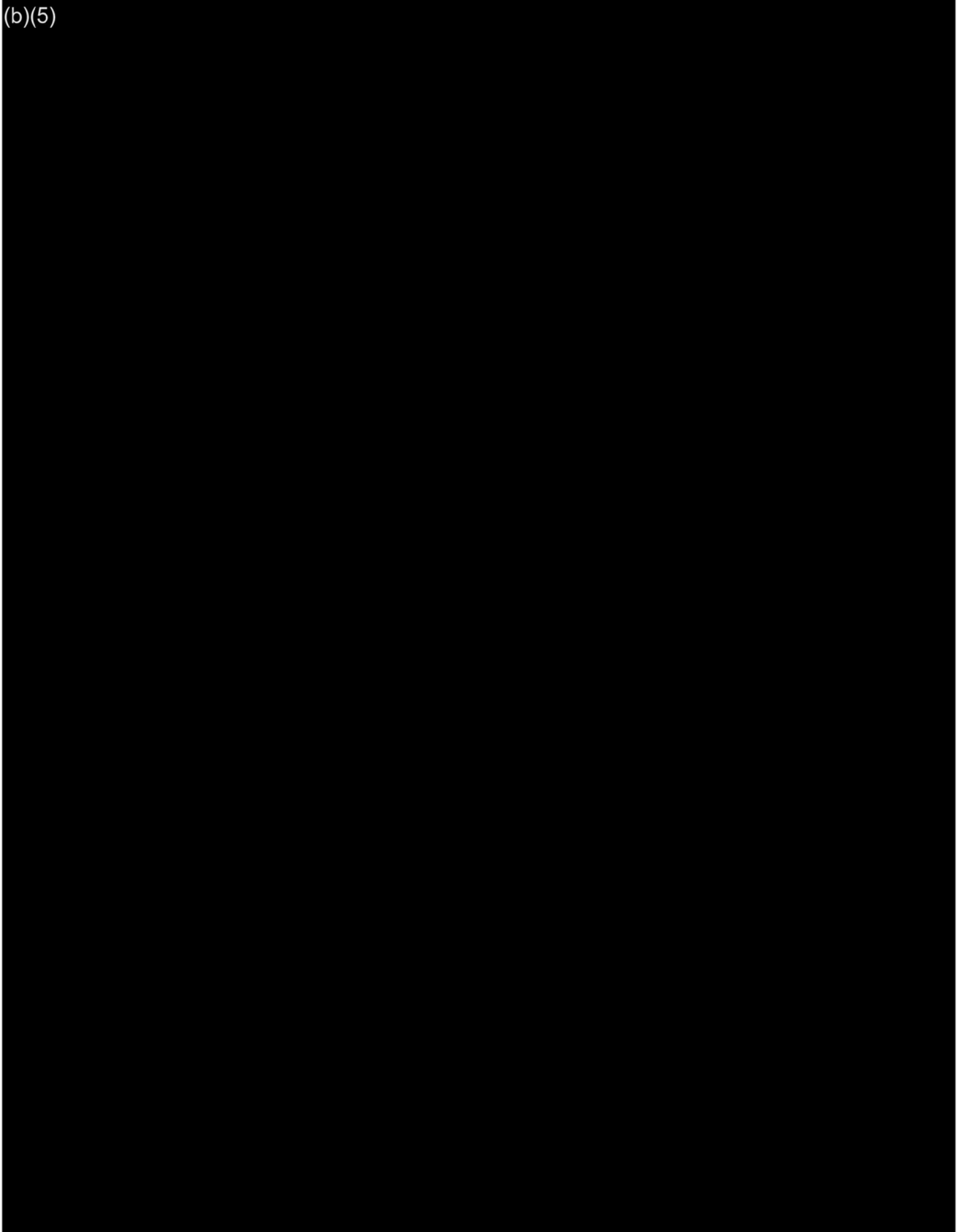




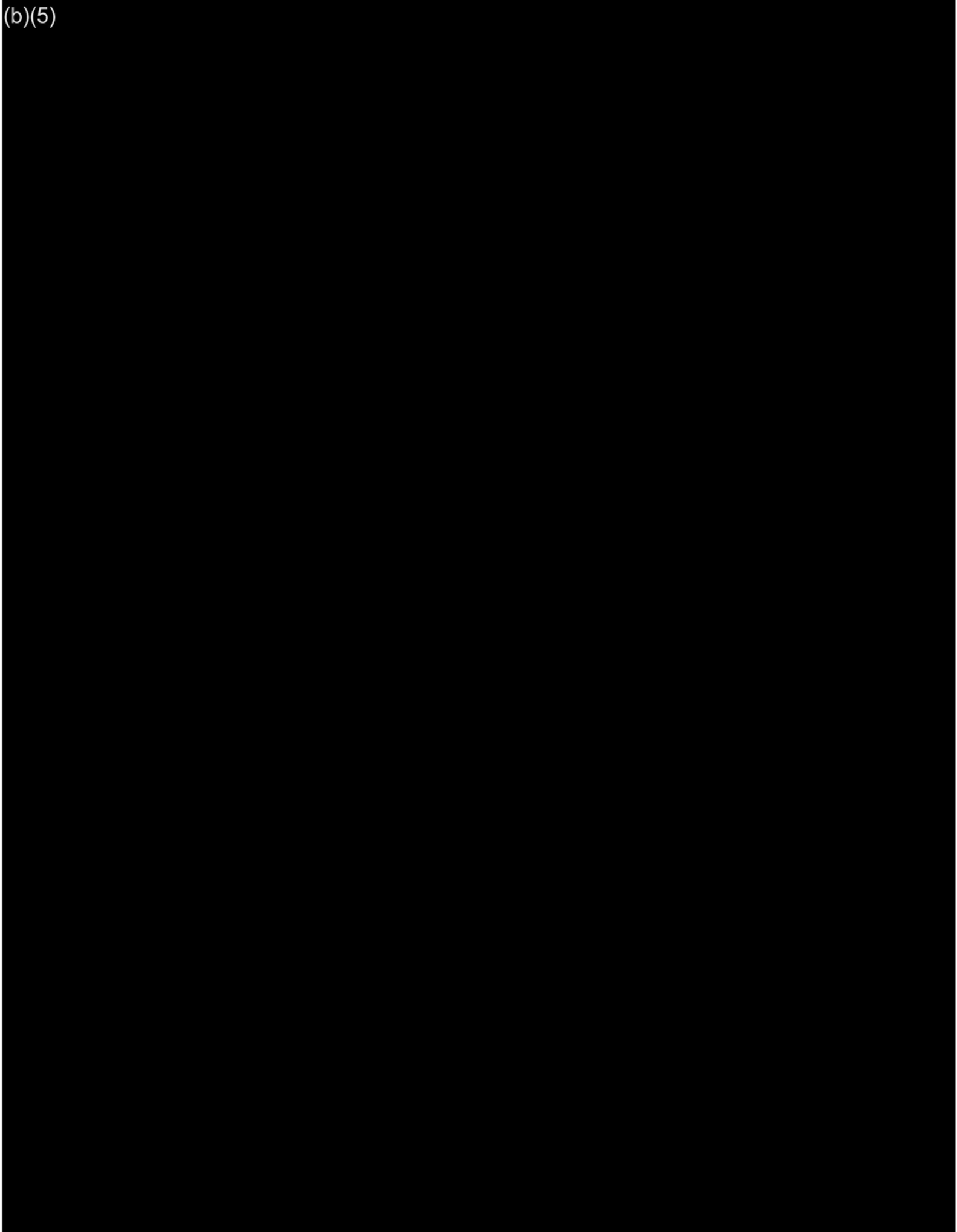


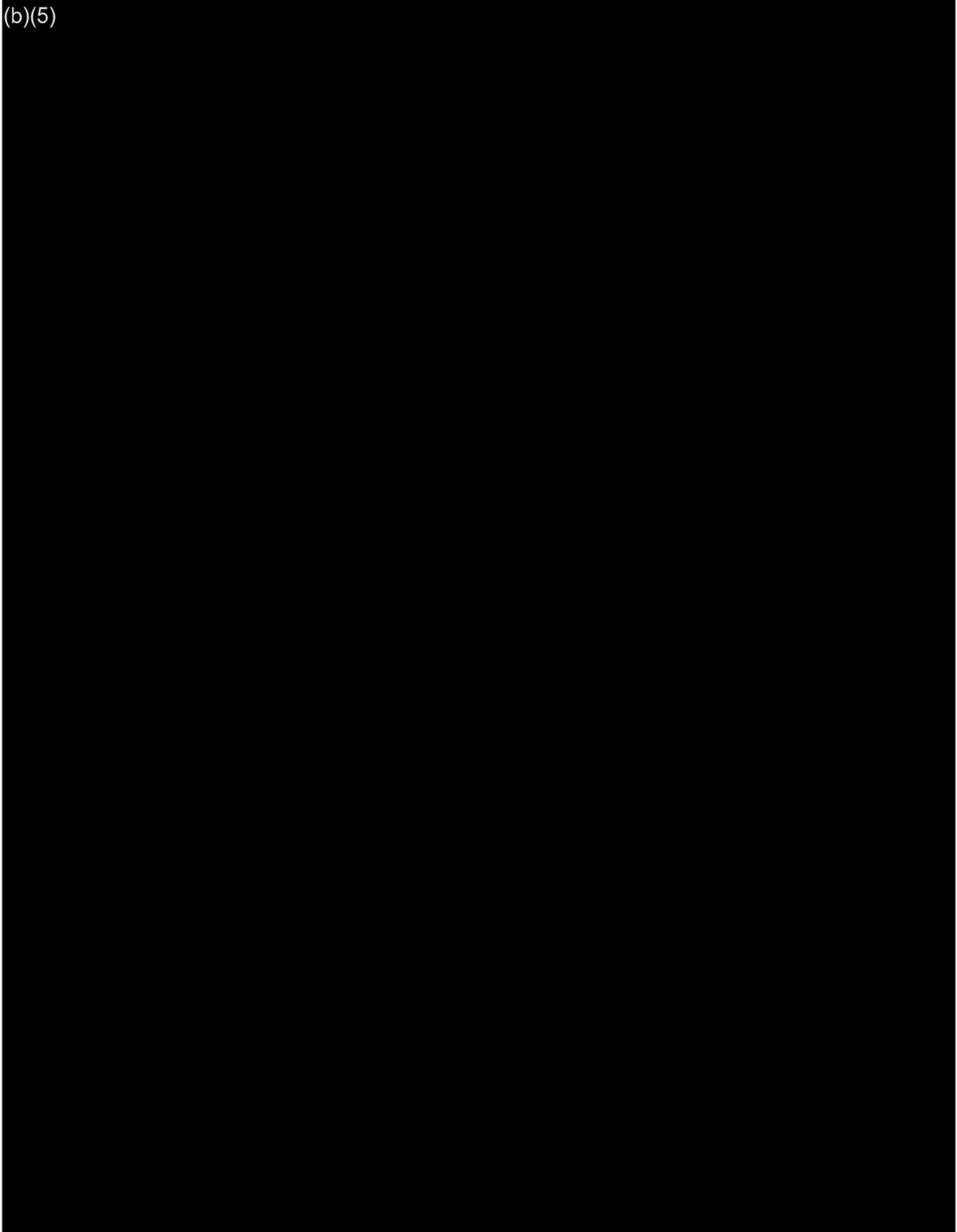


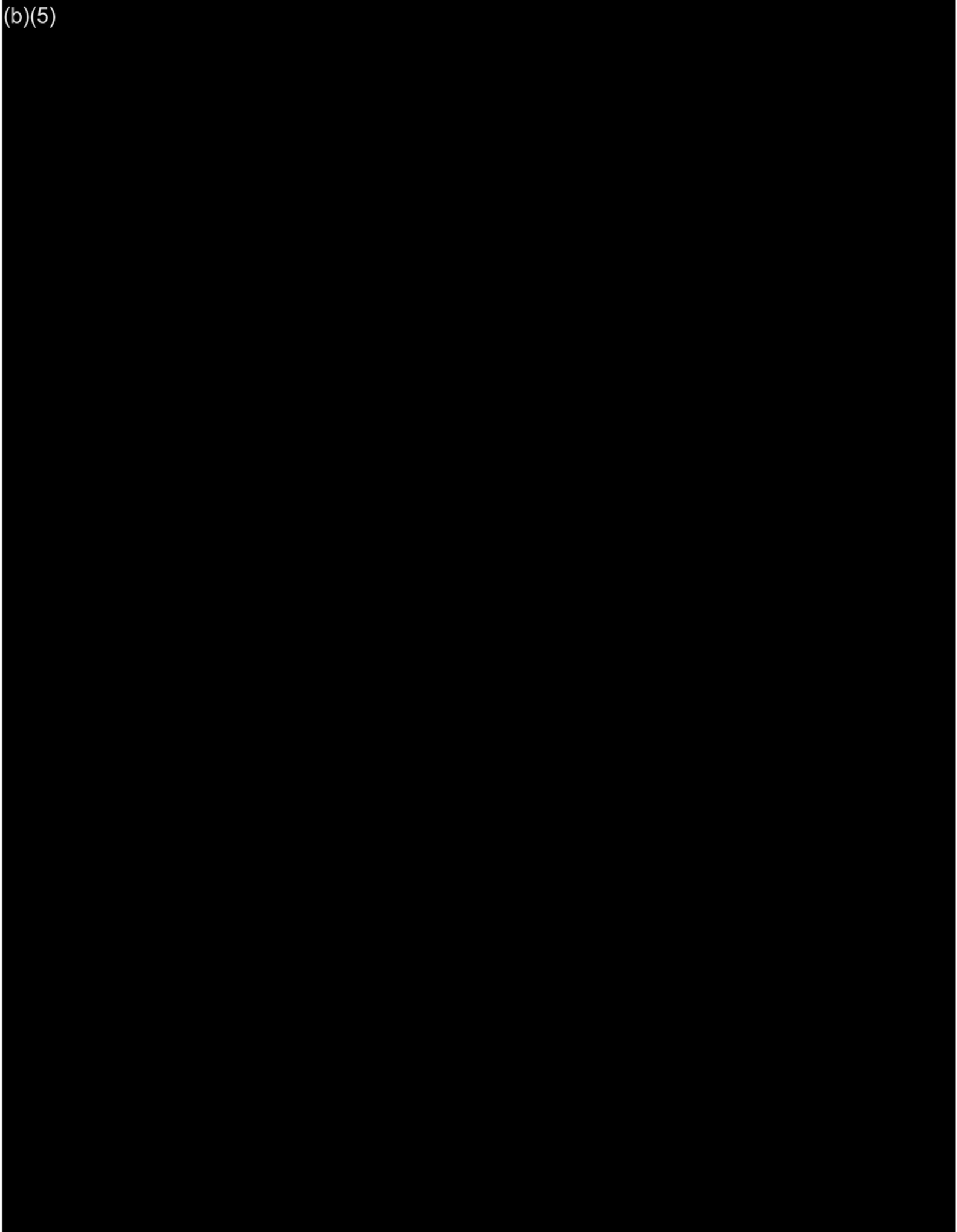


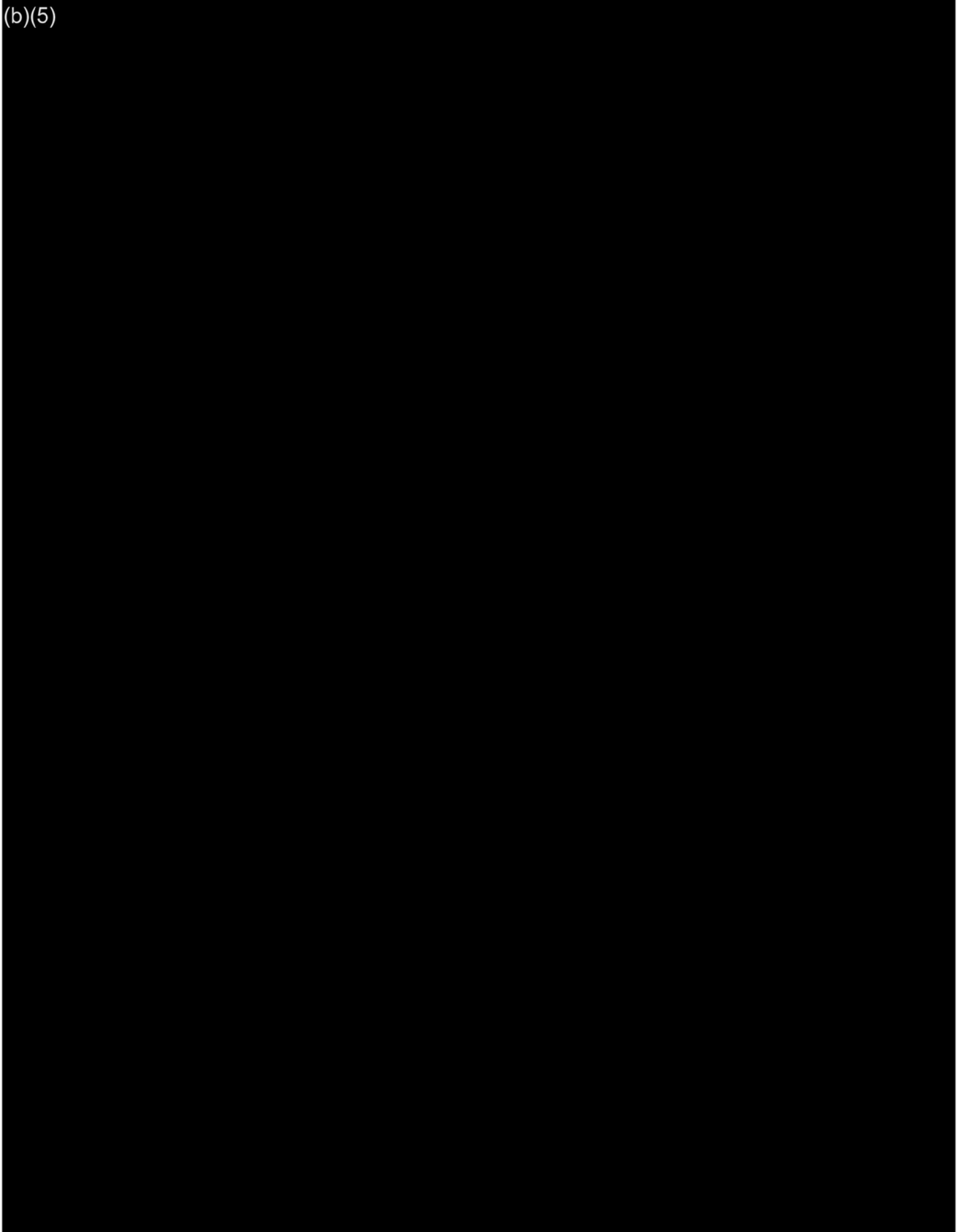




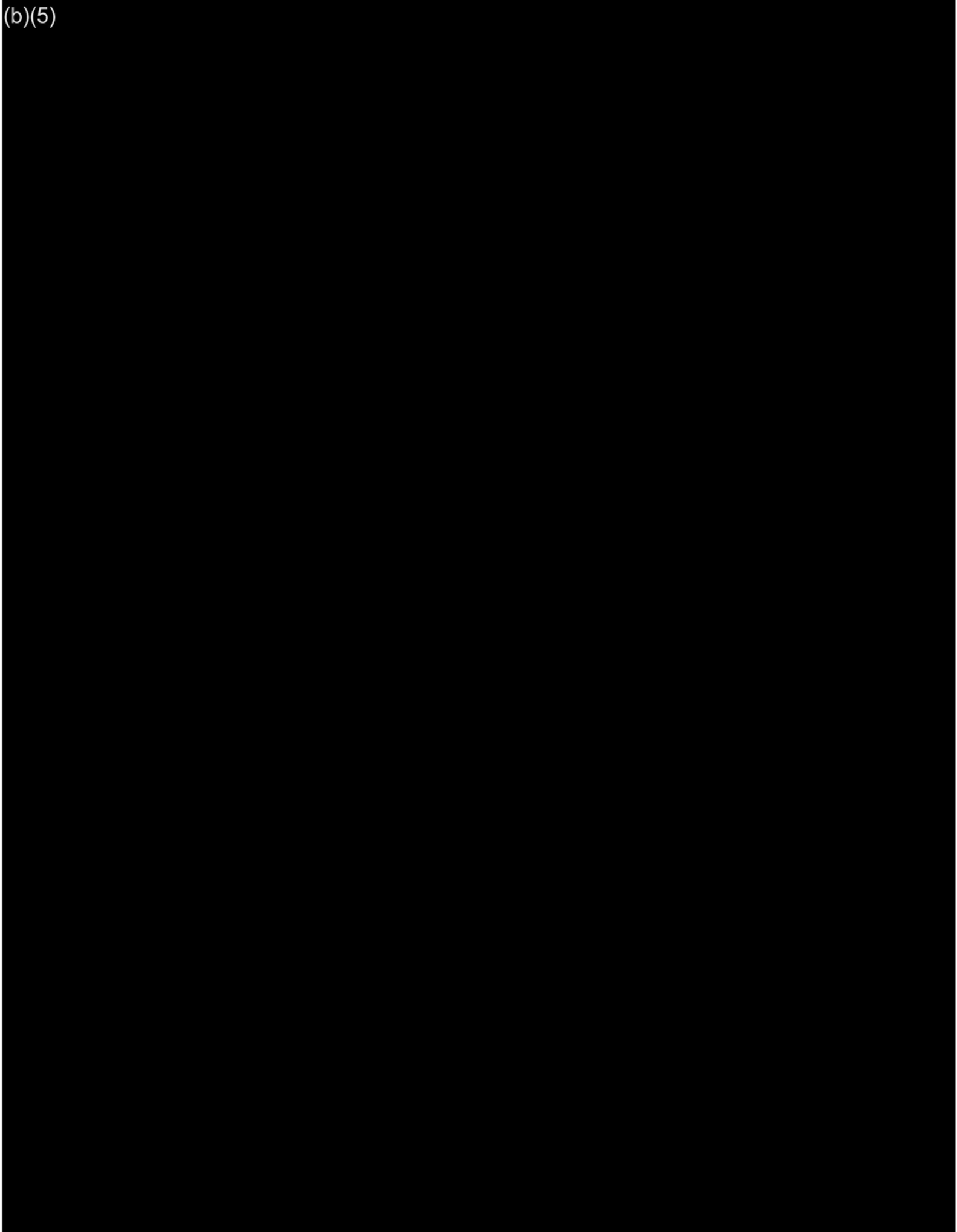














**Eugene Water & Electric Board**

4200 Roosevelt Blvd.  
Eugene, OR 97402-6520  
541-685-7000  
www.eweb.org

April 28, 2023

Mr. John Hairston  
Administrator & Chief Executive Officer  
Bonneville Power Administration

RE: Request for Statutory Discontinuance of the Leaburg Hydroelectric Project under §5(b)(1) of the Northwest Power Act

Dear Administrator Hairston:

The Eugene Water & Electric Board ("EWEB") hereby requests that the Leaburg Hydroelectric Project (the "Project") be removed as a §5(b)(1) dedicated resource under EWEB's current and future power sales contracts with the Bonneville Power Administration ("BPA") due to permanent discontinuance, whether by retirement, loss of resource or obsolescence, consistent with §5(b)(1) of the Northwest Power act, and BPA's Revised 5(b)/9(c) Policy. Absent a determination by BPA that the Project is retired, lost, or obsolete, EWEB alternatively requests that the Administrator consent to the Project's removal as a §5(b)(1) dedicated resource.

**A. Background.**

The Project is a 15.9 MW nameplate run-of-river hydroelectric facility located in Lane County, Oregon. It is one of four EWEB hydropower projects located on the McKenzie River. For over 90 years, the Leaburg Dam has diverted the McKenzie River into the five-mile Leaburg Canal to the powerhouse of the Project to generate about four percent of EWEB's average annual electricity needs.

The Project shares its Federal Energy Regulatory Commission ("FERC") operating license with EWEB's downstream, run-of-river Walterville Hydroelectric Project ("Walterville"). Walterville consists of a separate four-mile canal and a powerhouse with a single 8.0 MW turbine. The joint-operating license for the Project and Walterville will expire in March of 2040. The Project and Walterville are separately dedicated under §5(b)(1) and, although the two projects operate independently of one another, there are interdependencies, such as sharing of staff and other costs, from which they both benefit. Walterville is not part of this undedication request.

In late September of 2018, FERC staff observed excessive seepage and internal erosion in portions of the canal embankment. Based on this discovery, FERC immediately ordered EWEB to dewater the canal, stating that "[d]ue to the significant dam safety and public safety concerns associated with a failure of the high hazard potential embankment, EWEB is required to draw down the canal to reduce the head on the piping area to a safe level."<sup>1</sup> FERC's findings and order

<sup>1</sup> FERC letter to EWEB at 2 (Sept. 28, 2018).

*Relyon us*

prompted EWEB to dewater the canal in October of 2018, resulting in a complete loss of generation at the Project, which remains offline today.

Following subsequent subsurface investigation of embankment and foundation soils that indicated that portions of the canal embankments also present earthquake safety risks, EWEB initiated a comprehensive risk assessment of the entire canal to better understand the level of investment that would be required to ensure its long-term safe and reliable operation. This assessment indicated that the necessary level of investment would be considerable and the Net Present Value ("NPV") for the Project would be substantially negative with less than 20 years remaining on the FERC operating license. Based on this understanding, pursuing a rapid return-to-service was not considered appropriate in the short term. Instead, EWEB's Board directed staff to pursue near-term risk reduction measures for safe stormwater conveyance while, in parallel, performing a Triple Bottom Line ("TBL") (social, environmental, and economic) analysis of long-term options.

EWEB retained a consulting team (GEI Consultants, Harvey Economics, and Cornforth Consulting) to assist in developing the TBL analysis. Eleven alternatives were initially identified and ultimately narrowed to the following four alternatives for detailed analysis under the TBL:

- Alternative 1 – Decommission by returning the site to pre-construction conditions including complete removal of the dam, canal, and existing powerhouse.
- Alternative 2 – Full facility restoration of existing power generation configuration including rehabilitation of the dam, canal intake, canal, and existing powerhouse to meet FERC and all other current regulatory requirements and specifications.
- Alternative 3 – Construction of a new powerhouse located on the canal at the Luffman Spillway approximately 3.75 miles upstream from the existing powerhouse. The canal downstream of the new powerhouse would be converted to stormwater conveyance. The new powerhouse under Alternative 3 would produce approximately 61 percent less megawatt-hours than under Alternative 2.
- Alternative 4 – Decommissioning with a combination of stormwater conveyance and return to pre-construction conditions.

Of the four alternatives considered under the TBL analysis, only Alternative 2 would restore the existing power generation configuration and Alternative 4 is the least cost alternative. In addition, if EWEB were to move forward with Alternative 2 or Alternative 3, the earliest that the Project could possibly be returned to service is 2036 due to formidable regulatory, legal, engineering, economic, environmental, and social challenges that are not entirely within EWEB's control.

The TBL analysis further includes an incremental cost analysis that estimates the value of Alternative 2 and Alternative 3 as a component of EWEB's generation portfolio compared to other resources considered in EWEB's Integrated Resource Program ("IRP"). The key assumption in the incremental cost analysis is that Alternative 4, as the least cost alternative, represents the unavoidable cost of modifying the Leaburg Canal system for safe and reliable performance that is included across Alternatives 2 and 3. Therefore, the incremental cost analysis removes the



unavoidable expense of Alternative 4 from the costs of Alternatives 2 and 3 in order to make an apples to apples comparison against the alternative resource options identified in EWEB's IRP.<sup>2</sup>

The TBL determined that, assuming the FERC license for the Project is renewed to allow operation through 2076, and further assuming that the Project resumes operations in 2036, the incremental levelized cost of energy ("LCOE") for the Project under either Alternative 2 or Alternative 3 would be \$117/MW-hr, provided that Walterville is also included in the license extension. This amount increases to \$195/MW-hr for both alternatives if a sinking fund is added to the analysis to reserve against future decommissioning costs.<sup>3</sup> However, in the event Walterville is not relicensed with the Project, the incremental LCOE increases to \$188/MW-hr under Alternative 2 and to \$207/MW-hr under Alternative 3.<sup>4</sup> As shown in the table below, the incremental LCOE for Alternatives 2 and 3 under all Walterville scenarios is significantly higher than the LCOEs for most of the alternative candidate resources identified in EWEB's IRP.

Table 17: IRP Candidate Resources	
IRP Candidate Resources	LCOE \$/MWh
MT/WY Wind	22
Utility Solar (Eastern OR)	28
North East OR Wind	29
Energy Efficiency Bin 1	33
BPA Contract (Slice & Block)	33
Natural Gas CCCT (80%)	40
Community Solar	69
Cogeneration/Biomass	74
Natural Gas SCCT (40%)	74
Small Modular Nuclear (80%)	76
Offshore Wind	102
Leaburg Alternative 2 (WV Relicense)	117
Leaburg Alternative 3 (WV Relicense)	117
Leaburg Alternative 4 NB (WV Relicense)	147
Leaburg Alternative 2 (WV Decomm)	188
Residential Rooftop Solar	196
Leaburg Alternative 3 (WV Decomm)	207
Leaburg Alternative 1 NB (WV Relicense)	232
Energy Efficiency Bin 2	291

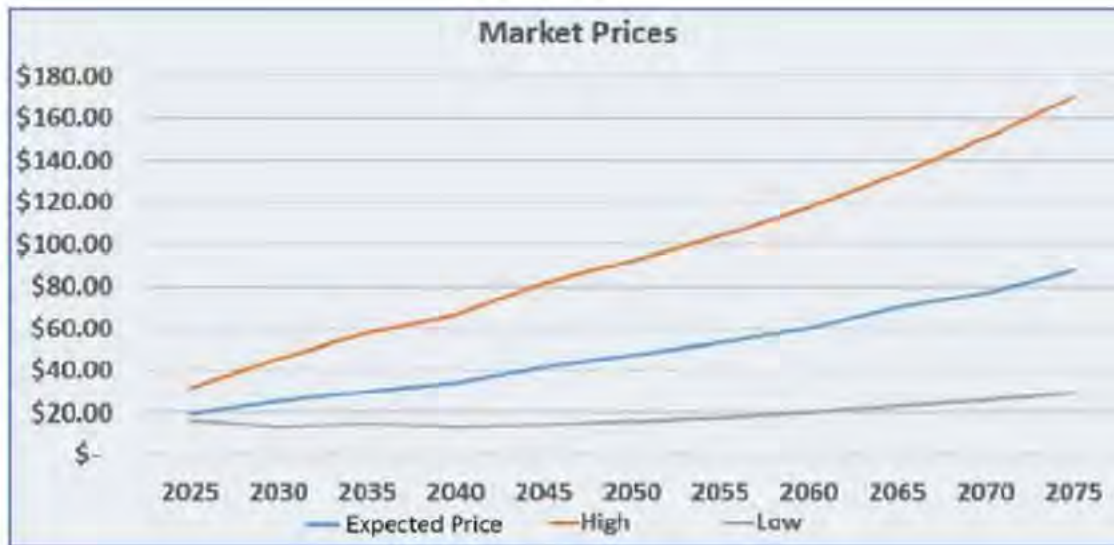
Furthermore, as shown in the graph below, for the foreseeable future, the incremental LCOEs for Alternatives 2 and 3 for all Walterville scenarios are significantly higher than the expected market price forecast prepared by EWEB this past October using Aurora for electricity traded on the wholesale, short-term (spot market) at the Mid-Columbia ("Mid-C") trading hub.

<sup>2</sup> EWEB Memorandum Re: Goal #3(a) Leaburg Canal TBL & Strategic Assessment Update & Recommendation Analysis at 43-45 (Nov. 9, 2022) available at [Future of the Leaburg Canal | EWEB](#).

<sup>3</sup> *Id.* at 44.

<sup>4</sup> *Id.* If a sinking fund is included in the analysis, the LCOE would increase to \$256/MW-hr under Alternative 2 and to \$286/MW-hr under Alternative 3.





In addition to the above, EWEB’s analysis considered a wide variety of other emerging operational, environmental, regulatory, and legal risks that will or could impact future operations at the Project or that could result in a partial or complete loss of the Project even if the Project is physically restored to service. Without limitation, these factors include a new flow regime from the upstream Cougar Reservoir that will put more water in the river when generation is abundant and power prices are low due to fish and water quality concerns, climate change impacts on runoff, potential water quality issues related to aquatic species that will become subject to a new 401 certification process at the time of relicensing, and potential new Endangered Species Act requirements (“ESA”) or added ESA species. The Project’s status as a run-of-the-river facility means that any potential benefits of restoring the Project to operation are particularly vulnerable to being undermined or unrealized due to such factors.

Based on the above referenced analysis, as well as the other economic, social, and environmental analysis performed as part of the TBL analysis, and input from community members, on January 3, 2023, EWEB’s Board of Commissioners determined “that investing in future electricity generation at the Leaburg Hydroelectric Project is not economically viable, bears substantial regulatory and economic risk, obligates EWEB in a long-term direction with limited future flexibility, and places a further economic and social burden on our customer-owners.”<sup>5</sup> Accordingly, by resolution, the Board directed EWEB’s General Manager to develop, for the Board’s consideration, a decommissioning plan for the Project consistent with Alternative 4.<sup>6</sup>

#### **B. Request for §5(b)(1) Retirement Determination.**

For the reasons identified above, EWEB respectfully requests a §5(b)(1) retirement determination for the Project. Under BPA’s Revised 5(b)/9(c) Policy (“Revised Policy”), retirement “is a permanent discontinuance of a generating resource for which the customer can demonstrate that the costs of replacements, improvements, or additions necessary to continue to operate the resource, combined with the resource’s variable operating costs, exceed the reasonable

<sup>5</sup> Eugene Water & Electric Board, Resolution No. 2302 (Jan. 3, 2023) available at [Future of the Leaburg Canal | EWEB](#).

<sup>6</sup> *Id.*

economic return over the remaining life of the resource.”<sup>7</sup> The Revised Policy requires the customer to “demonstrate the reasonable economic return of the resource by comparing (1) the costs to the customer of replacing the resource with market purchases plus the cost to permanently shut down the resource to (2) the cost of continuing to operate the resource.”<sup>8</sup>

The incremental cost analysis performed by EWEB in its TBL analysis makes the comparison required under the Revised 5(b)/9(c) Policy by deducting the unavoidable expense of decommissioning the Project (Alternative 4) from the cost of restoring the Project to operation (Alternative 2) or partial operation (Alternative 3). As discussed above, the analysis shows that the incremental cost of restoring the Project to operation, after deducting the unavoidable costs of decommissioning the Project, exceeds the cost of the alternative candidate resources considered in EWEB’s IRP. While BPA’s Revised 5(b)/9(c) Policy would require that the comparison be made to the cost of replacing the Project with market purchases, EWEB recommends that, given the development of the Western Resource Adequacy Program (“WRAP”) and new emphasis on relying on physical resources rather than the market for resource adequacy purposes, the LCOEs of the alternative candidate resources identified in its IRP are more representative of true long-term power supply costs as opposed to forecasted wholesale market prices. In any event, and as shown above, EWEB’s analysis further demonstrates that the incremental cost of restoring the Project to operation, after deducting the unavoidable costs of decommissioning the Project, would also exceed the expected cost of replacing the Project with market purchases through at least 2075.

In addition, the incremental cost analysis performed under the TBL analysis assumes for purposes of making the comparison with the costs of alternative resources that the FERC license for the Project will be renewed or amended. EWEB’s ability to extend the license period is not guaranteed and this is an additional uncertainty favoring a retirement determination for the Project, particularly given that the earliest EWEB could restore the Project to operation is 2036.

Accordingly, because EWEB’s analysis demonstrates that the improvements necessary to continue to operate the Project exceed the reasonable economic return over the remaining life of the resource, EWEB hereby restates its request for a §5(b)(1) retirement determination for the Project.

### **C. Request for §5(b)(1) Loss Determination.**

EWEB alternatively requests a determination that the Project is lost for §5(b)(1) purposes. Under BPA’s Revised 5(b)/9(c) Policy, “[l]oss of a resource is a permanent discontinuance caused by factors beyond the reasonable control of the customer and that the best efforts of the customer are unable to remedy. Such factors include, but are not limited to, complete destruction of the resource, complete loss of the Federal or State license to own or operate the resource, or complete and/or partial reduction of the capability of a resource to the extent of the loss resulting from requested operations or orders of a cognizant State or Federal agency directly or indirectly affecting the operation of the resource and changing its planned capability.”<sup>9</sup>

The dewatering of the canal due to the excessive seepage, internal erosion, and seismic vulnerability in portions of the canal embankment were factors beyond the reasonable control of EWEB that have resulted in a complete reduction of the Project’s capability. In addition, FERC’s

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<sup>7</sup> Revised 5(b)/9(c) Policy at 8.

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*



order to dewater the canal, and thereby stop operating the Project due to the seepage and erosion issue is also something beyond the reasonable control of EWEB that has resulted in a complete reduction of the Project's capability. EWEB has determined that, if it were to try to use best efforts to restore the Project to operation, the earliest that it could do so is 2036 due to formidable regulatory, legal, engineering, economic, environmental, and social challenges. To be successful, each one of those challenges would need to be determined in EWEB's favor. This is not a forgone conclusion given that many of them are not in EWEB's control. In addition, 2036 is nearly twenty (20) years after FERC ordered EWEB to dewater the canal and just four (4) years shy of the expiration of the Project's current FERC license in 2040. Whether the FERC license can or will be renewed by FERC is also uncertain.

Another factor supporting a loss determination under the Revised Policy is the recent decision in *Waterwatch of Oregon v. Water Resource Dept.*, 501 P.3d 507, 369 Or. 71 (2021) ("*Waterwatch*"). In *Waterwatch*, the Oregon Supreme Court held that if use under a hydroelectric water right does not resume within five years of a stoppage, then the stoppage is considered permanent, and the hydroelectric water right irredeemably converts to an in-stream water right pursuant to ORS 543A.305. Given that the Project ceased operations pursuant to FERC's Order in September 2018, this means that there is a substantial risk that EWEB's hydroelectric water rights for the Project under Oregon law will be permanently lost at the end of September 2023—a mere six months from now. Like the other factors enumerated above demonstrating that the Project is lost, this too is outside EWEB's control.

For all intents and purposes, the Project is lost to EWEB due to physical, regulatory, and legal factors beyond EWEB's reasonable control. And, due to additional factors outside of EWEB's control, this loss cannot be remedied by EWEB with any reasonable certainty or within any reasonable amount of time using best efforts. Under such circumstances, EWEB should not be required to pursue best efforts, at substantial regulatory and economic risk, when the best possible outcome is not guaranteed and at least thirteen (13) years away. Consequently, EWEB alternatively requests a determination by BPA that the Project is lost for §5(b)(1) purposes.

#### **D. Request for §5(b)(1) Obsolescence Determination.**

EWEB alternatively requests a determination that the Project is obsolete for §5(b)(1) purposes. Obsolescence under BPA's Revised 5(b)/9(c) Policy "is a permanent discontinuance of a generating resource resulting from the inability to continue to operate such resource at the end of its useful life due to lack of available replacement parts, deterioration of the physical facility, or lack of sources of fuel supply."<sup>10</sup> To demonstrate obsolescence, "the customer must show that the resource has exceeded its useful life and [that] the customer finds that it is unable to obtain the mechanical parts needed to operate it, the fuel to power it, or the physical facility has deteriorated to a state that it can no longer be operated."<sup>11</sup>

In this instance, the Project is obsolete because, due to the excessive seepage, internal erosion and seismic vulnerability in portions of the canal embankment, the physical facility of the Project has deteriorated to a state that it can no longer be operated and the resource has exceeded its useful life. Further, for the same reasons stated above under the request for a determination that the Project is lost, such obsolescence cannot be remedied with any reasonable degree of

<sup>10</sup> *Id.*

<sup>11</sup> Record of Decision Re: Policy on Determining Net Requirements of Pacific Northwest Utility Customers Under Sections 5(b)(1) and 9(c) of the Northwest Power Act at 52-53 (May 2000).

certainty or within any reasonable amount of time using best efforts. Accordingly, and like under the loss standard, EWEB should not be required to attempt best efforts to restore the Project to operation when the best possible outcome is not guaranteed, at least thirteen (13) years away, and imbued with substantial regulatory and economic risk. Consequently, EWEB alternatively requests a determination by BPA that the Project is obsolete for §5(b)(1) purposes.

**E. Request Administrator's Consent to Discontinue the Project as a §5(b)(1) Resource.**

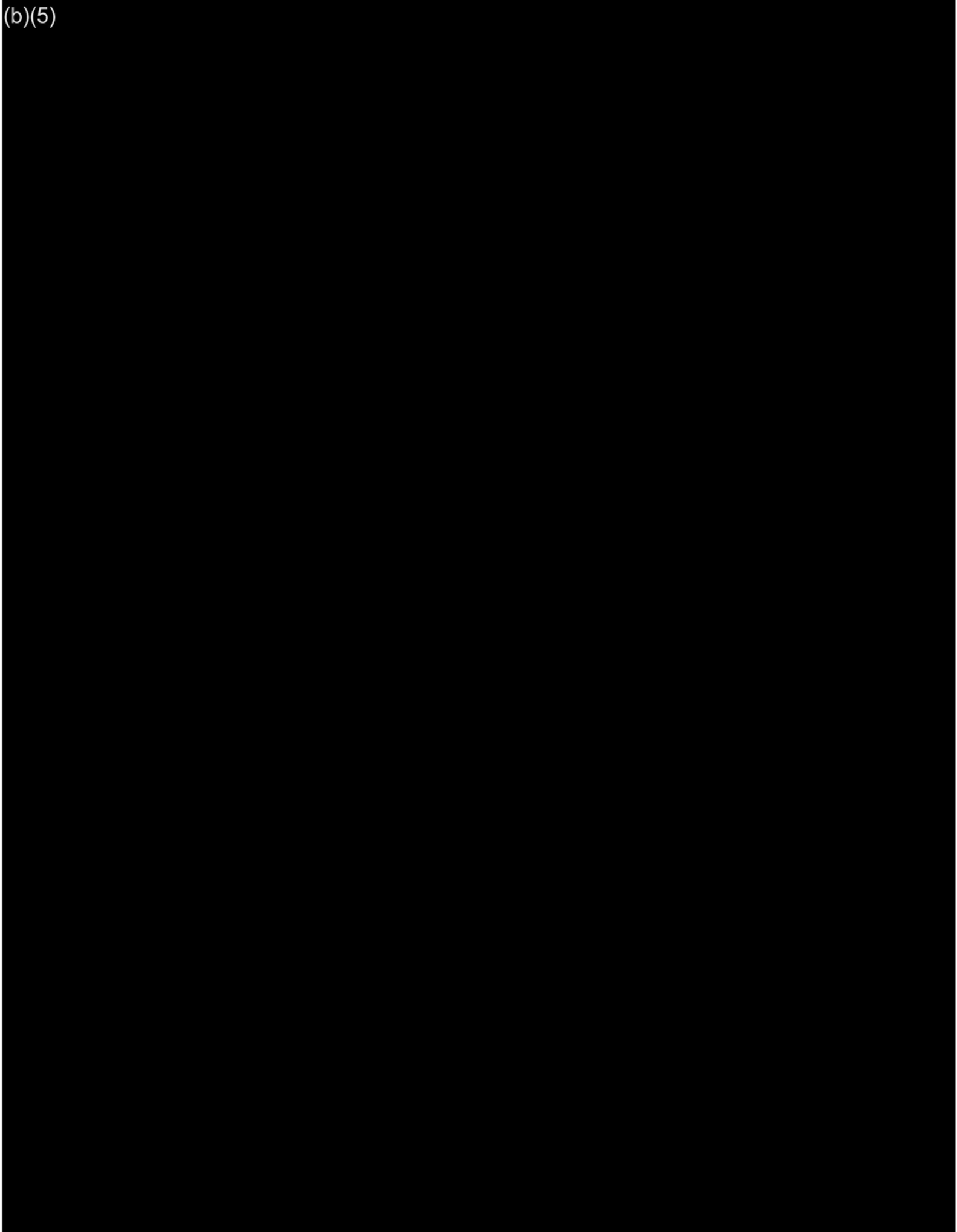
Finally, absent a determination by BPA that the Project is permanently discontinued due to retirement, loss, or obsolescence, EWEB alternatively requests that the Administrator otherwise consent to the Project's removal as a §5(b)(1) dedicated resource. As explained above, investing in future electricity generation at the Project is not economically viable, bears substantial regulatory and economic risk, and would obligate EWEB in a long-term direction with limited future flexibility, placing a further economic and social burden on our customer-owners. 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.

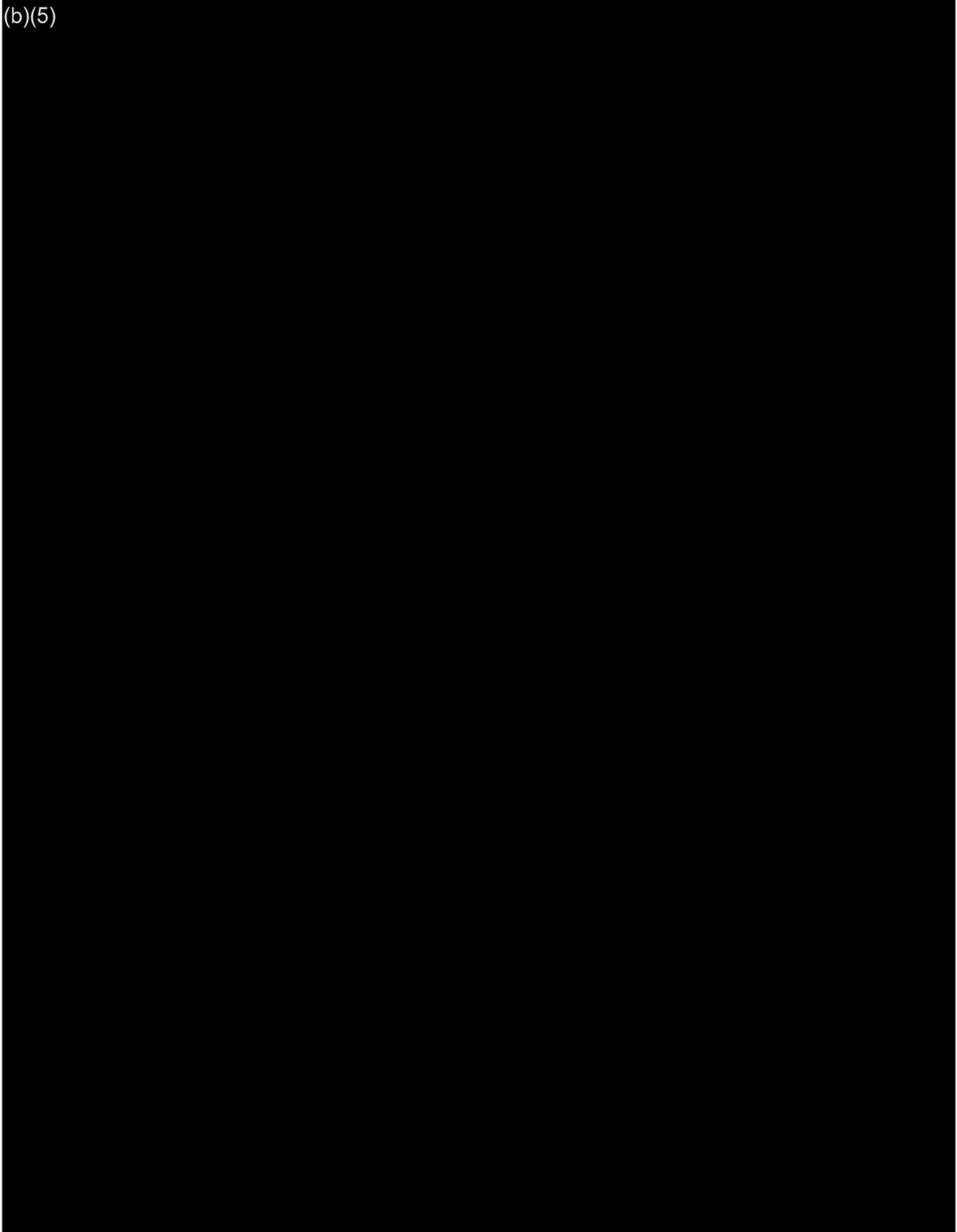
Sincerely,



Frank J. Lawson  
CEO & General Manager  
Eugene Water & Electric Board







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**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Wednesday, April 17, 2024 4:39 PM  
**To:** Marker, Doug R (BPA) - AIR-7  
**Cc:** Jones, Sharon M (BPA) - AIN-WASH; Manchester, Kathleen L (CONTR) - AIT-7  
**Subject:** RE: URGENT - Need TAC review for Congressional budget testimony by COB tomorrow  
**Attachments:** TAC-AIR-2024-007 FY25 Draft Budget Testimony.pdf; FY25 Budget Testimony - draft for simultaneous TAC.docx

Hi – I have a few modest edits in the attached. And, providing my TAC sign-off.

Best Regards,  
**Kim Thompson** (she/her/hers)  
Vice President | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
[bpa.gov](https://bpa.gov) | P 503-230-3408 | C (b)(6)



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**Sent:** Wednesday, April 17, 2024 3:04 PM  
**To:** Manchester, Kathleen L (CONTR) - AIT-7 <klmanchester@bpa.gov>; Baskerville, Sonya L (BPA) - AI-WASH <slbaskerville@bpa.gov>; Zimmerman, Nita M (BPA) - MT-3 <nmzimmerman@bpa.gov>; Scruggs, Joel L (BPA) - DK-7 <jlsruggs@bpa.gov>; Rutherford, Nicole A (BPA) - DSO-3 <narutherford@bpa.gov>; Armentrout, Scott G (BPA) - E-4 <sgarmentrout@bpa.gov>; Rosa, Liza A (BPA) - H-1 <larosa@bpa.gov>; Bell, Kevin (BPA) - LG-7 <wkbell@bpa.gov>; Senter, Anne E (BPA) - LN-7 <aesenters@bpa.gov>; Kutil, Sarah M (BPA) - LT-7 <smkutil@bpa.gov>; Cooper, Suzanne B (BPA) - P-6 <sbcooper@bpa.gov>; Johnson, Tim A (BPA) - LP-7 <tajohnson@bpa.gov>; Hilliard, Creecy, Jamae (BPA) - PE-6 <jlhilliard@bpa.gov>; Cathcart, Michelle M (BPA) - PG-5 <mmcathcart@bpa.gov>; Thompson, Kim T (BPA) - PS-6 <ktthompson@bpa.gov>; Dibble, Rachel L (BPA) - PT-5 <rldibble@bpa.gov>; Shaheen, Richard L (BPA) - T-DITT-2 <rlshaheen@bpa.gov>; Cook, Jeffrey W (BPA) - TP-DITT-2 <jwcook@bpa.gov>; Manary, Michelle L (BPA) - TS-DITT-2 <mlmanary@bpa.gov>  
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**Subject:** URGENT - Need TAC review for Congressional budget testimony by COB tomorrow

DOE Congressional Affairs just requested our testimony by next Wednesday, so I need to accelerate the TAC review process. I would appreciate your review by COB tomorrow, Thursday April 18. Thank you very much, and please contact me if you have questions or concerns.

Best,

Doug



Doug Marker  
Intergovernmental Affairs  
Bonneville Power Administration  
[drmarker@bpa.gov](mailto:drmarker@bpa.gov)

(b)(6) phone and text

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**From:** Manchester, Kathleen L (CONTR) - AIT-7 <[klmanchester@bpa.gov](mailto:klmanchester@bpa.gov)>

**Sent:** Wednesday, April 17, 2024 12:55 PM

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**Subject:** ACTION REQUIRED: TAC-AIR-2024-007 FY25 Draft Budget Testimony

Hello, Please see attached draft testimony for the May 16 hearing on Power Marketing Administration FY 25 budgets. Proposed testimony is a summary of Bonneville's performance and current initiatives.

**Simultaneous TAC review requested by COB, Monday, April 22, 2024.**

AI  
DK  
DS  
E  
F – courtesy review only  
L – courtesy review only  
LP, LT, LG, LN  
MT (BTO)  
P, PE, PG, PS, PT  
T, TP, TS

**F/L Review requested by:**

F - Tuesday, April 23 Noon

L - Tuesday, April 23 COB



**Attachments include:**

- FY25 Budget Testimony
- TAC form

Please send edits/comments to Doug Marker and cc: Sheron Jones & Kathie Manchester

Thank you,

***Kathie Manchester***

(CONTR) Actalent

Program Support Specialist | Tribal Affairs, AIT-7

**BONNEVILLE POWER ADMINISTRATION**

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TESTIMONY OF JOHN HAIRSTON

ADMINISTRATOR AND CHIEF EXECUTIVE OFFICER

BONNEVILLE POWER ADMINISTRATION

HEARING ON

*EXAMINING THE PRESIDENT'S FISCAL YEAR 2025 BUDGET PROPOSAL FOR THE*

*U.S. BUREAU OF RECLAMATION, U.S. FISH AND WILDLIFE SERVICE,*

*AND THE*

*POWER MARKETING ADMINISTRATIONS*

SUBCOMMITTEE ON WATER, WILDLIFE AND FISHERIES

COMMITTEE ON NATURAL RESOURCES

UNITED STATES HOUSE OF REPRESENTATIVES

MAY 16, 2024

Good afternoon, Chairman Bentz and members of the Subcommittee. My name is John Hairston and I am the Administrator and Chief Executive Officer of the Bonneville Power Administration (Bonneville). I am pleased to be here today to discuss Bonneville's budget submission for Fiscal Year (FY) 2025 and to discuss Bonneville's current initiatives.

### *Role of the Bonneville Power Administration*

Bonneville is a Federal Power Marketing Administration headquartered in Portland, Oregon.

It serves a 300,000 square mile area that includes Oregon, Washington, Idaho, western Montana, and parts of northern California, Nevada, Utah, and Wyoming.

Bonneville markets electric power, provides transmission, and supports development of energy conservation throughout the region. Bonneville markets the electric power produced from 31 Federal hydroelectric projects owned by the U.S. Army Corps of Engineers (Corps) and the Bureau of Reclamation (Reclamation). The 31 projects produce 8,593 average megawatts in an average water year. Bonneville also acquires non-Federal power, including the power from one nuclear power plant, the Columbia Generating Station, to meet the needs of its customer utilities.

Bonneville maintains and operates over 15,000 circuit miles of transmission lines and associated facilities over which this electric power is delivered. Its system is a substantial majority of the Northwest's high-voltage electric grid. It is Bonneville's responsibility to plan for and fund the operations and maintenance of this system, while also preserving and enhancing physical security, cyber security, and overall system resilience.

Bonneville is fully self-financed, issues bonds directly to the U.S. Treasury, and receives no direct annual appropriations for operations. Bonneville has authority to borrow up to \$17.7 billion from the U.S. Treasury which is available on a permanent revolving basis. Bonneville's power rates and transmission rates are set to recover its costs.

Bonneville also supports the protection, mitigation, and enhancement of fish and wildlife affected by the development and operation of the hydropower system as part of its efforts to preserve and balance the economic and environmental benefits of the Federal Columbia River Power System (FCRPS).

### *Financial Performance*

In the last fiscal year, Bonneville excelled in difficult market and operational conditions. Our accomplishments proved the value of resilience as we navigated the variability and uncertainty of operating a hydro-based power system and an open-access transmission grid across a large geographic footprint. It was the 13<sup>th</sup> driest year on record, requiring us to make significant power purchases, driving up expenses. The skilled forecasting, planning and marketing approaches, combined with strategic actions to preserve liquidity allowed our Power Services to partially offset the power purchase costs. In addition, Transmission Services expertly managed the Federal grid to ensure reliability and maximize capacity, enabling increased sales. Despite the dry year, Bonneville beat its agency net revenue target of negative \$332 million by \$75 million.

Both Power Services and Transmission Services ended the year above their thresholds for financial reserves, triggering their reserves distribution clauses (RDC). The RDC amounts of \$285 million for Power and \$130 million for Transmission can be used to reduce customer rates, reduce debt, and fund specific fish and wildlife investments.

Bonneville made its annual payment to the U.S. Treasury for the 40<sup>th</sup> consecutive year, on time and in full, totaling \$1.02 billion for FY 2023. This demonstrated Bonneville's ability to meet all of its financial commitments.



Leading credit ratings agencies have taken note of Bonneville's solid financial footing. Fitch's rating for Bonneville-backed debt is AA, Stable; Moody's is Aa1, negative; and S&P is AA-, stable. These ratings reflect that our financial policies are working and that Bonneville is well-positioned to lead the region toward a prosperous clean energy future.

Bonneville adopted an updated Financial Plan in 2022, focusing on core objectives and metrics. These objectives include maintaining cost-management discipline and execution of capital plans, maintaining financial resiliency through adequate reserves, leverage, U.S. Treasury borrowing authority; and maintaining high investment-grade credit ratings. These objectives demonstrate Bonneville's commitment to deliver on Bonneville's public responsibilities and to maintain Bonneville's position as the region's leading power and transmission provider.

*Bonneville's Strategic Direction:*

Bonneville is guided by six strategic goals in its 2024-2028 Strategic Plan: invest in people, enhance the value of products and services, sustain financial strength, mature asset management, preserve safe and reliable system operations, and modernize business systems and processes.

*New Long-Term Power Sale Contracts:*

In March, Bonneville achieved a significant milestone for its commitment to remain the region's low-cost power provider beyond 2028 when current long-term power sale contracts expire.

Bonneville released its final Provider of Choice Policy and Record of Decision, laying out the foundation for future long-term contracts. The Policy was developed through a public process in close collaboration with customers and other interested parties. Bonneville will offer to execute Provider of Choice contracts with utilities in late 2025. Power deliveries under these contracts will begin October 1, 2028.

At the heart of the Policy is Bonneville's decision to develop contracts based on a tiered rate construct, which seeks to protect the value of the existing Federal system from unbound acquisition costs and insulate customers from costs associated with other customers' resource choices. The Policy maintains these key elements while proposing additional flexibilities and options to help meet customers' and Bonneville's evolving needs.

While the release of the Policy signifies an important milestone in the Provider of Choice process, much work remains. Bonneville has begun a series of policy implementation and contract development workshops to develop details about the products and services outlined in the Policy.

*Rates:*

To establish rates for FY 2024 and FY 2025, Bonneville concluded the BP-24 rate proceeding in July 2023 by releasing the Administrator's Final Record of Decision and Final Proposal. Rates went into effect on Oct. 1, 2023, and will be effective through Sept. 30, 2025. The final decision held power rates effectively flat for the two-year period. Transmission rates are also maintained at their previous levels.

In December, Bonneville announced that it will adopt a three-year rate period for its next Power and Transmission rates process. This rate period will run from FY 2026 through FY 2028 and coincide with the expiration of Bonneville's current long-term power contracts on September 30, 2028. Bonneville decided to close out the contract period with a single three-year Power rate period and align the next Transmission rate period for that same duration. Maintaining common timing between Power and Transmission rate processes allows Bonneville to align its Integrated

Program Review (IPR) to show total agency costs over that period. The common timing should also be more efficient with customer time for engaging in rate case work.

Bonneville is initiating its IPR to discuss with customers and constituents projected spending levels for the next rate period. Determining program spending levels will require important decisions to balance cost-management objectives against the need to invest in areas that support the delivery of strategic goals.

### *Western Markets Engagement*

New markets present opportunities to enhance the delivery of reliable, affordable and carbon-free hydropower to BPA customers. Bonneville evaluates market engagement from principles based on determining if participation will be consistent with Bonneville's statutory obligations and support its customers' needs and interests. In 2022, Bonneville joined the Western Energy Imbalance Market (WEIM), the real-time energy market operated by the California Independent System Operator (CAISO). Prior to joining the WEIM, Bonneville participated with other regional representatives to develop specific, but limited, authorities for WEIM design and oversight by an independent Governing Body.

Building on that experience, Bonneville participated in the development of two day-ahead market initiatives underway in the West — the CAISO's Extended Day Ahead Market and Southwest Power Pool's (SPP) Markets Plus. In July 2023, Bonneville initiated a public process with customers and the public on its decision to participate in either market option.

In April, Bonneville released its staff recommendation and preliminary legal assessment for day-ahead market participation. The staff recommendation is for Bonneville to pursue participation in a day-ahead market and they have identified SPP's Markets Plus as the preferred option. The

recommendation is based on the current design of both market alternatives and their governance features. Bonneville invited additional comment on its assessment of market opportunities and has continued a series of public workshops. Bonneville plans to issue a draft policy in August and the Administrator's Record of Decision in November.

### *Transmission*

The demand for clean energy across the Pacific Northwest is driving the need for transmission expansion to deliver energy from geographically dispersed resources to population centers where demand is expected to grow. In July 2023, Bonneville announced it is moving forward with more than \$2 billion in multiple transmission substation and line projects to reinforce the regional grid and to respond to its customers' demands while supporting the region's clean energy goals.

Bonneville is also participating in an initiative drawing together regional participants from across the West to develop an approach for regional and interregional transmission planning and with a longer planning time horizon. This initiative has formed as the Western Transmission Expansion Coalition, or WestTEC, and is being facilitated by the Western Power Pool. Bonneville is contributing financial support and participating in the leadership and technical analysis of the initiative.

In January, Bonneville announced its adoption of certain reforms to its open access tariff to more efficiently process generation interconnection requests that want to connect new large generators onto the Federal transmission grid. These tariff modifications were developed with customers and stakeholders through a collaborative process. This important step came at a critical time for



the region where, currently, Bonneville's large generator interconnection queue contains over 400 requests representing over 120 gigawatts of potential new generation.

With the adopted tariff reforms, Bonneville will implement a first-ready, first-served cluster study approach to processing interconnection requests, replacing the previous first-come, first-served serial study process. The new interconnection process included new readiness criteria and the ability to study requests as a group, or cluster, rather than individually in queue order. These improvements will allow for Bonneville to offer a more reliable and streamlined process, and provide greater certainty regarding the cost and timing of interconnections.

### *Energy Efficiency*

For more than forty years, Bonneville has been the catalyst in the Pacific Northwest in the development of conservation as a resource to meet the load demands placed on Bonneville by its regional power customers. Conservation, or energy efficiency, is Bonneville's priority resource to meet its regional contractual firm power load obligations. As of last year, Bonneville's cumulative energy efficiency savings totaled 2,583 average megawatts since the passage of the Northwest Power Act in 1980.

### *Fish and Wildlife*

The Federal Columbia and Snake River dams—along with other development activities in the Pacific Northwest, harvest, ocean conditions, and a changing climate—have had adverse impacts on salmon, steelhead, and other native fish populations in the Basin. These fish have tremendous value to the region and to Tribal Nations in the Basin. As a result, Bonneville and the Corps have made extensive modifications and operational changes to protect and mitigate the impacts

of the system's construction and continued operation on fish and wildlife. Since the 1980 Northwest Electric Power Planning and Conservation Act, Bonneville has invested billions of dollars in improved configuration and operation of the dams, as well as in offsite restoration efforts for the benefit of fish and wildlife sponsored by Tribes, states, and rural communities. In the last year, Bonneville was a party to two agreements to address longstanding litigation over Columbia River challenges to the Columbia River System Operations Environmental Impact Statement and associated Endangered Species Act consultations.

Last September, Bonneville and other federal signatories entered into a memorandum of understanding and settlement agreement with the Confederated Tribes of the Colville Reservation, the Coeur d'Alene Tribe, and the Spokane Tribe of Indians related to the blocked area above Chief Joseph and Grand Coulee dams. Bonneville agreed to provide \$200 million over 20 years for these Tribes' second phase of studies to assess reintroducing specific non-Federally protected salmonid stocks above Chief Joseph and Grand Coulee dams in the upper Columbia River Basin.

Subsequently, the Columbia River Salmon Agreement of December 14, 2023, was signed by the U.S. Government, including Bonneville, the Confederated Tribes and Bands of the Yakama Nation, the Confederated Tribes of the Umatilla Indian Reservation, the Confederated Tribes of the Warm Springs Reservation of Oregon, the Nez Perce Tribe, the State of Oregon, and the State of Washington, collectively referred to as the "Six Sovereigns," and a coalition of environmental advocacy groups led by the National Wildlife Federation.

Bonneville has already planned, through its fish and wildlife program, to add at least an additional \$20 million in combined capital and expense funding in FY 2024 and FY 2025 for fish and wildlife efforts throughout the Columbia River Basin on top of its annual program funding

and the September commitments to the upriver Columbia River Tribes. In the December 14, 2024, agreement, Bonneville's commitments include and are limited to:

- \$200 million over 10 years in additional capital funding will be available to be directly funded by Bonneville to the U.S. Fish and Wildlife Service for Lower Snake River Compensation Plan hatchery modernization, upgrades, and maintenance, as guided by the priorities of other fishery managers including the Six Sovereigns.
- An additional \$100 million in funding over 10 years for projects that contribute to the restoration of salmon and other native fish populations. To implement this commitment, Bonneville will provide an annual \$10 million payment to the Six Sovereigns in a manner to be agreed upon, to distribute to specific projects, as prioritized by the Six Sovereigns.

#### *Workforce Competitiveness*

This testimony has reviewed a number of accomplishments and initiatives that demonstrate Bonneville's technical and policy capabilities that are industry leading. Bonneville has a highly talented and skilled workforce, as demonstrated by this high performance. Competition for talent within the electric power industry is increasingly difficult under the federal General Schedule and government classification standards. This issue is becoming increasingly concerning to Bonneville's power and transmission customers.

#### *Columbia River Treaty*

The Columbia River Treaty is an agreement between the United States and Canada that jointly coordinates operations for flood risk management and hydropower generation and provides other

benefits as well. The Treaty went into effect in 1964 and is a model of transboundary water resource cooperation.

The United States and Canada continue work to seek a modernized Columbia River Treaty regime to better reflect today's realities, while continuing to provide benefits to both of them, including an equitable reduction in the Canadian Entitlement.

The U.S. Government received authorization to negotiate with Canada on the Columbia River Treaty in October 2016. Global Affairs Canada notified the U.S. State Department in December 2017 of Canada's mandate to negotiate the Columbia River Treaty with the United States.

Negotiations began in spring 2018 and continue to date. Both the U.S. Department of State and Canadian negotiators have discussed shared objectives and exchanged information on flood risk management, hydropower and ecosystem considerations. Bonneville is a negotiator with the U.S. State Department in negotiations with Canada to achieve the U.S. objectives for a Modernized Columbia River Treaty Regime.

#### *Willamette Valley System Power Deauthorization*

While the Federal hydroelectric dams of the Columbia and Snake Rivers are valuable clean energy assets for the Pacific Northwest, Bonneville is concerned by the sharply declining value of Federal hydroelectric generation from Oregon's Willamette Valley. The Willamette Valley System was authorized by Congress primarily for flood risk management and the 11 dams in the system continue to provide considerable benefits to downstream communities for flood protection as well as for water supply and recreation. Eight of the dams have power generating capability and Bonneville pays approximately 40 percent on average of the joint costs for those dams.



The Willamette dams were built without fish passage facilities and, in response to litigation, the Corps is investigating structural measures and implementing operations to provide fish passage at the power producing Willamette dams. In addition, the Corps proposed in the draft Environmental Impact Statement for the Willamette Valley System to indefinitely extend reservoir operations for fish passage that reduce power generation by more than a third of recent levels of 171 average megawatts. These dams are among the highest cost projects in Bonneville's hydro portfolio, and the estimated cost of structural measures will add significantly to Bonneville's debt without increasing its revenue or assets. These increases in capital and associated repayment costs affect rates for power customers.

In the FY 2020 Energy and Water Appropriations Act, the House Committee report directed the Corps, Reclamation, and Bonneville to report on methods to modernize allocation of project costs among authorized purposes to reflect current benefits. The Corps and Bonneville focused on the cost allocations for the Willamette dams but could not agree on the method for updating cost allocations. For reference, in the Draft Environmental Impact Statement for the Willamette Valley System, the Corps estimates the annual value of flood protection from the dams as over \$1 billion a year, while the value of hydroelectric production averages \$26 million a year.

Similarly, for FY 2021, the House committee report directed the Corps and Bonneville to continue to work to resolve their approaches to cost reallocation and provide quarterly reports on their progress. Bonneville has provided quarterly reports to the Committee.

In the 2020 Water Resources Development Act, Congress directed the Corps to report within two years of passage on the impacts of deauthorizing the power purposes at the Cougar and Detroit/Big Cliff projects of the Willamette Valley System. Bonneville provided its own assessment to the Corps that impacts should be limited because power production is a residual

purpose of the Willamette dams and is available only after other project purposes have been optimized.

The 2022 Water Resources Development Act directed the Corps to conduct disposition studies for the power purpose at the eight Willamette dams within 18 months of enactment. Bonneville believes that disposition studies should consider the diminished capability for the Willamette dams to generate economical commercial power generation consistent with their originally authorized purposes.

### *Conclusion*

Bonneville continues to deliver tremendous value to the communities and economy of the Pacific Northwest, meeting its statutory obligations. I am proud of the accomplishments of our people and their dedication to Bonneville's mission. This concludes my testimony, Mr. Chairman, and I will be happy to respond to the Subcommittee's questions.

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**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Wednesday, April 17, 2024 5:16 PM  
**To:** Cooper, Suzanne B (BPA) - P-6  
**Subject:** FW: [EXTERNAL] Planned Product Group 4-25-24 Workshop Materials (Slice)  
**Attachments:** POC Slice Design Proposal Customer Presentation 4-25-24.pptx

Hi Suzanne – This is a lot to go through, but I at least want you to have the option of digesting the customer idea raw.

I am working to wrap my head around it. I think it's in there... but need to better understand how BPA's offer would help meet the customer's loads. And, I am thinking through whether there is a market vulnerability in the type of transparency customers are requesting. They want visibility to BPA's envisioned offer curve. Does that give them a market-bidding advantage for their own resources?

Best Regards,

**Kim Thompson** (she/her/hers)  
Vice President | Northwest Requirements Marketing

**BONNEVILLE POWER ADMINISTRATION**

[bpa.gov](http://bpa.gov) | P 503-230-3408 | C (b)(6)



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**From:** Chris Roden <[CRoden@clatskaniepud.com](mailto:CRoden@clatskaniepud.com)>

**Sent:** Wednesday, April 17, 2024 10:56 AM

**To:** [post-2028@bpa.gov](mailto:post-2028@bpa.gov)

**Cc:** Reed, Scott G W (BPA) - PSR-6 <[sgreed@bpa.gov](mailto:sgreed@bpa.gov)>; Bellcoff, Steve (BPA) - PGPR-5 <[srbellcoff@bpa.gov](mailto:srbellcoff@bpa.gov)>; Fisher, Daniel H (BPA) - PSR-6 <[dhfisher@bpa.gov](mailto:dhfisher@bpa.gov)>; Cisco, Kayla A (BPA) - PGL-5 <[kacisco@BPA.gov](mailto:kacisco@BPA.gov)>; Normandeau, Mike (BPA) - PSE-  
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<[rxmantifel@bpa.gov](mailto:rxmantifel@bpa.gov)>; Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>

**Subject:** [EXTERNAL] Planned Product Group 4-25-24 Workshop Materials (Slice)

On behalf of the Planned Products Group of BPA customers; we have attached the materials for the April 25<sup>th</sup> Provider of Choice (POC) workshop.

The utilities that comprise the Planned Product Group are Clark Public Utilities, Clatskanie People's Utility District, Eugene Water and Electric Board, Public Utility District No. 2 of Grant County, Idaho Falls Power, Public Utility District No. 1 of Cowlitz County, Emerald People's Utility District, Public Utility District No. 1 of Franklin County, Public Utility District No. 1 of Lewis County, Public Utility District No. 1 of Snohomish County, Seattle City Light, and Tacoma Public Utilities.

Please note; the attached materials outline a solution set intended to build upon the work already performed in the PoC process. The Planned Products Groups collective hope is to ensure that all products are structured to meet the needs of BPA, it's customers, and the region.

Feel free to reach out to me or any other Planned Product Group utility with any questions or follow-up items.

Chris Roden

# Provider of Choice Slice Proposal Framework

*Presented by Planned Product Customer Group*  
April 2024



## Introduction – The Planned Product Customer Group

- The Planned Product Customer Group represents a diverse cross-section of public power utilities across the Pacific Northwest with a keen interest in BPA's Provider of Choice Planned Product offerings.
- Includes current and past Slice/Block and Block customers.
- Consists of rural and urban communities across multiple states.
- Represents nearly 50% of BPA's expected Priority Firm load.

Clark Public Utilities	Grant PUD	Emerald PUD	Snohomish PUD
Clatskanie PUD	Idaho Falls Power	Franklin PUD	Seattle City Light
Eugene Water and Electric Board	Cowlitz PUD	Lewis PUD	Tacoma Public Utilities

# Executive Summary

Provider of Choice Slice

### **BPA Position – Slice as a DA Product**

- **BPA has proposed that the POC Slice/Block product be a Day-Ahead product.**
  - Slice would be scheduled hourly prior to the DA market run with no ability to adjust schedules hourly in real-time.
- **BPA position on Slice as a DA only product is intended to address planning and operational uncertainties and complexities, both now and in the future, that Slice places on BPA.**
  - Current product design creates operational uncertainty around final power delivery obligation up until real-time → capacity required to support product flexibility into real-time is significant burden on federal system.
  - In the future, formation of day-ahead markets and resource adequacy program requirements (such as WRAP) introduce added uncertainty.
  - Current product implementation introduces added complexity under a day-ahead market framework.
- **Slice product will not be designed to allow customers to submit generation bid curves.**

### BPA Foundational Design Parameters for POC Slice/Block

- Slice/Block product operational implementation is *compatible with how Bonneville would participate in a day-ahead market.*
  - The product *does not require unique market design or exceptions.*
  - Product *can be offered to all customers* including:
    - Customer in same BA as Bonneville.
    - Customer in a different BA to Bonneville and in same market.
    - Customer in a different BA to Bonneville and in a different market.
  - Redesign *does not create additional complexity.*
    - BPA recognizes that *redesign may shift where complexity exists* under Regional Dialogue.
-



### Customer Issues with Slice as a DA Product

- **Slice as a DA-only product scheduled prior to the DA market run presents several issues in a DA market framework.**
  - Results in sub-optimal outcome for both customers and the region/market due to the difference between the self-scheduled Slice resource and the optimal economic market dispatch for the FCRPS Tier 1 system.
  - Excludes customers from more direct market participation.
  - Unclear how product fits into WRAP forward showing and the DA market Must Offer Obligations (MOO).
- **Slice as a DA-only product erodes the fundamental characteristics and value of the product as a whole.**
  - Current product flexibility to adjust schedules in RT supports customers' ability to take direct responsibility to serve preference load **AND** integrate clean non-federal resources.
  - DA Slice requires customers to solely rely on non-federal resources and RT market to manage load and resource uncertainty between DA and RT -> Poses challenges for Slice customers' ability to develop clean variable resources.
  - DA Slice reduces value of the product to customers, thus impacting the sharing of value and risk between customers and BPA commensurate with the actual cost and capability of the Federal Tier 1 System.

### Customer Proposal – A “True Slice” of the System

- Customers believe an alternative product design reflecting a pure Slice of the FCRPS significantly reduces product complexity and uncertainty yet preserves much of the value of the core Slice product.
  - A % allocation of the actual capacity volume, energy dispatch, and market costs & revenue of the Tier 1 FCRPS generation over all applicable time horizons and market products.
- BPA maintains bidding responsibilities and offers a single bid curve.
  - Aligns with expectation that BPA is the single market participant responsible for the Tier 1 FCRPS.
  - Customers and BPA would share insights to help inform BPA's bid curve submittals.
- Customers would receive a proportionate share of actual system dispatch/benefits through existing DA and real-time market mechanisms.
  - Leverage “Combined Interest Resource” (CIR) functionality of the Market that allows Market Operator (NOT BPA) to allocate Slice must-offer obligation contribution, market awards, and settlement of credits and charges directly to the Slice customer using the Slice contract percentages.
- Eliminate today's separate customer-specific instances of the Slice Computer Application and re-purpose a single “system of record” instance that provides:
  - Customer transparency on system conditions and generation capability necessary for Must-Offer Obligations.
  - Coordination with BPA on DA economic offers, and
  - Customer ability to track and manage Slice contribution to individual portfolio management.

# **Current BPA POC Slice Proposal – Problem Statement**

Provider of Choice Slice

## Issue 1: Sub-Optimal Scheduling

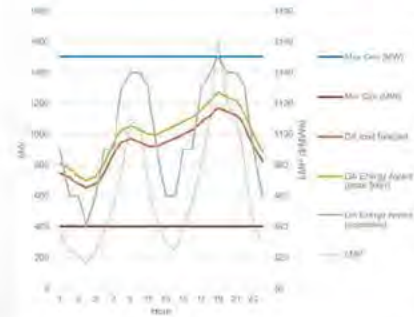
- Resources can be offered into an organized market as *fixed schedules* ("price takers") or *economically offered* (offer curve with price/MW pairs).
  - The market will determine the most optimal dispatch of *economically offered resources*, subject to constraints such as transmission limits, generator parameters, and *fixed schedules*.
  - Markets create value through optimizing economic dispatch; fixed schedules lead to suboptimal market outcomes.
  - The difference between a fixed schedule and how the market would have dispatched the resource had it been economically offered is both an opportunity cost for the participant as well as an opportunity cost for the region/market.
- In DA Market, we expect BPA to economically offer the flexible portion of the FCRPS.
  - For storage hydro, market optimization shapes available water/energy into most valuable periods.
  - BPA and customers would receive benefit by buying from the market during low priced periods; save water/energy to serve load and sell surplus during high load/high price periods.
- **HOWEVER**, under BPA's POC Slice proposal, Slice schedules would be fixed schedules, preventing customers (and potentially everybody) from benefiting from market optimization of slice customer share of FCRPS flexibility.
  - Slice customers would be price takers in the DA and RT market.



## Example: Self-Schedule (Price-Taker) vs Economic Offer

### Simplifying Assumptions

- Slice is only resource (illustrative)
- All market participants, including Slice Customers must meet Must Offer Obligation (MOO)
- DA Must-Offer Obligation (MOO) = Forecast Load + Uncertainty (5%)
- Slice daily energy "limit"  $\rightarrow$  Total energy obligation
- In price taker scenario, customer schedules at MOO for each hour
- Total energy awarded is equal in each scenario
- Mn Gen, Max Gen, Daily Energy all feasible within SCA



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## Issue 2: Management of Real-Time Uncertainty

- Today, Slice customers utilize hourly flexibility of Slice product to manage load and non-federal resource uncertainty between preschedule (day-ahead) and real-time (hour-ahead).
- BPA's proposal would eliminate this ability for Slice customers, making it much more challenging for customers to invest in and integrate clean variable energy resources at a time when such supply is needed by the region. This is inconsistent with BPA's Provider of Choice Policy Goals.
- Real-Time Market may help fill this gap, but increases Slice customer risk relative to today:
  - Increased imbalance MW:
    - Today in EIM, real-time imbalance = difference between meter and *hour-ahead* base schedule
    - In Day-ahead market, real-time imbalance = difference between meter and *day-ahead* market award/schedule
  - Organized markets tend to have more volatile prices
    - Offer floor = \$-200/MWh
    - Offer Cap = \$1000/MWh (up to \$2000/MWh during certain conditions)
  - Ideally real-time slice flexibility would be available to mitigate these risks (as it is under Regional Dialogue)

# Principles and Design for an Alternative Proposal

Provider of Choice Slice



## Preserve Key Characteristics and Value of Existing Product

- With anticipated regional load growth and resource retirements, the Slice product allows customers to take direct responsibility to *serve preference load AND integrate clean resources*, placing less of this burden on BPA:
  - Slice has always been and will continue to be used to serve *Preference Load*.
    - Provides flexibility to serve Tier 2 PF loads as well as non-PF loads (load growth, NLSL, etc.) with embedded "surplus" component of product.
  - Slice/block not guaranteed to meet overall customer load requirements on an hourly basis → customers must also invest in other resources. Due to policy considerations, these are increasingly clean variable energy resources.
  - Slice also allows flexibility to integrate existing and new non-federal resources required to serve load on an hourly basis, especially managing the uncertainty of variable energy resources.
  - Greater autonomy and flexibility over long-term resource planning.
- **Sharing of value and risk between customers and BPA commensurate with the actual cost and capability of the Federal Tier 1 System**
  - For a % of the total cost, buyers should receive an equal % of total system capability.
  - Customers must manage the price and volumetric risk of FCRPS generation, reducing BPA's exposure to market conditions for non-Slice customers.
- **Revenue from surplus energy sales flows directly to customers.**

## Future Markets Require New Slice Product Principles

- A Planned Product that is not just *market compatible*, but *market optimized*.
- Product buyers receive economic dispatch benefit
  - For a % of the cost, buyers receive an equal % of the *economic value of the system*
  - Economic dispatch is a benefit to individual customers and the region as a whole
    - Better use of all available transmission
    - Lower total production costs for consumers due to more economic redispatch
    - Better renewable integration
      - Less pressure on BAs, including BPA, to "shape and firm" wind/solar generation with their own resources
      - Better and cheaper renewable integration for individual customers -- many with new state mandates to address
- Clear understanding of how product fits into WRAP forward showing and Must Offer Obligations (MOO)
- Simplified Implementation for BPA
  - Leverage market mechanisms to simplify settlement
  - Slice customer "schedules" consistent with physical system capability determined by BPA offer curves and market awards.

## Economic Dispatch improves VER integration

- BPA hydro generation backs down as wind in BPA's BA increases
  - Facilitates load service from VERs
  - Save water for more expensive days/hours
  - Reflective of Slice customer and BPA behavior
- Future buildout of VERs increases need for similar opportunistic behavior
- Economically offered generation will be optimized over the whole market footprint
- BPA Slice proposal with fixed DA schedule **precludes** similar cost-minimizing redispatch behavior
  - DA Slice schedule would be based on load forecasts to meet Must-Offer Obligations, without complete redispatch



**Alternative Proposal  
Concept – “*True Slice*”**

---



### True Slice Characteristics

- True Slice customers pay a **% of the cost for an equal % of the FCRPS value**
  - True Slice is a pure Slice of the FCRPS, meaning that customers receive **a % allocation of:**
    - **Actual capacity volume (as represented by the feasible max system capability)**
    - **Energy dispatch, and**
    - **Market revenue**
  - **For the Tier 1 FCRPS generation over all applicable time horizons and market products.**
    - Day Ahead Awards for energy, flexible ramping, and ancillary services
    - Real Time Balancing Market Awards
-

## True Slice Characteristics

### - BPA submits *single offer curve* for flexible FCRPS resources

- True Slice does **NOT** contemplate customer ability to submit individual generation bid curves to a day-ahead market for the slice portion of the product.
- Single bid curve for the federal system would include willingness to generate at various MW/Price pairs along with system minimums (must-run), maximums (capacity and energy delivery limits), ramp rates, etc. → all subject to non-power constraints and system conditions.
- Include processes allowing Slice customer input into BPA offer curve submittals and full transparency of FCRPS generation capability.
- Allows Customers to calculate Slice contribution to MOO as determined by Slice % of FCRPS feasible max generation capability → Max economic offer of FCRPS flexible resources + FCRPS Self Schedule (non-dispatchable) volumes.
- Use existing Slice Computer Application (a.k.a, Slice Water Routing Simulator, or SWRS) to provide system generation capability and facilitate customer input into offer curve submittals.

## True Slice Characteristics

- Leverage **"Combined Interest Resource" (CIR)** functionality of the Market
  - Tier 1 FCRPS registered with Market Operator as single CIR for market operation under a single Market Participant → **BPA**.
  - BPA, as single Market Participant registering the CIR, would provide MO with the individual interest percent shares by each of the other individual Market Participants → **Slice customer %s for each Slice customer**.
  - MOO contribution, market awards, real-time redispatch, and settlement of credits and charges for the CIR are allocated **by the MO directly to the Slice customer** using the percentages of submitted interest share → **No separate sub-allocation process required between BPA and customers, Market \$s flow directly to customers, simplifying Cost Pool accounting.**
  - CIR is a "market only" designation → **In no way does it imply or convey any actual asset ownership or control of Federal assets to a Slice customer, nor do Slice customers control, either virtually or physically, any aspect of the FCRPS interaction with the central market.**

### True Slice Characteristics

- **Simplify and streamline today's Slice implementation by re-purposing the Slice Computer application (a.k.a, SWRS).**
    - BPA maintains a **single instance** of the existing Slice Water Routing Simulator (SWRS) as opposed to today's multiple instances for each customer.
    - Single instance of SWRS will at all times will represent the most current feasible range (min/max) of Federal Tier 1 System generation capability → same as today.
  - Single instance of SWRS would be "**system of record**" that provides:
    - Customer transparency on system conditions and generation capability necessary for Must-Offer Obligations.
    - Tool for coordination with BPA on market offer curves, and
    - Customer ability to track and manage Slice contribution to individual portfolio management.
-



## **Closing Remarks, Questions & Discussion**

### Closing Remarks

- Planned Product customers prefer the True Slice approach to product design over our understanding of BPA's DA Slice design.
  - Customers have not yet seen BPA's proposal for *"Financial True-up benefits and risks for Slice customers based on day-ahead-market operations"*, originally slated for discussion on 4/25
- True Slice addresses many of BPA's concerns about product complexity and uncertainty while maintaining much of the fundamental product characteristics that are of value to customers.
  - Customers receive their share of federal system optimized schedules and dispatch through market awards → Customers' Right-to-Power = BPA's Right-to-Power.
  - Market awards tied to single generation bid curve submitted by BPA. Slice product portion of must-offer met by % share of Tier 1 FCRPS offer curve instead of fixed DA Slice schedules.
  - Real-Time market adjustments and settlements flow through to Slice customers.
  - Product complexities reduced by using existing market functionality to shift complexity from BPA to the Market Operator → Pure Slice is likely **LESS** complex than DA Slice or RD Slice.
- Customers are committed to working collaboratively with BPA to find a **"path to yes"** for Slice product design that meets the needs of both BPA and customers.
  - Customers recognize BPA's desire to stick to the POC schedule, but additional engagement between customer and BPA subject matter experts may be needed during Phase 1 Policy Implementation period to address any critical issues.

## Questions & Discussion

- Additional materials are included as part of this presentation to assist in answering any detailed questions around the Planned Product customers' True Slice approach to POC Slice product design:
    - True Slice Concept Lifecycle
    - "Day-in-the-Life" detail on key business processes
    - Miscellaneous back-up and supporting slides not used elsewhere in the presentation
    - Outstanding Issues & Parking Lot Items catalogue
-

# True Slice Concept Lifecycle

Provider of Choice Slice



## TRUE SLICE CONCEPT WALKTHROUGH

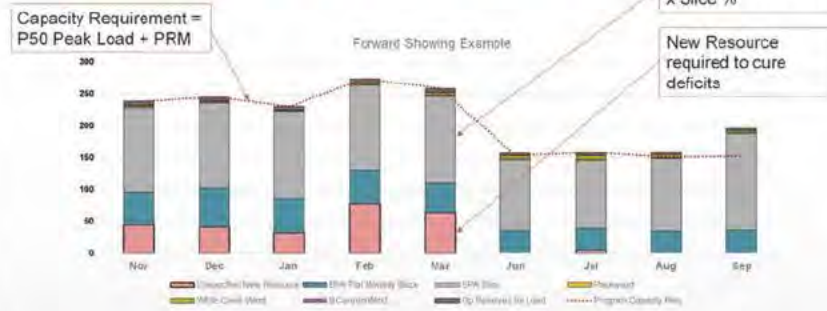


### True Slice & Resource Adequacy - WRAP Forward Showing



- A functional central market requires assurance that enough resource capability is available for the market to solve.
- Meeting WRAP Forward Showing is first step in assuring every LRE in the market footprint is procuring their fair-share of required capacity.
- **Slice Customer as a Market Participant would be a participant in WRAP and would meet all WRAP Forward Showing requirements.**
- WRAP Qualifying Capacity Contributions (QCCs) of all participant resources, including planned Slice QCC, are sufficient to meet the WRAP Forward Showing requirement of forecast P50 Load plus the Planning Reserve Margin → This is a WRAP requirement today for binding participation.

## Forward Showing Considerations



## True Slice & Market Framework – SPP M+ & Combined Interest Resource



- *True Slice assumes the SPP Markets+ framework.*
  - SPP M+ market rules still being finalized, so things could change
  - Would need to address a CAISO EDAM framework
- *Federal Tier 1 System is registered with Market Operator (MO) as a Combined Interest Resource (CIR):*
  - The CIR is registered as a single resource for market operation under a single Market Participant (*in this case, BPA*).
  - BPA, as the single Market Participant registering the CIR, would provide MO with the individual interest percent shares (*in this case, the Contract Slice %s*) by each of the other individual Market Participants (*in this case, the individual Slice customers*).
  - Settlement of credits and charges for the CIR are allocated by the MO *directly to the Slice customer* using the percentages of submitted interest share.
  - CIR is a "market only" designation – *In no way does it imply or convey any actual asset ownership or control of Federal assets to a Slice customer.*



## True Slice & the Market – SWRS



- BPA maintains a **single instance** of the existing **Slice Water Routing Simulator (SWRS)**, which will at all times represent the most current feasible range (min/max) of Federal Tier 1 System generation capability.
  - Today's separate Customer-specific instances of SWRS will go away.
- SWRS inputs will represent then current RT and DA generation capability for market dispatch as well as planned/forecast generation capability for DA+1d through the 10-day simulation window.
  - SWRS will provide Slice customers transparency on system conditions and generation capability necessary for Must-Offer Obligations, coordination with BPA on DA economic offers, and individual portfolio management.
- Each Slice customer will have access to the single instance of SWRS.
  - Slice customer will be limited to read-only access for the Contract Scenario (system of record), will have full read-write access and functionality for Analysis Scenarios (customer "sandbox").

### True Slice & the Day Ahead Market – *Pre-Day Ahead*



#### Multi-Day Ahead

- Market is **not** dispatching FCRPS across multiple days. This will continue to be done outside the market.
- Single instance of SWRS will represent multi-day (10 days) system generation capability informed by system and market conditions.
- SWRS will continue to provide a feasible range of system generation capability (min/max).

#### Pre-Day Ahead Market

- Using SWRS, BPA and customers develop preferred dispatch of system to inform "advisory" offer shape for next morning's DA market submittals reflective of expected market conditions.
- Advisory offer shape in SWRS also provide hourly Feas Max, Feas Min and daily energy limit to be used by Customer to set up expected must-offer obligations for next morning's DA market submittals.

### True Slice & the Market – Day Ahead Must-Offer Obligation



- In Day Ahead Market, all market participants must economically offer sufficient resources to meet demand forecast plus uncertainty --> **Must-Offer Obligation or MOO**.
- MOO is no greater than WRAP forward showing, and resources are adjusted for performance.
- **Customer will use generation capability outputs from the single instance of the SWRS (Feas max, Feas min, daily energy limit) to determine Slice contribution to overall MOO.**
  - Because single instance of **SWRS represents actual Federal Tier 1 System capability**, and because **Federal Tier 1 System is registered with the Market Operator as a CIR**, this ensures that the **customer's MOO is in line with BPA's MOO** for the Federal Tier 1 System resource contribution.

### Day Ahead Market – Must Offer Obligation (MOO) – Minimum Requirements\*

- For each hour, participant must offer resources =
  - + DA Hourly Load Forecast
  - + Hourly Real Time Reserve Obligation for uncertainty
  - (+/-) WRAP reserve sharing obligation
  - + Forward Sales
  - - Forward Purchases

#### WRAP AND M+ MUST OFFER: DAY-AHEAD



\* Minimum requirements applicable during non-binding season (Apr, May, Oct) and when forecasted loads are less than WRAP planning load

Each Market Participant will satisfy the must offer obligation by offering resource capacity greater than or equal to the sum of that Market Participant's (1) load and (2) Flexibility Reserve Products obligations, adjusted by (3) obligations to supply to or rights to receive from the Resource Adequacy Program and adjusted by (4) net position for each



Operating Hour based on the following criteria:

- (1) A Market Participant's load for purposes of this section will be equal to the hourly load forecast for the Market Participant for use in the RUC processes and RTBM, as described in Attachment A, Section 7.5.
- (2) A Market Participant's hourly Flexibility Reserve Products obligation will be equal to the sum of that Market Participant's Short-Term Flex Up and Mid-Term Flex Up obligations as estimated by the Market Operator in accordance with Attachment A, Section 7.5.
- (3) A Market Participant's obligation to supply to or right to receive energy from the Resource Adequacy Program is described in the Markets+ Protocols.

- (4) A Market Participant's net position is forward purchases minus forward sales impacting an LRE's load obligation, as described in the Markets+ Protocols.
- (5) The Resource capacity for a Market Participant is reduced by the total Self-Charging MWs of all MSRs registered to that Market Participant for the Operating Hour.

### Must-Offer Obligation with True Slice - "Normal Winter Day"



- WRAP FS requirement ensures that in most cases, DA MOO would be the Minimum requirement of DA Load Forecast plus market reserves for uncertainty.

## True Slice & the Market – Day Ahead Energy Offer Curve



- As the single registered entity for the Federal Tier 1 System CIR, **BPA submits the DA Economic Offer and generation parameters for the Federal Tier 1 System that includes generation quantity and price pairs.**

- Economic offers tell the market how many additional MWs a Market Participant is willing to sell when the price reaches a certain level.

- BPA to provide customers visibility on final DA offer curve submission to market and update SWRS with any system changes.





## True Slice & the Market – Day Ahead Market Awards



DA Awards determine Slice RTP

- After the Day Ahead market runs, **BPA receives physical dispatch awards for next day Real-Time.**
- This includes all cleared products for the Fed System, including DA energy, Residual Unit Commitment (RUC), etc.
- Based on how the CIR works, the MO will be able to allocate these awards directly to the customer based on the registered Slice %s.
- BPA updates SWRS to reflect next-day physical awards.**





Outstanding issue to note: To the extent BPA is reducing RT offer relative to DA award, customers may also be on the hook to offer additional energy in.

### True Slice & the Market – Settlements & After-the-Fact



- *Market Operator settles all market awards and dispatch associated with the Federal Tier 1 System via the CIR mechanism.*
  - *Settlements* for Combined Interest Resource would *flow directly to Slice Customer* since Market Operator has the Slice %s as part of the CIR registration.
- *Final hourly Right-to-Power in SWRS are trued-up to actual Federal Tier 1 System generation.*
  - True-up amounts are reflected in existing SWRS BOS Deviation Account on frequency TBD.
- *Any market settlements that are not associated with the CIR registration would be accounted for in appropriate BPA cost pools and allocated according to PRDM.*

## True Slice Day-in-the-Life Detail



### **Some Key Pre-Requisites – Market Framework, WRAP Forward Showing**

- Assuming the SPP Markets+ framework.
    - SPP M+ Tariff and market rules still being finalized, so things could change
    - Would need to address a CAISO EDAM framework
  - Slice Customer as a Market Participant would be a participant in WRAP and would meet all Wrap Forward Showing requirements.
    - WRAP QCCs of all participant resources, including planned Slice QCC, are sufficient to meet the WRAP Forward Showing requirement of forecast P50 Load plus the Planning Reserve Margin.
-

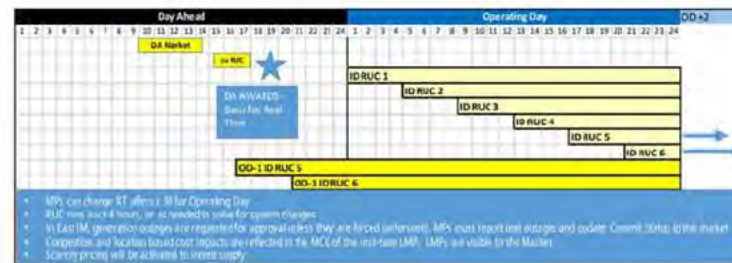
### Some Key Pre-Requisites – Combined Interest Resource

- Federal Tier 1 System is registered with the Market Operator (MO) as one or more *Combined Interest Resource(s)* (CIR(s)).
  - The CIR is registered as a single resource for market operation under a single Market Participant (in this case, BPA).
  - BPA, as the single Market Participant registering the CIR, would provide MO with the individual interest percent shares by each of the other individual Market Participants (in this case, the individual Slice customers, and their contractual Slice %s, respectively).
  - CIR rules state that each individual interest must have contractual rights to or financial obligations for the CIR (in this case, the Block/Slice Contract provides the contractual rights and financial obligations of the CIR - % share of the resource at a % share of the cost).
  - Credits and charges for the CIR are allocated by the MO using the percentages of submitted interest share (in this case, the contractual Slice %s).
- CIR is a "market only" designation – in no way does it imply or convey any actual asset ownership or control of Federal assets by a Slice customer.

## Some Key Pre-Requisites – Slice Water Routing Simulator (SWRS)

- BPA maintains a single instance of the SWRS with a set of Customer Inputs representing the actual FCRPS.
    - This is probably very similar to an instance of SWRS that the BPA Slice Desk currently maintains on their end.
    - Today's separate Customer-specific instances of SWRS will go away.
  - SWRS will represent at all times the most current set of system inputs (constraints and conditions) - similar to how it's done today
  - Customer Inputs will represent then current RT and DA market dispatch as well as planned/forecast dispatch for DA+1 through the 10-day simulation window.
  - Timing and frequency of automated simulations and input updates TBD, but expected to be similar to today's processes
    - Simulations at least hourly, inputs updated 2-3 times hourly.
  - Feasibility of 10-day simulation must be maintained in similar fashion as today
  - Each Slice customer has access to the single instance of SWRS via the default DUI or the Customer Facing Interface (CFI) - same as it is today
  - SWRS access by Slice customer will be limited to read-only for the Contract Scenario; full read-write access and functionality will be unchanged for Analysis Scenarios.
-

## Timing of Day-Ahead Market OVERVIEW OF M+ TIMING





## Pre-DA Market – 2 days prior to RT deliveries (T-2d)

- Coordination schedule shown on upcoming slides is intended to be *illustrative* – will likely need discussion and adjustment
- **By 1000** – Customer uses Analysis Scenarios to develop preferred dispatch of system to inform “advisory” offer shape reflective of expected market conditions. Customer promotes preferred Analysis Scenario in SWRS.
- **1240** – Current RD Slice 12:40 Call re-purposed as Daily Bid Strategy Call
  - Review prior day awards, actual dispatch and market settlement
  - Review Slice system constraints and conditions for 10-Day simulation window and beyond – same as it is today
  - Review short-term forward market conditions/expectations
  - Discuss bid strategy for next day’s DA market submittal, review/consider any Customer submitted Analysis Scenarios (see above)
- **1600** – BPA provides summary of expected hourly offer curve for next day DA market submittal and updates SWRS Customer Inputs that represent preferred market award consistent with DA offer curve and expected system and market conditions beyond DA submittal window.
  - Hourly Feas Max, Feas Min and Slice RTP can be used by Customer to set up expected DA MOO for next morning’s DA market submittals
  - 10-Day feasibility maintained for entire simulation window

### DA Market Submittals – 1 day prior to RT deliveries (T-1d)

- **0500** (needs to meet WRAP deadline of 0520 for submitting performance-adjusted resource forecasts for sharing calculation):
  - BPA sets "final" SWRS Customer Inputs that reflect BPA's expected hourly offer curve submittal for the Federal System for next-day RT (T).
  - Updated Hourly Feas Max, Feas Min and Slice RTP for next-day RT can be used by Customer to set up DA MOO and portfolio position
  - Assumption: SWRS gen outputs would mirror BPA's expectation for its own hourly offer shape and therefore would automatically be roughly shaped to the highest value hours.
- **0630 to 0700** (needs to accommodate WRAP sharing calculation and final Holdback calc and exchange):
  - Customer sets DA hourly up-to Gen shape (presumably based on Hourly Feas Max in SWRS) for next-day RT, includes those values in DA MOO compliance (along with other non-Slice resources)
  - BPA submits DA bids and generation parameters for the Fed Tier 1 System (the CIR) - at a minimum, we would expect these submissions to cover Slice Customers' hourly Feas Max Gen shape in aggregate due to the nature of how the CIR works

### **DA Market Submittals – 1 day prior to RT deliveries (T-1d)**

- **1000 to 1430** – M+ DAM runs at 1000 and DA RUC runs at 1430
- **No Later than 1800** – BPA gets initial physical awards from DA RUC for next-day RT
  - Based on how the CIR works, the MO should be able to allocate these awards directly back to the Customer based on the Slice %s.
- **No Later than 1830** – BPA updates SWRS Customer Inputs that reflect next-day RT physical awards

### **RT Delivery Period (including period after DA submittal process above)**

- Based on how the CIR works, BPA will have control over any RT updates/changes to Fed Tier 1 System gen capability, MOO and hourly bids (including RUC adjustments).
    - For future discussion/consideration: timing of RT changes in offer quantities and impact on customer RT MOO
  - Any RT dispatch orders from the market will be BPA's responsibility and actual dispatch of the system to the market will flow back directly to the Customer through the CIR based on the Slice %.
  - BPA updates SWRS Customer Inputs to reflect actual hourly dispatch of Fed System.
    - This provides RT transparency on Customer's Slice position in RT.
    - Final SWRS hourly RTPs should therefore reflect actual Fed System generation and can be used for any energy true-ups to actual generation
    - These true-ups can be calculated on a frequency TBD and accounted for in the SWRS BOS Deviation Account.
-



### After-the-Fact

- MO settles all market awards and dispatch associated with the Fed Tier 1 System (the CIR).
    - Settlements for CIR would flow directly to Slice Customer since MO has the Slice %s as part of the CIR registration.
  - Any market settlements that are not associated with the CIR registration (maybe some admin fees?) would be accounted for in appropriate BPA cost pools and allocated according to PRDM.
  - Final hourly RTPs in SWRS are trued-up to actual Fed Tier 1 System generation, timing and frequency TBD.
-

# **Misc. Backup/Detail/Unused Slides**

More MOO analysis, some unused Slides

### Considerations for other BPA Power Products

- Problem statement for DA Slice largely applies to Block with Shaping as well
    - BPA's proposal would similarly require customers to finalize flexible portion of Block with Shaping product prior to DA Market run
    - Block with Shaping would also be a price taker in DA Market
    - BPA's proposals for Slice/Block and Block with Shaping collectively leave planned product customers with *no ability* to use defined contractual rights to manage DA-to-RT uncertainty.
  - Ideally flexible elements of all BPA power products would be able to be optimized via DA and RT markets
  - Today's proposal focuses on Slice, but planned product customers interested in seeking similar outcomes for Block with Shaping
-

### Day Ahead Market – Must Offer Obligation (MOO) – Maximum Requirements\*

- The Maximum Day Ahead Must Offer will not exceed the monthly *WRAP Forward Showing requirement*
- This value can be adjusted in the following ways:
  - Reduction for additional forward purchases
  - Addition of additional forward sales
  - WRAP reserve sharing obligation
  - Day Ahead adjustments for fleet performance



Each Market Participant will satisfy the maximum must offer obligation by offering Resource capacity greater than or equal to the Market Participant's (1) Resource Adequacy Program forward showing requirement during a binding season as defined by the Resource Adequacy Program, adjusted by (2) any obligations to further supply to



or rights to receive energy from the Resource Adequacy Program, adjusted by (3) net position, and adjusted for (4) day-ahead forecasted fleet performance based on the following criteria:

- (1) A Market Participant's forward showing requirement is the quantity of capacity required to demonstrate adequacy for the Resource Adequacy Program for each Operating Day during a binding season.
- (2) A Market Participant's obligation to supply or rights to receive energy from the Resource Adequacy Program, is described in the Markets+ Protocols.
- (3) A Market Participant's net position is forward purchases minus forward sales impacting an LRE's load obligation, as

described in the Markets+ Protocols.

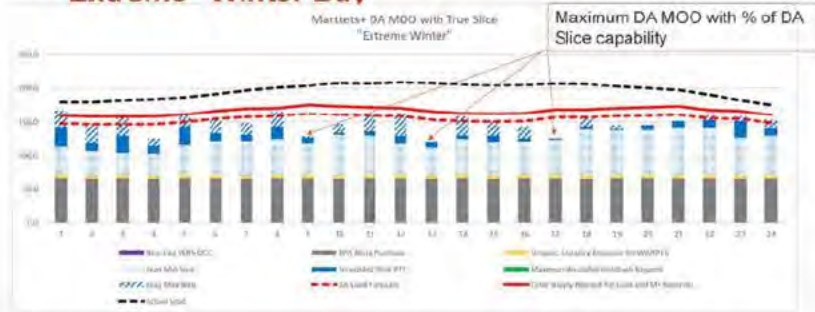
- (4) A Market Participant's adjustment for forecasted day ahead fleet performance is the sum of any forced outages, unplanned unavailability and unplanned change of capacity of Resources registered to the Market Participant for the Operating Hour, and further described in the Markets+ Protocols.

## Must-Offer Obligation with True Slice - "Normal Winter Day"



- WRAP FS requirement ensures that in most cases, DA MOO would be the Minimum requirement of DA Load Forecast plus market reserves for uncertainty.

### Must-Offer Obligation with True Slice - "Extreme" Winter Day"



- <sup>4</sup> In RT, incremental dispatch of available resources in RUC, including Federal System, meet the RT market demand. Slicce customer would get Slicce contract % of RT dispatch.



### **Real Time Balancing Market – Must Offer Obligation (MOO)**

- The Maximum Day Ahead Must Offer will not exceed the annual forward showing requirement
- This value can be adjusted in the following ways:
  - Reduction for additional forward purchases
  - Addition of additional forward sales
  - WRAP reserve sharing obligation
  - Day Ahead adjustments for fleet performance

Each Market Participant will satisfy the must offer obligation in an Operating Hour by offering Resource capacity greater than or equal to the sum of (1) cleared Day-Ahead Market Energy, (2) cleared Flexibility Reserve Products, and (3) incremental Market Commitments from the RUC process, adjusted by (4) obligations to supply to or rights to receive from

the Resource Adequacy Program and adjusted by (5) deviation in net position for each Operating Hour based on the following criteria:

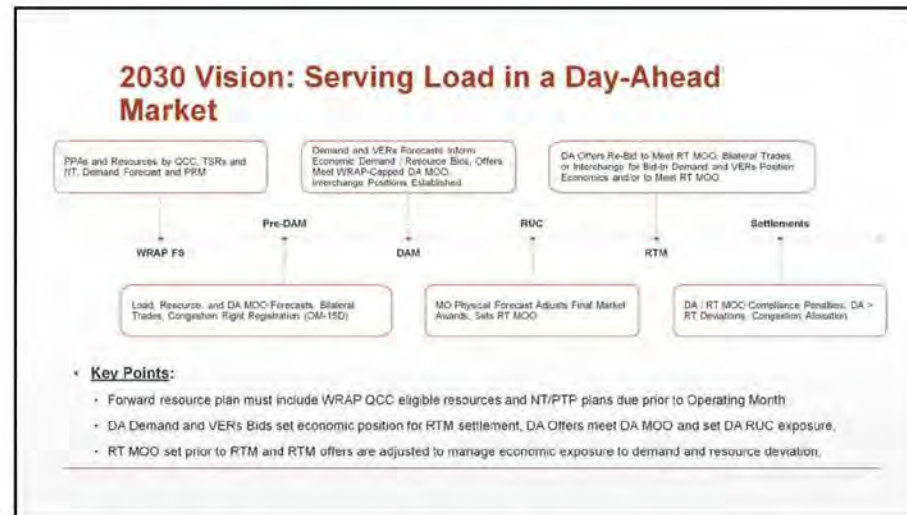
- (1) A Market Participant's cleared Day-Ahead Market Energy is the sum of Energy cleared in the Day-Ahead Market for all Resources registered to the Market Participant for the Operating Hour.
- (2) A Market Participant's cleared Day-Ahead Market Flexibility Reserve Products is the sum of Short-Term Flex Up and Mid-Term Flex Up cleared in the Day-Ahead Market for all Resources registered to the Market Participant for the Operating Hour.
- (3) A Market Participant's incremental commitments from the RUC process is the sum of energy dispatch associated with incremental commitments from the initial RUC process for all Resources registered to the Market

Participant for the Operating Hour, further described in the Markets+ Protocols.

- (4) A Market Participant's obligation to supply energy to or right to receive energy from the Resource Adequacy Program is described in the Markets+ Protocols.
- (5) A Market Participant's deviation in net position is determined by comparing the final net position to the net position that cleared in the Day-Ahead Market for the Operating Hour and further described in the Markets+ Protocols.
- (6) The resource capacity of a Market Participant is reduced by the total Self-Charging MWs of all MSRs registered to that Market Participant

for the Operating Hour.





Can adjust formatting -- goal is to set a common vision for market that Slice will fit within -- “are we on the same page?”

**True Slice utilizes market mechanisms in SPP  
M+ Tariff**

• **COMBINED INTEREST RESOURCE**

- A Resource registered to reflect shared interest of multiple Asset Owners and modeled as one commercial Resource. Credits and charges for these Resources are allocated post market using the submitted interest share percentages.

• **ASSET OWNER**

- An aggregation of assets defined by a Market Participant through the Market Operator's registration process.

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[https://www.spp.org/Documents/71212/Markets%20Plus%20Tariff\\_V1.docx](https://www.spp.org/Documents/71212/Markets%20Plus%20Tariff_V1.docx)

**True Slice Outstanding  
Issues/Parking Lot Items**

Compatible with how Bonneville would participate in a day-ahead market	Path to Yes? (Yes/No/Maybe)
Outstanding Issue/Parking Lot Item	Critical for Phase 1?
1) Add issue/item here	
2)	
3)	
4)	
5)	
5)	
7)	
8)	
9)	
10)	



Does not require unique market design or exceptions.	Path to Yes? (Yes/No/Maybe)
Outstanding Issue/Parking Lot Item	Critical for Phase 1?
1) Add issue/item here	
2)	
3)	
4)	
5)	
5)	
7)	
8)	
9)	
10)	

Can be offered to all customers	Path to Yes? (Yes/No/Maybe)
Outstanding Issue/Parking Lot Item	Critical for Phase 1?
1) Add issue/item here	
2)	
3)	
4)	
5)	
5)	
7)	
8)	
9)	
10)	

Does not create additional complexity	Path to Yes? (Yes/No/Maybe)
Outstanding Issue/Parking Lot Item	Critical for Phase 1?
1) Add issue/item here	
2)	
3)	
4)	
5)	
5)	
7)	
8)	
9)	
10)	

Allows more direct market participation	Path to Yes? (Yes/No/Maybe)
Outstanding Issue/Parking Lot Item	Critical for Phase 1?
1) Add issue/item here	
2)	
3)	
4)	
5)	
5)	
7)	
8)	
9)	
10)	



Minimizes sub-optimal market outcomes	Path to Yes? (Yes/No/Maybe)
Outstanding Issue/Parking Lot Item	Critical for Phase 1?
1) Add issue/item here	
2)	
3)	
4)	
5)	
5)	
7)	
8)	
9)	
10)	

Contribution to market Must-Offer Obligation is understood	Path to Yes? (Yes/No/Maybe)
Outstanding Issue/Parking Lot Item	Critical for Phase 1?
1) Add issue/item here	
2)	
3)	
4)	
5)	
5)	
7)	
8)	
9)	
10)	

Interaction with WRAP Forward Showing and Operations is understood	Path to Yes? (Yes/No/Maybe)
Outstanding Issue/Parking Lot Item	Critical for Phase 1?
1) Add issue/item here	
2)	
3)	
4)	
5)	
5)	
7)	
8)	
9)	
10)	

Preserves fundamental product characteristics and value (i.e., flexibility, load service, non-federal integration, risk sharing, etc.)	Path to Yes? (Yes/No/Maybe)
Outstanding Issue/Parking Lot Item	Critical for Phase 1?
1) Add issue/item here	
2)	
3)	
4)	
5)	
5)	
7)	
8)	
9)	
10)	



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**From:** Cooper,Suzanne B (BPA) - P-6  
**Sent:** Thursday, April 18, 2024 6:10 PM  
**To:** Marker,Doug R (BPA) - AIR-7  
**Cc:** (b)(6)  
**Subject:** FW: URGENT - Need TAC review for Congressional budget testimony by COB tomorrow  
**Attachments:** TAC-AIR-2024-007 FY25 Draft Budget Testimony.pdf; FY25 Budget Testimony - draft for simultaneous TAC.docx

Here you go, Doug. Please see my comment and suggested edit in the document.  
Thanks for the reminder!

---

**From:** Marker,Doug R (BPA) - AIR-7 <drmarker@bpa.gov>  
**Sent:** Thursday, April 18, 2024 4:59 PM  
**To:** Cooper,Suzanne B (BPA) - P-6 <sbcooper@bpa.gov>  
**Cc:** Bas,JoAnn L (BPA) - P-6 <jlbas@bpa.gov>  
**Subject:** RE: URGENT - Need TAC review for Congressional budget testimony by COB tomorrow

Hi Suzanne – I’m following up on this TAC request. I haven’t seen a sign-off from you (and apologize if I’ve missed it) I’ve heard from Kim, Michelle, Rachel, Jamae, and Hub. And I realize I’m not quite at COB today, but do want to get this into Front Office as soon as possible.

Thank you!

Doug

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**From:** Marker,Doug R (BPA) - AIR-7  
**Sent:** Wednesday, April 17, 2024 3:04 PM  
**To:** Manchester,Kathleen L (CONTR) - AIT-7 <klmanchester@bpa.gov>; Baskerville,Sonya L (BPA) - AI-WASH <slbaskerville@bpa.gov>; Zimmerman,Nita M (BPA) - MT-3 <nmzimmerman@bpa.gov>; Scruggs,Joel L (BPA) - DK-7 <jlscruggs@bpa.gov>; Rutherford,Nicole A (BPA) - DSO-3 <narutherford@bpa.gov>; Armentrout,Scott G (BPA) - E-4 <sgarmentrout@bpa.gov>; Rosa,Liza A (BPA) - H-1 <larosa@bpa.gov>; Bell,Kevin (BPA) - LG-7 <wkbell@bpa.gov>; Senters,Anne E (BPA) - LN-7 <aesenters@bpa.gov>; Kutil,Sarah M (BPA) - LT-7 <smkutil@bpa.gov>; Cooper,Suzanne B (BPA) - P-6 <sbcooper@bpa.gov>; Johnson,Tim A (BPA) - LP-7 <tajohnson@bpa.gov>; Hilliard Creecy,Jamae (BPA) - PE-6 <jlhilliard@bpa.gov>; Cathcart,Michelle M (BPA) - PG-5 <mmcathcart@bpa.gov>; Thompson,Kim T (BPA) - PS-6 <ktthompson@bpa.gov>; Dibble,Rachel L (BPA) - PT-5 <rldibble@bpa.gov>; Shaheen,Richard L (BPA) - T-DITT-2 <rlshaheen@bpa.gov>; Cook,Jeffrey W (BPA) - TP-DITT-2 <jwcook@bpa.gov>; Manary,Michelle L (BPA) - TS-DITT-2 <mlmanary@bpa.gov>  
**Cc:** Jones,Sheron M (BPA) - AIN-WASH <smjones@bpa.gov>; Harris,Marcus A (BPA) - F-2 <maharris@bpa.gov>; Mesa,Aaron J (CONTR) - F-2 <ajmesa@bpa.gov>; Sigo,Jacob L (BPA) - MTP-3 <jsigo@bpa.gov>; Pham,Bryan L (CONTR) - DKD-7 <blpham@bpa.gov>; Darfler,Gizella (BPA) - DS-3 <GDarfler@bpa.gov>; Renner,Marcella P (BPA) - E-4 <mprenner@bpa.gov>; EW Admin <ewadmin@bpa.gov>; Walker,Anne M (BPA) - H-1 <amwalker@bpa.gov>; Legal Support <LegalSupport@bpa.gov>; Ramos,Maritza Y (BPA) - LS-7 <MYRamos@bpa.gov>; Jones,Juli A (BPA) - LS-7 <jajones@bpa.gov>; Dye,Elizabeth D (BPA) - LS-7 <eddye@bpa.gov>; Bas,JoAnn L (BPA) - P-6 <jlbas@bpa.gov>; Espinosa,Tammy R (BPA) - PE-6 <trespinosa@bpa.gov>; Arendt,Samantha A (BPA) - PG-5 <SAArendt@bpa.gov>; Strand,Heidi M (BPA) - PT-5 <hmstrand@bpa.gov>; Brookshire,Sherry S (BPA) - T-DITT-2 <ssbrookshire@bpa.gov>; Scott,Lisa J (BPA) - TA-DITT-2 <ljscott@bpa.gov>; Moditz,Tina (BPA) - TP-DITT-2 <cdmoditz@bpa.gov>; McKay,Barbara A (BPA) - TS-DITT-2 <bamckay@bpa.gov>  
**Subject:** URGENT - Need TAC review for Congressional budget testimony by COB tomorrow



DOE Congressional Affairs just requested our testimony by next Wednesday, so I need to accelerate the TAC review process. I would appreciate your review by COB tomorrow, Thursday April 18. Thank you very much, and please contact me if you have questions or concerns.

Best,

Doug

Doug Marker  
Intergovernmental Affairs  
Bonneville Power Administration  
[drmarker@bpa.gov](mailto:drmarker@bpa.gov)  
(b)(6) phone and text

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**From:** Manchester, Kathleen L (CONTR) - AIT-7 <[klmanchester@bpa.gov](mailto:klmanchester@bpa.gov)>

**Sent:** Wednesday, April 17, 2024 12:55 PM

**To:** Baskerville, Sonya L (BPA) - AI-WASH <[slbaskerville@bpa.gov](mailto:slbaskerville@bpa.gov)>; Zimmerman, Nita M (BPA) - MT-3 <[nmzimmerman@bpa.gov](mailto:nmzimmerman@bpa.gov)>; Scruggs, Joel L (BPA) - DK-7 <[jlsruggs@bpa.gov](mailto:jlsruggs@bpa.gov)>; Rutherford, Nicole A (BPA) - DSO-3 <[narutherford@bpa.gov](mailto:narutherford@bpa.gov)>; Armentrout, Scott G (BPA) - E-4 <[sgarmentrout@bpa.gov](mailto:sgarmentrout@bpa.gov)>; Rosa, Liza A (BPA) - H-1 <[larosa@bpa.gov](mailto:larosa@bpa.gov)>; Bell, Kevin (BPA) - LG-7 <[wkbell@bpa.gov](mailto:wkbell@bpa.gov)>; Senters, Anne E (BPA) - LN-7 <[aesenters@bpa.gov](mailto:aesenters@bpa.gov)>; Kutil, Sarah M (BPA) - LT-7 <[smkutil@bpa.gov](mailto:smkutil@bpa.gov)>; Cooper, Suzanne B (BPA) - P-6 <[sbcooper@bpa.gov](mailto:sbcooper@bpa.gov)>; Johnson, Tim A (BPA) - LP-7 <[tajohnson@bpa.gov](mailto:tajohnson@bpa.gov)>; Hilliard Creecy, Jamae (BPA) - PE-6 <[jhilliard@bpa.gov](mailto:jhilliard@bpa.gov)>; Cathcart, Michelle M (BPA) - PG-5 <[mmcathcart@bpa.gov](mailto:mmcathcart@bpa.gov)>; Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>; Dibble, Rachel L (BPA) - PT-5 <[rldibble@bpa.gov](mailto:rldibble@bpa.gov)>; Shaheen, Richard L (BPA) - T-DITT-2 <[rlshaheen@bpa.gov](mailto:rlshaheen@bpa.gov)>; Cook, Jeffrey W (BPA) - TP-DITT-2 <[jwcook@bpa.gov](mailto:jwcook@bpa.gov)>; Manary, Michelle L (BPA) - TS-DITT-2 <[mlmanary@bpa.gov](mailto:mlmanary@bpa.gov)>

**Cc:** Marker, Doug R (BPA) - AIR-7 <[drmarker@bpa.gov](mailto:drmarker@bpa.gov)>; Jones, Sheron M (BPA) - AIN-WASH <[smjones@bpa.gov](mailto:smjones@bpa.gov)>; Harris, Marcus A (BPA) - F-2 <[maharris@bpa.gov](mailto:maharris@bpa.gov)>; Mesa, Aaron J (CONTR) - F-2 <[ajmesa@bpa.gov](mailto:ajmesa@bpa.gov)>; Sigo, Jacob L (BPA) - MTP-3 <[jsigo@bpa.gov](mailto:jsigo@bpa.gov)>; Pham, Bryan L (CONTR) - DKD-7 <[blpham@bpa.gov](mailto:blpham@bpa.gov)>; Darfler, Gizella (BPA) - DS-3 <[GDarfler@bpa.gov](mailto:GDarfler@bpa.gov)>; Renner, Marcella P (BPA) - E-4 <[mprenner@bpa.gov](mailto:mprenner@bpa.gov)>; EW Admin <[ewadmin@bpa.gov](mailto:ewadmin@bpa.gov)>; Walker, Anne M (BPA) - H-1 <[amwalker@bpa.gov](mailto:amwalker@bpa.gov)>; Legal Support <[LegalSupport@bpa.gov](mailto:LegalSupport@bpa.gov)>; Ramos, Maritza Y (BPA) - LS-7 <[MYRamos@bpa.gov](mailto:MYRamos@bpa.gov)>; Jones, Juli A (BPA) - LS-7 <[jaones@bpa.gov](mailto:jaones@bpa.gov)>; Dye, Elizabeth D (BPA) - LS-7 <[eddye@bpa.gov](mailto:eddye@bpa.gov)>; Bas, JoAnn L (BPA) - P-6 <[jlbass@bpa.gov](mailto:jlbass@bpa.gov)>; Espinosa, Tammy R (BPA) - PE-6 <[trespinosa@bpa.gov](mailto:trespinosa@bpa.gov)>; Arendt, Samantha A (BPA) - PG-5 <[SAArendt@bpa.gov](mailto:SAArendt@bpa.gov)>; Strand, Heidi M (BPA) - PT-5 <[hmstrand@bpa.gov](mailto:hmstrand@bpa.gov)>; Brookshire, Sherry S (BPA) - T-DITT-2 <[ssbrookshire@bpa.gov](mailto:ssbrookshire@bpa.gov)>; Scott, Lisa J (BPA) - TA-DITT-2 <[ljscott@bpa.gov](mailto:ljscott@bpa.gov)>; Moditz, Tina (BPA) - TP-DITT-2 <[cdmoditz@bpa.gov](mailto:cdmoditz@bpa.gov)>; McKay, Barbara A (BPA) - TS-DITT-2 <[bamckay@bpa.gov](mailto:bamckay@bpa.gov)>; Manchester, Kathleen L (CONTR) - AIT-7 <[klmanchester@bpa.gov](mailto:klmanchester@bpa.gov)>

**Subject:** ACTION REQUIRED: TAC-AIR-2024-007 FY25 Draft Budget Testimony

Hello, Please see attached draft testimony for the May 16 hearing on Power Marketing Administration FY 25 budgets. Proposed testimony is a summary of Bonneville's performance and current initiatives.

**Simultaneous TAC review requested by COB, Monday, April 22, 2024.**

AI  
DK  
DS  
E  
F – courtesy review only  
L – courtesy review only  
LP, LT, LG, LN

MT (BTO)  
P, PE, PG, PS, PT  
T, TP, TS

**F/L Review requested by:**

F - Tuesday, April 23 Noon

L - Tuesday, April 23 COB

**Attachments include:**

-FY25 Budget Testimony

-TAC form

Please send edits/comments to Doug Marker and cc: Sheron Jones & Kathie Manchester

Thank you,

***Kathie Manchester***

(CONTR) Actalent

Program Support Specialist | Tribal Affairs, AIT-7

**BONNEVILLE POWER ADMINISTRATION**

[bpa.gov](http://bpa.gov) | P 503-230-7685 [klmanchester@bpa.gov](mailto:klmanchester@bpa.gov)

---

**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Monday, April 29, 2024 8:48 AM  
**To:** Cooper, Suzanne B (BPA) - P-6  
**Subject:** FW: [EXTERNAL] BPA and PNGC  
**Attachments:** Hairston Letter 4.25.24.pdf

(b)(5)



Best Regards,  
**Kim Thompson** (she/her/hers)  
Vice President | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
[bpa.gov](https://bpa.gov) | P 503-230-3408 | 



---

**From:** Wilson, Scott K (BPA) - PSW-6 <[skwilson@bpa.gov](mailto:skwilson@bpa.gov)>  
**Sent:** Friday, April 26, 2024 5:36 PM  
**To:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>; Garrett, Paul D (BPA) - PSS-6 <[pdgarrett@bpa.gov](mailto:pdgarrett@bpa.gov)>; Schimmels, Nancy M (BPA) - PSE-MEAD-GOB <[nmschimmels@bpa.gov](mailto:nmschimmels@bpa.gov)>  
**Subject:** FW: [EXTERNAL] BPA and PNGC

(b)(5)



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**From:** Wilson, Scott K (BPA) - PSW-6  
**Sent:** Friday, April 26, 2024 5:18 PM  
**To:** Smith, Jack A (BPA) - PSW-6 <[jasmith@bpa.gov](mailto:jasmith@bpa.gov)>  
**Subject:** RE: [EXTERNAL] BPA and PNGC

Thanks Jack.

(b)(5)



--Scott

---

**From:** Smith, Jack A (BPA) - PSW-6 <[jasmith@bpa.gov](mailto:jasmith@bpa.gov)>  
**Sent:** Friday, April 26, 2024 3:27 PM

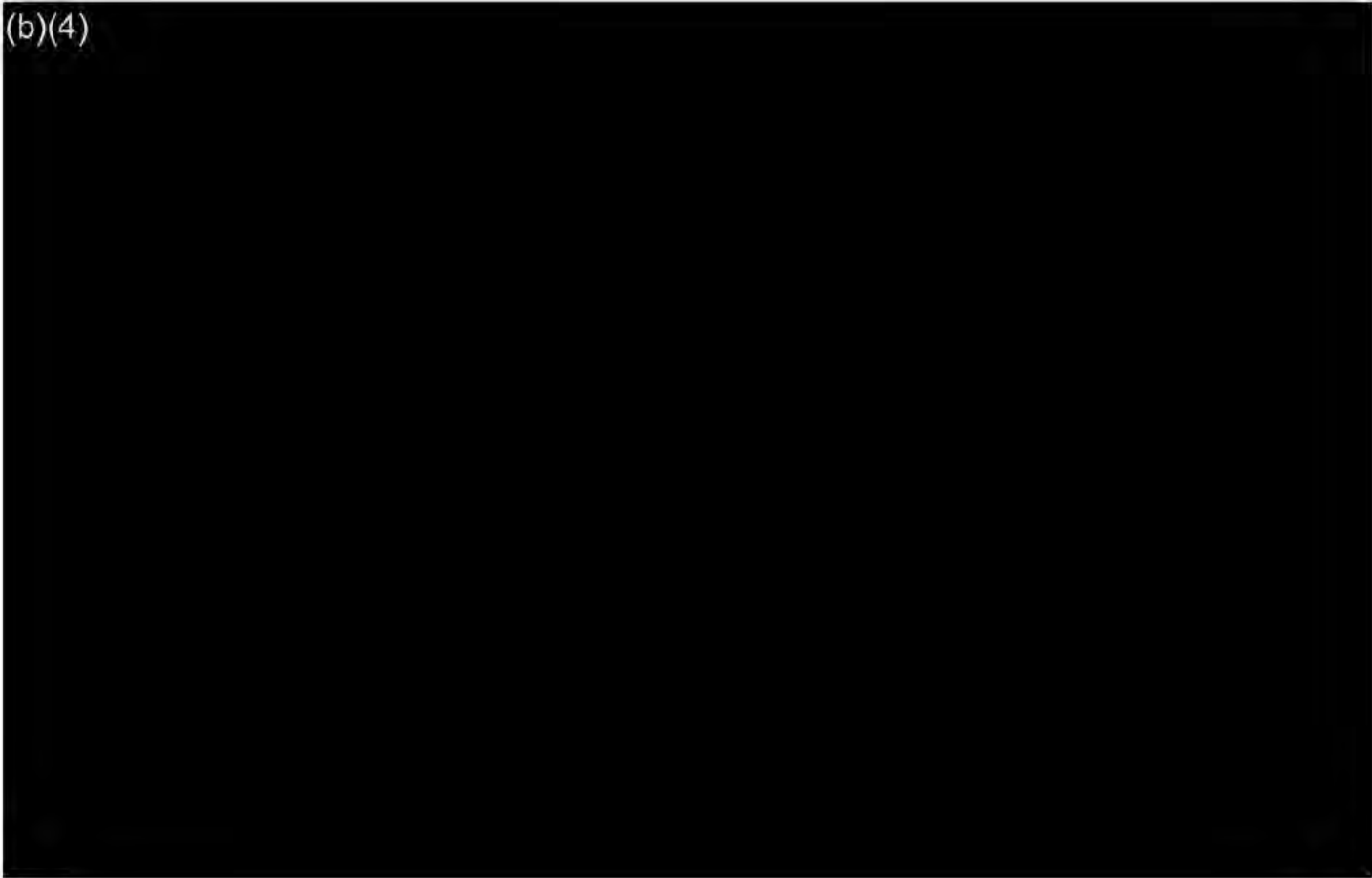


**To:** Wilson, Scott K (BPA) - PSW-6 <[skwilson@bpa.gov](mailto:skwilson@bpa.gov)>

**Subject:** FW: [EXTERNAL] BPA and PNGC

FYI

(b)(4)



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**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Tuesday, April 30, 2024 1:02 PM  
**To:** Wilson, Scott K (BPA) - PSW-6; Smith, Jack A (BPA) - PSW-6; Schimmels, Nancy M (BPA) - PSE-MEAD-GOB  
**Subject:** FW: ECO-2024-010: BPA and PNGC letter, re. new customers  
**Attachments:** Hairston Letter 4.25.24 PNGC.pdf

Best Regards,  
**Kim Thompson** (she/her/hers)  
Vice President | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
[bpa.gov](https://bpa.gov) | P 503-230-3408 | C (b)(6)



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**From:** Executive Correspondence Officer <[eco@bpa.gov](mailto:eco@bpa.gov)>  
**Sent:** Tuesday, April 30, 2024 10:59 AM  
**To:** Cooper, Suzanne B (BPA) - P-6 <[sbcooper@bpa.gov](mailto:sbcooper@bpa.gov)>; Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>  
**Cc:** Executive Correspondence Officer <[eco@bpa.gov](mailto:eco@bpa.gov)>  
**Subject:** ECO-2024-010: BPA and PNGC letter, re. new customers

Good morning, John received the attached letter from PNGC on Friday and I have logged it executive correspondence, ECO-2024-010. Kim, he has asked that you take the lead in drafting a response. Please let me know what you may need from me.

R/s,

**Ben Hannigan**  
Executive Associate to the Administrator & CEO  
Office: (503) 230-5104 / Cell: (b)(6)  
**Bonneville Power Administration**  
[bpa.gov](https://bpa.gov)



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**From:** Hairston, John L (BPA) - A-7 <[jlhairston@bpa.gov](mailto:jlhairston@bpa.gov)>  
**Sent:** Monday, April 29, 2024 4:20 PM  
**To:** Hannigan IV, Benjamin R (BPA) - A-7 <[brhannigan@bpa.gov](mailto:brhannigan@bpa.gov)>  
**Subject:** FW: [EXTERNAL] BPA and PNGC

(b)(4)



(b)(4)



















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**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Friday, May 3, 2024 7:26 AM  
**To:** Wilson, Scott K (BPA) - PSW-6; Smith, Jack A (BPA) - PSW-6  
**Subject:** Timing question  
**Attachments:** Observations on April 26 PNGC letter

(b)(5)



Best Regards,

**Kim Thompson** (she/her/hers)

Vice President | Northwest Requirements Marketing

[BONNEVILLE POWER ADMINISTRATION](#)

[bpa.gov](#) | P 503-230-3408 | C (b)(6)



**From:** Johnson,Tim A (BPA) - LP-7

**Sent:** Thu May 02 13:43:53 2024

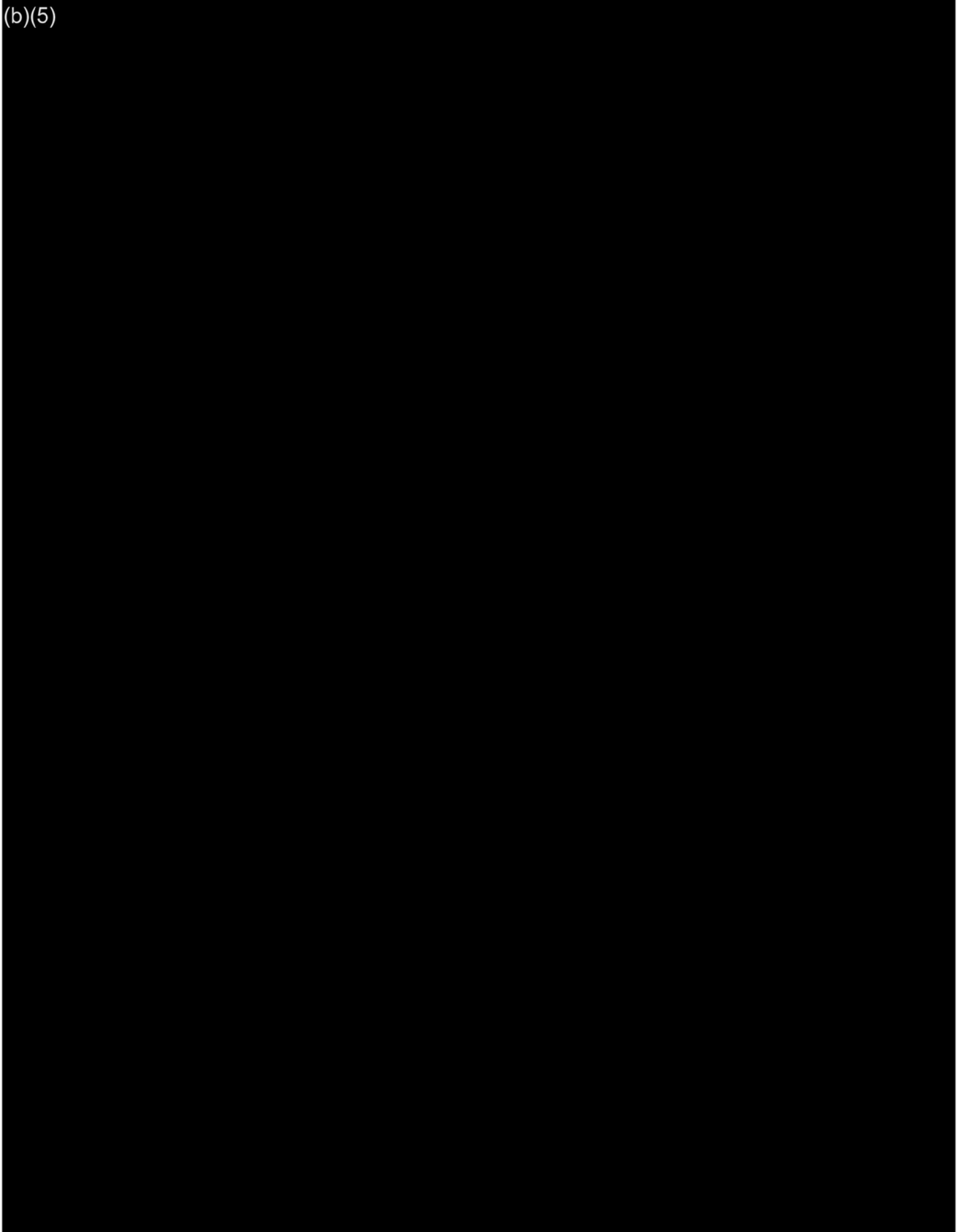
**To:** Cooper,Suzanne B (BPA) - P-6; Thompson,Kim T (BPA) - PS-6

**Subject:** Observations on April 26 PNGC letter

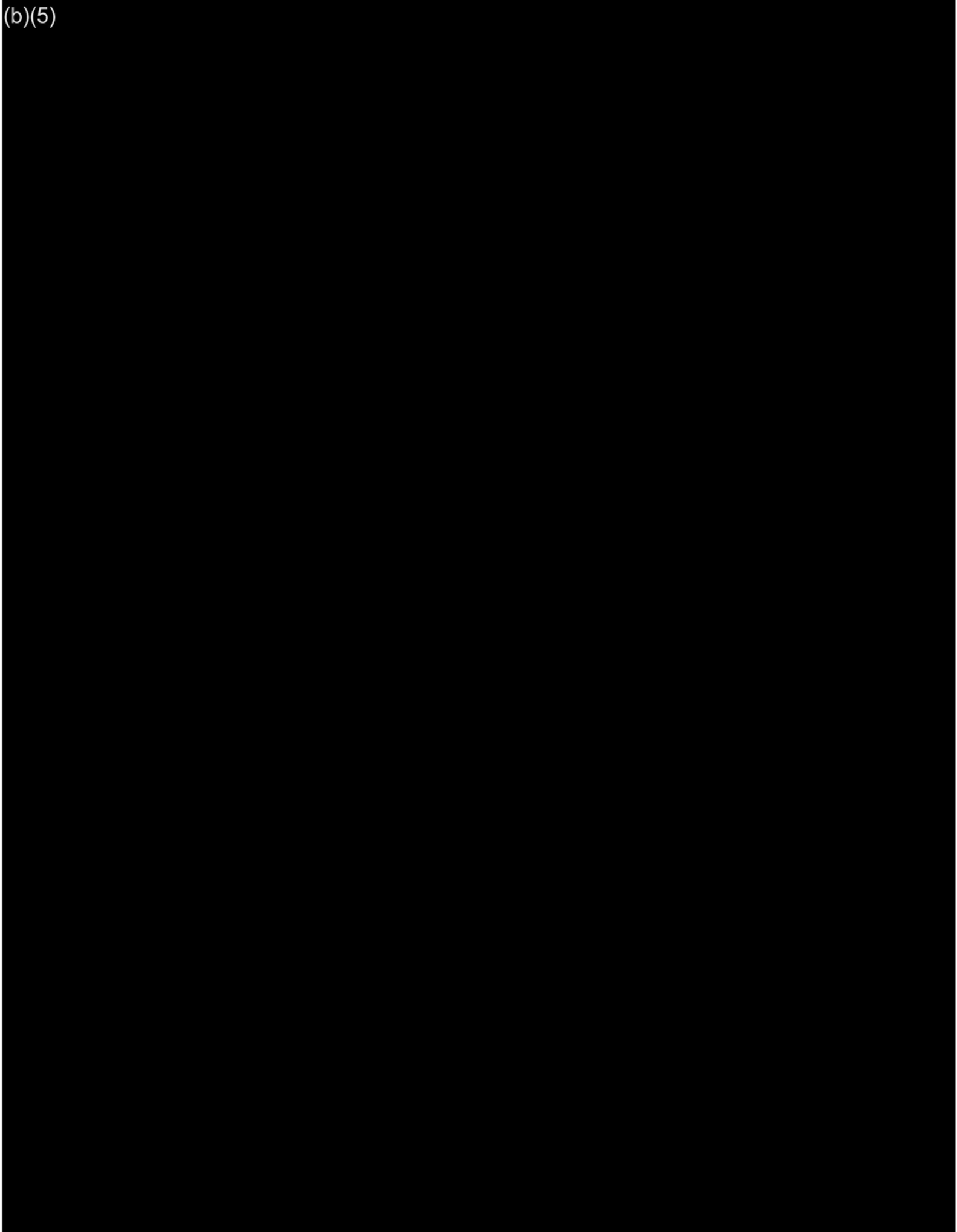
**Importance:** Normal

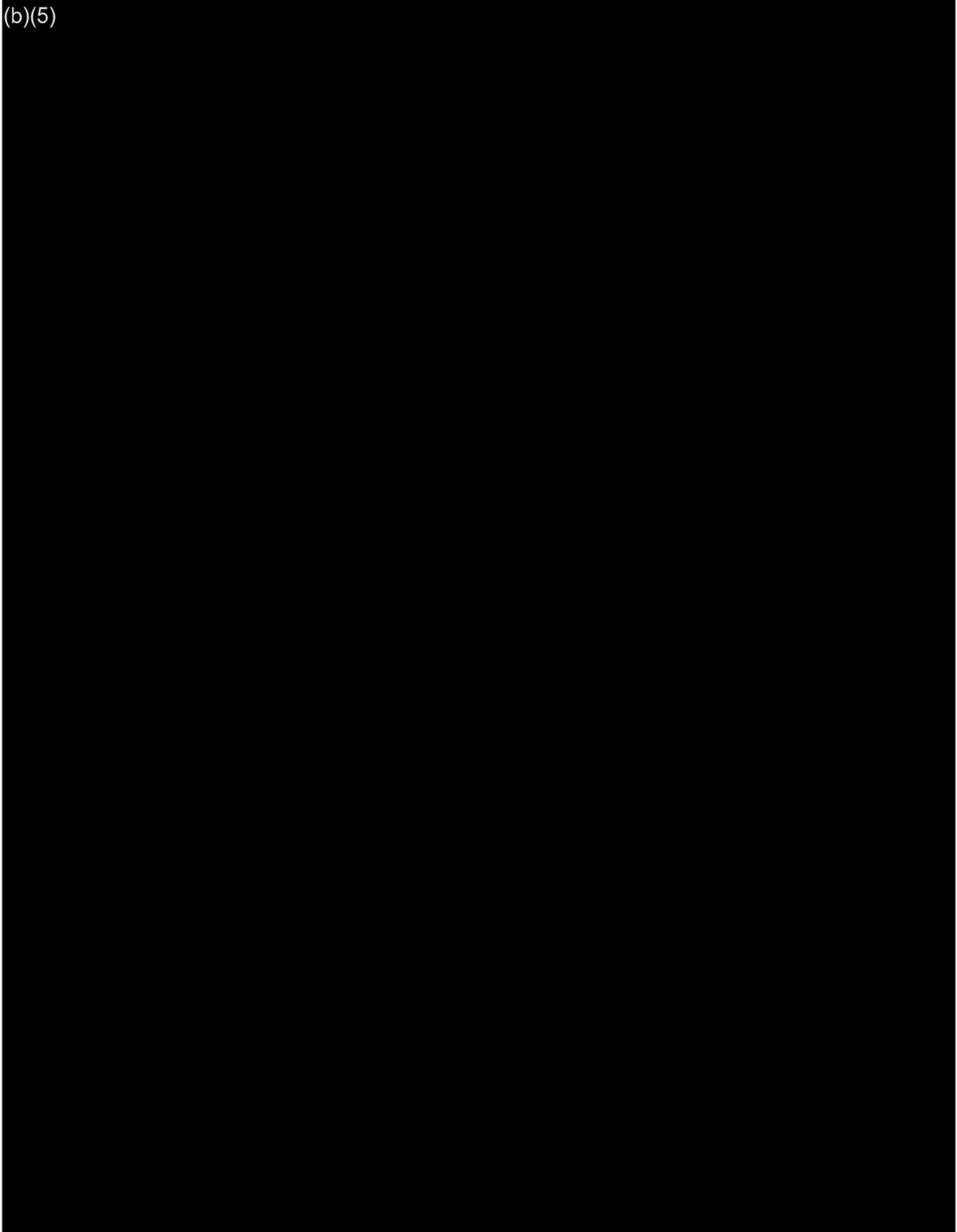
**Attachments:** Observations on April 26 PNGC letter.docx

Sharing with you my observations of the most recent PNGC letter to the Administrator. This is informal and does not represent a formal opinion or advice memo.









(b)(5)



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**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Friday, May 3, 2024 7:31 AM  
**To:** Perry, Marcus I (BPA) - PSW-6  
**Cc:** Wilson, Scott K (BPA) - PSW-6; Burczak, Sarah E (BPA) - PS-6; Burr, Robert A (BPA) - PS-6  
**Subject:** RE: Snohomish inputs  
**Attachments:** FW: [EXTERNAL] Informal Comments on April 16, 2024 Provider of Choice Workshop

Hi Marcus – Yesterday, Sarah shared the informal comments Seattle submitted recently in response to workshops. After reading them, I *think* I understand the tie between planned products and resource development that some customers are asserting. Take a look at the Seattle comments and see what you can glean from Garrison.

Here's my interpretation of Seattle's positioning. Because the planned products are designed to serve load *net of* dedicated nonfederal resources and because that netting includes the flexible capabilities of those resources (via PNR limits for things like shaping capacity), customers will not want to build/dedicate nonfederal resources because doing so may reduce amounts or limit the flexibility of what they are purchasing from BPA.

Best Regards,  
**Kim Thompson** (she/her/hers)  
Vice President | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
[bpa.gov](http://bpa.gov) | P 503-230-3408 | C (b)(6)



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**From:** Perry, Marcus I (BPA) - PSW-6 <[miperry@bpa.gov](mailto:miperry@bpa.gov)>  
**Sent:** Thursday, May 2, 2024 2:18 PM  
**To:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>  
**Cc:** Wilson, Scott K (BPA) - PSW-6 <[skwilson@bpa.gov](mailto:skwilson@bpa.gov)>; Burczak, Sarah E (BPA) - PS-6 <[seburczak@bpa.gov](mailto:seburczak@bpa.gov)>; Burr, Robert A (BPA) - PS-6 <[raburr@bpa.gov](mailto:raburr@bpa.gov)>  
**Subject:** RE: Snohomish inputs

Thanks, Kim.

Nothing immediately comes to mind. I have a check in with Garrison tomorrow late morning so I'll probe a bit more on the threads he's connecting between product design and any disincentive to developing resources. I'll follow up after and provide any insight to his comments to John.

-Marcus

---

**From:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>  
**Sent:** Thursday, May 2, 2024 9:08 AM  
**To:** Perry, Marcus I (BPA) - PSW-6 <[miperry@bpa.gov](mailto:miperry@bpa.gov)>  
**Cc:** Wilson, Scott K (BPA) - PSW-6 <[skwilson@bpa.gov](mailto:skwilson@bpa.gov)>; Burczak, Sarah E (BPA) - PS-6 <[seburczak@bpa.gov](mailto:seburczak@bpa.gov)>; Burr, Robert A (BPA) - PS-6 <[raburr@bpa.gov](mailto:raburr@bpa.gov)>  
**Subject:** Snohomish inputs



Hi Marcus – Sharing feedback John heard from Garrison (with support from Bear) at PPC yesterday. Please let me know if you have additional insights from Snohomish’s perspective – or if we should engage Garrison to make sure we understand the angle he’s coming from.

The feedback John relayed is that Garrison feels the approach we are taking to product design will discourage customers from developing nonfederal resources. John shared that he feels the policy we set gives new flexibilities for nonfederal resources – and that we can’t do it all on our own. BPA will need customers developing resources. Garrison said his specific concerns were around Slice and Block with Shaping capacity.

I can’t immediately draw a line between product design and ‘discouraging’ nonfederal resource development. I find the input curious and opaque. I’d like to understand more fully.

Let me know your thoughts on how best to unpack Garrison’s thinking.

Best Regards,

**Kim Thompson** (she/her/hers)

Vice President | Northwest Requirements Marketing

**BONNEVILLE POWER ADMINISTRATION**

[bpa.gov](https://bpa.gov) | P 503-230-3408 | C (b)(6)



From: Burczak, Sarah E (BPA) - PS-6

Sent: Thu May 02 14:52:14 2024

To: Thompson, Kim T (BPA) - PS-6

Subject: FW: [EXTERNAL] Informal Comments on April 16, 2024 Provider of Choice Workshop

Importance: Normal

Attachments: FINAL 2024-04-30 SCL Informal Comments on April 16, 2024 Provider of Choice Workshop.pdf

**From:** Post-2028 <Post2028@bpa.gov>

**Sent:** Wednesday, May 1, 2024 9:24 AM

**To:** Burczak, Sarah E (BPA) - PS-6 <seburczak@bpa.gov>; Burr, Robert A (BPA) - PS-6 <raburr@bpa.gov>;  
Lichtenfels, Michelle E (BPA) - PS-6 <melichtenfels@bpa.gov>; Olive, Kelly J (BPA) - PSS-6 <kjmason@bpa.gov>;  
Wilson, Scott K (BPA) - PSW-6 <skwilson@bpa.gov>

**Subject:** FW: [EXTERNAL] Informal Comments on April 16, 2024 Provider of Choice Workshop

Comments from SCL on the 4/16 workshop.

**Tara Schaefer** (she/her)

(ContR) CorSource

Program Specialist, Provider of Choice | Northwest Requirements Marketing

**Bonneville Power Administration**

[tcschaefer@bpa.gov](mailto:tcschaefer@bpa.gov) | P 503-230-5062 | (b)(6)

**From:** Bach, Alan <[Alan.Bach@seattle.gov](mailto:Alan.Bach@seattle.gov)>

**Sent:** Tuesday, April 30, 2024 1:59 PM

**To:** Post-2028 <[Post2028@bpa.gov](mailto:Post2028@bpa.gov)>

**Cc:** Patton, Kathryn B (BPA) - PSW-SEATTLE <[kbpatton@bpa.gov](mailto:kbpatton@bpa.gov)>; Cooper, Suzanne B (BPA) - P-6 <[sbcooper@bpa.gov](mailto:sbcooper@bpa.gov)>; Walter, Josh <[Josh.Walter@seattle.gov](mailto:Josh.Walter@seattle.gov)>; Dockery, Paul <[Paul.Dockery@seattle.gov](mailto:Paul.Dockery@seattle.gov)>

**Subject:** [EXTERNAL] Informal Comments on April 16, 2024 Provider of Choice Workshop

Dear BPA,

Please find attached SCL's informal comments on BPA's April 16, 2024 Provider of Choice workshop on the Block product.

Thank you,

**ALAN BACH** (he/him/his)

**SEATTLE CITY LIGHT**

**Power Analyst | Power Contracts & Regional Affairs**

[Alan.Bach@seattle.gov](mailto:Alan.Bach@seattle.gov) | (206) 615-0941



April 30, 2024

BONNEVILLE POWER ADMINISTRATION  
905 NE 11<sup>TH</sup> AVENUE  
PORTLAND OR 97232

Submitted via email: [post2028@bpa.gov](mailto:post2028@bpa.gov)

### **Comments on April 16, 2024, Provider of Choice Workshop on the Block Product**

Thank you for hosting BPA's Provider of Choice (POC) workshop on the Block Product held April 16, 2024. We appreciate that BPA's workshops offer a platform for parties to voice their positions. Below, City Light provides our response to select topics discussed by BPA and other parties during the workshop.

#### *Diurnally Shaped Block and Shaping Factors*

City Light appreciates that BPA has decided to continue to offer diurnal shaping for the Block product. As City Light has previously expressed, while the coincidence of Heavy Load Hours (HLHs) corresponding to peak load hours and Light Load Hours (LLHs) with off peak load hours is blurring City Light still finds substantial value in a product that delivers power in a diurnally time-variant manner.

On the topic of updates to the Shaping Factors, during the workshop City Light expressed that one issue with using five-year historic load data in lieu of weather normalized load is that load can change significantly in seasonality over 5 years, due to electrification. City Light believes the ideal situation for customers would be to have Shaping Factors be based on weather normalized data, updated on a rate period basis. More accurate and frequent updates would not necessarily create additional resource planning costs to BPA, as to the extent a customer's new Block values alters the alignment between the customer's old Block values and BPA's planned resources to meet the old Block values the customer would be charged additional load shaping charges. City Light understands that using weather-normalized Shaping Factors updated on a rate period basis is far from BPA's proposal to have a single, non-weather normalized update during the contract period. However, given the rapid changes to load caused by electrification that were not as prevalent during the previous contract period, City Light does not believe it is prudent to roll over the policy during Regional Dialogue to only have a single Shaping Factor update. Potential compromises include:

1. Use of non-weather normalized data, using 5-year historic load data to smooth over annual weather variations. To minimize the annual difference between the 5-year lookback Shaping Factors are updated frequently, such as every rate period.
2. Use of weather normalized data, which allows for a shorter lookback than averaging over 5 years of load data. Due to the additional complexity of weather normalization updates are not as

frequent as the previous compromise proposal, but still occur two or three times during the contract period, rather than a single instance.

Additionally, during the workshop other customers mentioned that the distinction of HLHs and LLHs will eventually blur enough that it will no longer make sense to continue differentiating between HLHs and LLHs. There was discussion of whether there should be an agreed upon trigger for when the diurnal shaping based on HLHs and LLHs would need to be revamped. City Light is open to discussing such a trigger and how the diurnally shaped Block may be reshaped following such a trigger, but any changes to the product should still maintain a time-variant diurnal shaping that allows a customer to potentially receive greater Block deliveries in their peak hours, even if the shaping is not delineated by HLHs and LLHs.

#### *Block with Shaping Capacity*

City Light is interested in a Block product with additional shaping capacity (as well as the Slice/Block, diurnally shaped Block, and Load Following products), but City Light's analysis using BPA's 2023 Block with Shaping Capacity Model (modified with the changes presented in the April 16, 2024 workshop) finds the proposed product design unviable, as explained below. The conclusions of City Light's analysis are consistent with concerns voiced by several customers in the workshop, including City Light, that BPA's proposed product design is not sufficient to manage loads when paired with non-federal resources.

#### *Block with Shaping Capacity up to Peak Net Requirements*

During the workshop, BPA acknowledged that customers with substantial non-federal resources will likely be unable to take the Block with Shaping Capacity up to Peak Net Requirements (PNR) product, as customers with substantial non-federal resources will often have a PNR below their flat Block values. Making a product that is unviable for customers with substantial non-federal resources discourages non-federal resource development. While BPA is also offering the Block with 10% Shaping Capacity product, City Light describes below why the Block with 10% Shaping Capacity product even with the changes presented during the workshop remains unviable.

#### *Block with 10% Shaping Capacity*

While BPA has made a few changes to the product since the end of 2023, the product is still substantially similar to the Block with Shaping Capacity product that BPA presented in 2023, and the changes made do not appreciably improve the product's viability. To City Light's understanding, the changes to the product are:

1. 10% Shaping Capacity now allows a customer to actually shape 10% above their flat Block amounts, rather than 5% above and 5% below.
2. A customer can only purchase 10% Shaping Capacity rather than being able to purchase more than 10%; and
3. A customer can now have a minimum delivery of 60% of the flat Block amount rather than just a minimum based on the Shaping Capacity.



The first of these three changes makes the Shaping Capacity capability of the product closer to what its description would imply. However, a side effect of the change is that for a given maximum MW amount of Shaping Capacity a customer effectively has its ramp rate halved compared to BPA's 2023 proposal. For example, a customer with a 500 MW flat Block wanting to be able to shape to 550 MW previously would need to purchase 20% Shaping Capacity, which would allow them to have a ramp rate of 10 MW, whereas now a customer would purchase 10% Shaping Capacity and only have a 5 MW ramp rate. Depending on perspective this change either increases product flexibility by raising the maximum MW of Shaping Capacity for a given percent or decreases flexibility due reducing the ramp rate per given maximum MW of Shaping Capacity.

The second change of only allowing for purchase of 10% Shaping Capacity limits the viability of the product for load service. Previously, if a customer found the ramp rate too restrictive to meet load ramp there was a workaround where a customer could oversize the shaping capacity to increase the ramp rate, since the ramp rate is calculated by multiplying the Shaping Capacity by 10%. Limiting the Shaping Capacity to only 10% removes this potential workaround.

The third change of reducing the minimum delivery a customer could take to 60% of the flat Block increases flexibility, but due to the slow ramp rates the flexibility provided is limited. To take advantage of the lower minimum Block delivery, a customer would have to take deliveries below their flat Block amount for at least 11 consecutive hours. This is because the ramp rate takes 6 hours for a customer to decrement their hourly delivery from the flat Block MW value to a value below the previous minimum delivery of the flat Block minus half the Shaping Capacity, and 6 hours to ramp back up to the flat Block value.<sup>1</sup> Unfortunately, customer would generally only want to take deliveries below their flat Block values for such long periods of time on weekends and holidays.<sup>2</sup>

#### *Block with Shaping Capacity Ramp Rates*

The slow ramp rates of the product make it difficult for the product to meet diurnal variations in loads. For example, while the ability to hourly adjust delivery of the Block with Shaping Capacity product would make it appear to offer more flexibility than the diurnally shaped Block, City Light found the opposite. The ramp rate would have to be several times higher, at approximately 25% ramp rate or 2.5% ramping of flat Block per hour, for it to serve more of net requirements than diurnally shaped Block.

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<sup>1</sup>  $6 + 6 = 12$  hours rather than 11, but in the 12<sup>th</sup> hour the customer could take deliveries at their flat Block amounts rather than below.

<sup>2</sup> If the energy neutral constraints of the product were determined on an annual rather than monthly basis and the Shaping Capacity percentages were higher the lower minimum delivery could also provide additional flexibility as follows: A customer could take a Block that is not shaped monthly, and then ramp down below their flat Block values for the entirety of certain months, while staying above their flat Block values for the entirety of certain months. This would allow a customer to use the Block with Shaping Capacity product to effectively create customized monthly Block Shaping Factors, with some additional ability to make small adjustments in the operational time frame, albeit with more limited ranges for the maximum and minimum values of the monthly Shaping Factors. City Light is not necessarily recommending that BPA redesign the Block with Shaping Capacity in that manner, especially since the restrictive ramp rates if kept would still make the product be unable to have the diurnal differentiation of deliveries of the diurnally shaped Block. City Light is merely pointing out a method where the lower minimum deliveries could have a larger impact.

City Light and other customers have previously voiced concerns of the ramp rate and BPA during the workshop acknowledged that customers had such concerns, yet BPA has elected not to change the ramp rate. In the Policy Record of Decision (ROD) BPA justified the ramp rate by stating that the ramp rate should "empower the customer to reshape their block amount to help meet customer's relatively predictable loads while simultaneously limiting flexibility to react to rapid changes in market prices to ensure the ultimate use of the firm requirements power serves the customer's load. An example of this would be if the ramping capability allowed the customers to adjust quickly to take advantage of evening times when solar energy drops precipitously but loads do not."<sup>3</sup> City Light contends that the ramp rate is not fast enough to allow customers to help meet predictable loads. As stated in the previous paragraph, the product's current ramp rate inhibits it from meeting City Light's loads as well as the diurnally shaped Block, while a higher ramp rate would allow it to better serve City Light's load. Furthermore, as customers and their consumers adopt more distributed generation, utilizing a faster ramp rate when customers' solar energy drops while loads do not will be part of customer's efforts to serve predictable variations in net load, not necessarily to take advantage of market prices.

In conclusion, while City Light is conceptually interested in a Block with Shaping Capacity product, City Light is precluded from taking the Block with Shaping Capacity up to PNR due to City Light's non-federal resources and finds that the Block with 10% Shaping Capacity product unviable due to its slow ramp rates. If BPA is interested in making the Block with Shaping Capacity product an attractive product choice for meeting load obligations, it must reconsider the arbitrary limitations it is proposing for the use of shaping capacity.

Thank you again for hosting the workshop. We look forward to continuing the discussion on the Block product as BPA continues its POC process.

cc:

Suzanne Cooper, Bonneville Power Administration

Kathryn Patton, Bonneville Power Administration

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<sup>3</sup> Policy ROD, pp. 181-182. Available at <https://www.bpa.gov/-/media/Aep/about/publications/records-of-decision/2024-rod/rod-20240321-bonneville-power-administration-provider-of-choice.pdf>.



---

**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Thursday, May 9, 2024 4:59 PM  
**To:** Kaseweter, Alisa D (BPA) - AI-7; Dibble, Rachel L (BPA) - PT-5  
**Cc:** Skelton, Melissa D (BPA) - AIR-SEATTLE  
**Subject:** RE: For your Review - CETA Comments for WA UTC  
**Attachments:** DRAFT\_BPAComments.UTC\_CETA use\_05072024.doc

Hi Alisa – These comments read really well and I didn't have any conceptual feedback. Appreciate the framing and points were all well argued and conveyed.

I *did* have a few date corrections, as the draft moved forward our contract expiration and implementation by a year ☺

Edits in the attached.

Best Regards,  
**Kim Thompson** (she/her/hers)  
Vice President | Northwest Requirements Marketing  
**BONNEVILLE POWER ADMINISTRATION**  
[bpa.gov](http://bpa.gov) | P 503-230-3408 | C (b)(6)



---

**From:** Kaseweter, Alisa D (BPA) - AI-7 <[alkaseweter@bpa.gov](mailto:alkaseweter@bpa.gov)>  
**Sent:** Thursday, May 9, 2024 8:50 AM  
**To:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>; Dibble, Rachel L (BPA) - PT-5 <[rdibble@bpa.gov](mailto:rdibble@bpa.gov)>  
**Cc:** Skelton, Melissa D (BPA) - AIR-SEATTLE <[MDSkelton@bpa.gov](mailto:MDSkelton@bpa.gov)>  
**Subject:** RE: For your Review - CETA Comments for WA UTC

Just bumping this to the top of your inbox. Let me know if there's anything you want to talk through!

---

**From:** Kaseweter, Alisa D (BPA) - AI-7  
**Sent:** Tuesday, May 7, 2024 11:02 AM  
**To:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>; Dibble, Rachel L (BPA) - PT-5 <[rdibble@bpa.gov](mailto:rdibble@bpa.gov)>  
**Cc:** Johnson, Anders L (BPA) - TPLE-TPP-2 <[aljohnson@bpa.gov](mailto:aljohnson@bpa.gov)>; Malin, Debra J (BPA) - PTL-5 <[dimalin@bpa.gov](mailto:dimalin@bpa.gov)>; Larsen, Nathaniel B (BPA) - LP-7 <[NBLarsen@bpa.gov](mailto:NBLarsen@bpa.gov)>; Olive, J Courtney (BPA) - LP-7 <[jcolive@bpa.gov](mailto:jcolive@bpa.gov)>; Patton, Kathryn B (BPA) - PSW-SEATTLE <[kbpattson@bpa.gov](mailto:kbpattson@bpa.gov)>; Allen, Clarissa A (BPA) - PSS-SEATTLE <[caallen@bpa.gov](mailto:caallen@bpa.gov)>; Rohe, Kristina E (BPA) - PTKC-5 <[kerohe@bpa.gov](mailto:kerohe@bpa.gov)>; Havlik, Sean W (BPA) - PTKC-5 <[swhavlik@bpa.gov](mailto:swhavlik@bpa.gov)>; Skelton, Melissa D (BPA) - AIR-SEATTLE <[MDSkelton@bpa.gov](mailto:MDSkelton@bpa.gov)>; Eaton, Sara L (BPA) - PTMA-5 <[seaton@bpa.gov](mailto:seaton@bpa.gov)>  
**Subject:** For your Review - CETA Comments for WA UTC

Hi Kim and Rachel,

I've attached for your review draft comments to the Washington UTC on CETA. These are due by COB Friday, so your review and input by COB Thursday would be appreciated. In these comments, we are focusing on two areas:

- 1) the monthly demonstration the UTC is proposing, which we believe goes beyond CETA requirements. Rather, we support the approach Commerce has already adopted (four-year compliance periods). (b)(5)  
(b)(5)  
(b)(5) and

- 2) the proposal on pairing RECs with attribution for an organized market. We partially support this, and ask the UTC to limit it to “surplus” attribution to avoid what would otherwise create conflict and confusion with attribution that is related to contractual commitments to our preference customers or other WA utilities. (b)(5)

(b)(5)

We’ve also added background on POC policy for REC conveyance given the relationship to this rulemaking and the questions I’m getting from UTC staff on this topic.

Per our discussion, we want to make sure you review these for any red flag issues or sensitivities, as well as general awareness. I will submit these, consistent with past BPA comments on CETA, unless you decide it would be best for a Power VP to sign. I’m assured by WA UTC that there will be other versions to comment on in the future.

Those cc’ed on this email have helped draft and review these comments.

(b)(5)

Alisa



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

**DRAFT May 6, 2024**

**Filed Via Web Portal:** <https://efiling.utc.wa.gov/Form>

Jeff Killip, Executive Director and Secretary  
Washington Utilities and Transportation Commission  
621 Woodland Square Loop SE  
Lacey, Washington 98503

RE: Docket UE-210183, Relating to Electricity Markets and Compliance with the Clean Energy  
Transformation Act "Use" Rules

Dear Mr. Killip:



The Bonneville Power Administration (BPA) appreciates the opportunity to provide comments on the Washington Utilities and Transportation Commission's (UTC) request for written comments on draft rules relating to the definition of "use" under the Clean Energy Transformation Act (CETA), Docket UE-210183.

BPA is a federal power marketing administration that markets wholesale power from 31 federal hydroelectric projects, one nuclear plant, and some other nonfederal power plants. BPA sells low-carbon power to over 130 preference customers across the region, 63 of which are consumer-owned utilities in Washington. BPA also sells power to privately-owned utilities throughout the Pacific Northwest and markets surplus power across the West, including to California. BPA has participated in the Western Energy Imbalance Market (EIM) since 2022 and is exploring participation in a day-ahead market. The UTC's interpretation of "use" will have implications for investor-owned utilities (IOUs) that purchase power from BPA as well as implications for the bulk transmission system and wholesale power market.

BPA begins these comments by reiterating themes from previous comments BPA submitted to the UTC and Washington's Department of Commerce (Commerce) on CETA rulemakings. Since CETA was passed and rulemakings began, BPA has consistently commented on the complexities created by the suite of Washington, and other states', GHG reduction and clean energy programs which take a variety of different views on the use of Renewable Energy Credits (RECs) and fuel mix to demonstrate the attributes of power sales.<sup>1</sup> Although these programs do not directly govern BPA, BPA does sell power across the West to retail utilities that are subject to these programs. Unlike virtually all other entities, BPA sells power from a system of resources - not individual generating units - and BPA does so at a system-wide emission factor.<sup>2</sup> The combination of these facts creates complexities and inconsistencies that are challenging for BPA to reconcile across its diverse customer base.<sup>3</sup> Even though BPA is not directly subject to these programs, the programs create significant administrative burden and uncertainties that, while not quantifiable, lead to additional costs to BPA's ratepayers, and which do not equate to tangible emission reduction benefits. Nonetheless, supporting customers in meeting their state GHG program requirements and regional decarbonization efforts is an important consideration in BPA's strategic plan<sup>4</sup> and various policy initiatives. With this background in mind, BPA shares its significant concerns with some aspects of the UTC's draft rules, as BPA believes a few elements of the proposed rules could exacerbate existing challenges and further hinder the ability for BPA to support its customers in meeting their GHG requirements.

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<sup>1</sup> For more on this point, see Comments of the Bonneville Power Administration submitted in this Docket on [June 14, 2021](#); see also Bonneville Power Administration Provider of Choice Policy, Record of Decision (March 2024), at 276-78 (discussing the fact that "Environmental attributes are varying, state-defined concepts," and describing some of the complexities this creates), available at: [rod-20240321-bonneville-power-administration-provider-of-choice.pdf \(bpa.gov\)](#).

<sup>2</sup> See Comments of the Bonneville Power Administration submitted in this Docket on [November 12, 2021](#).

<sup>3</sup> Bonneville Power Administration Provider of Choice Policy, Record of Decision (March 2024), at 276-78.

<sup>4</sup> See BPA's [2024-2028 Strategic Plan](#), Objective 3 under "Enhance the Value of BPA's Products and Services"



For context, BPA would like to share with the UTC some information on how RECs are created for federal system generation and how BPA conveys those RECs to its customers. This is relevant to the UTC's draft rulemaking because it sheds light on how a Washington utility could acquire a REC from the federal system.

Today, the only resources that comprise the federal system that create RECs are incremental "efficiency improvement" generation from the federal hydropower system and a few non-federal wind resources that BPA purchases the output from. RECs are created only for this generation because there are no other resources in the federal system eligible for meeting state renewable portfolio standards (RPS) programs. However, beginning in 2030, because of Washington's CETA requirements, BPA expects RECs will be created for the entire federal hydropower system to support Washington utilities' CETA requirements. Thus, in the 2030s, the magnitude of RECs created by the federal system will be significantly greater than today. Specifically, today's RECs from incremental hydro equate to about 1% of the entire federal system, while in 2030 the new Washington CETA-specific RECs from all hydrogeneration will equate to about 85% of the total federal system. This is a massive increase in RECs, and the CETA construct of a REC is a major change from (and conflict with) what a "REC" represents under other state programs.

Today, all RECs created by the federal system are conveyed on a pro rata basis to BPA's public power preference customers, consistent with BPA's long-term firm power sales contracts and to IOUs in the region through the Residential Exchange Settlement Agreement. Both the long-term power sales contracts and Residential Exchange Settlement Agreements expire at the end of fiscal year 2028. BPA's next offering for long-term firm power sales is referred to as the "Provider of Choice" contract. Power sales under those contracts will begin October 1, 2028, and end September 30, 2044. It is currently unknown how Residential Exchange will be implemented starting BPA's fiscal year 2029.

Importantly, BPA's Provider of Choice policy<sup>5</sup> states BPA will convey RECs to its public power customers commensurate with their firm power purchase amounts and rate elections, which is a shift from how RECs are conveyed today. This policy choice is one step BPA has taken to thoughtfully align how it conveys the environmental attributes of the federal system to its customers, given the variety of state programs that exist today and how those programs could evolve in the future.<sup>6</sup>

This policy choice also means that, whether BPA is selling power to a public power preference customer in Washington, Oregon, Idaho, or Montana, all customers will receive RECs from the federal hydropower system commensurate with their actual power purchase from BPA. Many customers are in Washington

<sup>5</sup> See Provider of Choice Final Policy, March 2024, available at <https://www.bpa.gov/-/media/Aep/power/provider-of-choice/provider-of-choice-policy-march-2024.pdf>.

<sup>6</sup> See Bonneville Power Administration Provider of Choice Policy, Record of Decision (March 2024), at Section 8, issue 128, p. 272-274 (discussing BPA's Provider of Choice approach to conveying RECs, and reasons therefor).

and BPA anticipates those customers will need those RECs themselves for CETA compliance. Other customers may find no value in the CETA-specific hydro REC and dispose of it or retire it as they see fit, and yet other customers may find value by transferring that REC to a utility in Washington to be used for CETA compliance as allowed by CETA rules. Because BPA's policy is to convey RECs commensurate with actual power purchases, there will also be additional RECs created by the federal system not associated with sales to public power customers. BPA envisions it could convey those RECs with other power sales or otherwise convey, retire, or dispose of the RECs.

With that context, BPA provides the following comments on the UTC's draft rules.

### **1) Regarding WAC 480-100-6XX generally**

BPA reiterates its February 15, 2024, comments that it supports the UTC adopting rules on "use" consistent with the rules adopted by Commerce. Commerce's interpretation is supported by the plain language of RCW 19.405, which creates four-year compliance periods.<sup>7</sup> Regarding the currently proposed UTC language, BPA believes that the monthly test in particular creates a standard that goes beyond the standard created by RCW 19.405.

BPA believes it was the intent of the legislature to establish four-year compliance periods because, in achieving the state's emission reduction goals, other factors like reliability and cost needed to be taken into consideration. This is particularly important in the context of a state where a significant amount of the electricity is generated from hydropower, which can vary from year to year. This variability was demonstrated just last year when low precipitation and snowpack paired with the timing of runoff created greater dependence on market purchases and fossil fuel generation.<sup>8</sup> A monthly, or even annual, demonstration of compliance could lead to utilities incurring additional alternative compliance costs or penalties under CETA due to the natural variability in the portfolio of renewable resources that the utility planned on to meet its load. A four-year compliance period ensures reliability and cost considerations are also factors in the real-time decisions that a utility must make to serve its load. BPA does not believe the four-year compliance period was created for the limited purpose of easing administrative reporting burdens.

In addition to the monthly requirement conflicting with the plain language of RCW 19.405 and frustrating the intent of the multiyear compliance period, such a requirement will also result in inefficient build-out of renewables and transmission. This will, in turn, increase the challenges and costs for decarbonizing the electricity sector and economy.

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<sup>7</sup> See Comments of the Bonneville Power Administration on [June 29, 2020](#).

<sup>8</sup> BPA's preliminary assessment of its fuel mix for calendar year 2023 shows about 10% of the fuel mix was derived from market purchases, compared to closer to 3% in the several years prior to 2023.



As BPA also pointed out in its December 2, 2020, comments to the UTC (and it still holds true), the problem with a monthly requirement, as opposed to Commerce's procurement-based approach, is that it would incentivize the construction of additional transmission lines for the primary purpose of compliance with meeting the monthly requirement rather than serving new loads, improving overall grid reliability, or congestion relief. The construction of new transmission lines is both costly and controversial. It can take 20 plus years to site and build a major transmission line and 5 plus years for even minor upgrades. As the region shifts toward a cleaner electricity system and electrifies loads, renewable resources should first be built in locations that are the most cost-effective, making use of existing available transmission and providing valuable reliability benefits to the grid. A monthly requirement does not support the least-cost transition towards decarbonization. Commerce's procurement-based approach provides time for new transmission to be considered and built where needed for grid reliability as additional renewable resources are built and as additional states or the nation implement GHG regulations.

Further, BPA foresees that a monthly requirement would exacerbate transmission planning challenges and could create an incentive to deviate from industry best practices for maintaining reliability. North American Electric Reliability Corporation (NERC) Standards for transmission planning include performance requirements to be able to withstand a defined set of outages for expected load levels. Utilities need to be able to adjust their operations in response to maintenance outages and severe weather so that the transmission system remains in a secure state following the next potential contingency. To preserve transmission reliability, utilities may need to increase or decrease generation output levels of resources in particular locations during certain events. For example, planned outages for transmission maintenance are necessary to keep the transmission system in a state of good repair, but challenging to coordinate given the existing constraints that need to be accommodated across impacted parties. If IOUs must meet a monthly requirement under CETA, that would add one more factor that BPA is asked to consider when planning these outages. A monthly requirement could create friction for a utility between maintaining industry standards to preserve transmission reliability and meeting CETA requirements.

Additionally, long-term procurement commitments are typically the primary support for investments in generation resources. To incentive these long-term commitments, Washington utilities should have assurance that they will be able to fully claim under CETA the clean generation from their long-term commitments. They should have assurance that those resources can participate fully in broad regional markets to optimize dispatch closer to real time without concern that the optimal dispatch could hinder a utility's compliance under CETA. This directly supports the goal of decarbonizing at lower cost to ratepayers. A good example of this is renewable generation in California today, where solar investments in particular are consistently resulting in overgeneration to California load in the hours of 10am-4pm.<sup>9</sup> This clean generation is optimized in the CAISO's market and able to serve other loads and displace

<sup>9</sup> See the Supply Outlook for the California ISO, available at <https://www.caiso.com/TodaysOutlook/Pages/supply.aspx>

other generating resources, subject to transmission constraints. As the operator of a large hydrogeneration system, this can enable BPA to save water for other times of the day or year when solar generation is not as high. In those times, clean hydropower can be generated, displacing fossil fuel generation. Collectively, this contributes to lower cost power and lower cost decarbonization.

## **2) Regarding WAC 480-100-6XX (6)**

BPA believes that it may be reasonable to allow a utility to pair RECs with power attributed in an organized market and use that to claim primary compliance under CETA where the attributed power is surplus to attributed amounts already contractually committed to other utilities. The challenge is how to identify the amount of surplus attribution because attribution is at a statewide level, not at an individual utility (load responsible entity) level. BPA encourages the UTC to engage in further conversation with market operators and industry to understand whether and how that might be possible.

BPA clarifies that the market design for specified source attribution for the CAISO's EIM/EDAM and SPP's Markets+ is intended to work for a carbon pricing program, like Washington's cap-and-invest program, and not necessarily for CETA. GHG attribution to a carbon pricing state can be from any specified source, which may include renewable or non-emitting generating sources but is not limited to that. When resources are attributed to a state with a carbon pricing program, the attribution is to load in the state *generally* and not to a specific utility. Neither market design was intended to reconcile attributed resources to specific utilities because, in both California and Washington's carbon pricing programs, the compliance obligation is assigned to the electricity importer, not to load. Thus, it is not necessary to track the amounts of power attributed to the state from a specific resource back to a specific utility.

Both market designs provide a path for attribution of power that is contractually committed to a load in the state. In SPP's Markets+, this is referred to as Type 1 (a or b) attribution. In the CAISO's EIM/EDAM, it is referred to as committed capacity. Other amounts of power may also be attributed to the state. These amounts may reflect surplus power from a resource. However, they may also be a result of market design limitations where resource amounts are dispatched even though those amounts were contracted to another entity or intended to meet native load. This situation could occur with both SPP and CAISO's market designs, but BPA believes will be particularly prevalent in the CAISO's market given issues with its current design for GHG accounting. This is because the CAISO market gives the market participant limited control over how much power can be attributed to a state, so attribution could include power that was associated with contracted-for sales to non-Washington utilities.

Relating the market design - and its inherent limitations - to the UTC's proposed rules, BPA has a few specific concerns. The UTC's currently-proposed language is broadly written and BPA foresees that, without more specific language, the rules could create competing and irreconcilable claims on federal system power and RECs across investor-owned and public utilities in Washington.



First, where attribution to Washington is based on a contractual commitment to an investor-owned utility, the language in section (6) appears unnecessary to BPA because that arrangement should fall under the “single transaction” covered under section (5) of the draft rules. Therefore, it should be unnecessary to try to reconcile the actual market attribution against the contracted-for amounts, and it could actually complicate a utility’s demonstration under (5) if it cannot be confirmed that the contracted-for amounts were not fully attributed (which could be the case).

Second, the language seems to allow utilities to acquire RECs from the federal system from any source and claim it against any amounts attributed, even where those amounts were contractually committed to another utility. As described above, some of the attribution will be Type 1 or committed capacity for another utility in Washington who is likely using the associated RECs for CETA compliance. Some of the attribution could also be a result of market design issues and was contractually committed to a utility in another state who may be using RECs associated with that contract for their own purposes. More limiting language is needed to avoid competing claims and double counting of emissions and attributes in these circumstances.

Thus, BPA suggests the section (6) be specific to power attributed to Washington in an organized market that is surplus to market participants’ loads and contractual commitments. This appears to support the intent of section (6) while avoiding conflicting claims on attributed power.

To provide additional context on the complications BPA is concerned with, it helps to understand the different scenarios under which BPA foresees that federal power could be attributed to Washington via an organized market and to connect those scenarios with BPA’s Provider of Choice policy for conveyance of RECs, as described at the beginning of these comments.

- Scenario 1: Power contracted to BPA’s public power preference customers in Washington under long-term power sales contracts. SPP refers to this as Type 1 while the CAISO refers to this as committed capacity. Independent of the market design for attribution to Washington, BPA’s customers will also receive RECs associated with the power sale in accordance with their Provider of Choice contract with BPA.
- Scenario 2: Power BPA has sold bilaterally to an IOU or consumer-owned utility in Washington. This is also what SPP refers to as Type 1 and the CAISO refers to as committed capacity. BPA envisions such an arrangement could also include RECs, if RECs are available.
- Scenario 3: Other power that is not connected to a specific contract to Washington load. SPP refers to this as Type 2, and it largely correlates with power BPA would identify as surplus. Under the CAISO’s design it is just general attribution and may not correlate to power BPA identifies as surplus.

- To the extent the power attributed to Washington was associated with a long-term power sale to a BPA public power preference customer not located in Washington, that BPA customer will receive RECs associated with that power (and independent of the market design) in accordance with their Provider of Choice contract with BPA.
  - To the extent the power attributed to Washington was surplus federal power, BPA may have retained RECs associated with that power that may be available to transfer to an IOU to pair with the attribution.
- Scenario 4: Resale of surplus federal power,<sup>10</sup> where an entity purchased power from BPA and would like that power to be made available in the market, whether because they have resold that power under a forward-contract or would just generally like to make it available. It is not clear at this time exactly what the market mechanics of this arrangement will look like, but BPA anticipates that the markets would attempt to accommodate these types of transactions for attribution purposes. Depending on the specific circumstances, the resale of power and conveyance of RECs could align with any of the three scenarios above.

Regardless of which scenario(s) above that BPA makes federal resource offers for meeting load in Washington in an organized market, the attribution amount awarded by the market will not necessarily delineate what part of the attribution award was for resource amounts contracted to load (and which specific load(s)), surplus resource amounts, and other amounts. BPA is not aware that either the CAISO or SPP intended to make this information available to market participants. Again, BPA encourages the UTC to engage in further conversation with market operators and industry to understand whether and how it might be possible to identify the amount of attribution that was surplus.

We appreciate the time from UTC spent explaining the intent of the draft rules. We recognize these comments are complicated and that market design is evolving quickly. BPA staff are willing discuss this further with UTC staff. Please don't hesitate to contact me at 503.230.4358 if you have any follow up questions or discussion.

Sincerely,

Alisa Kaseweter  
Climate Change Specialist, Intergovernmental Affairs  
Bonneville Power Administration

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<sup>10</sup> Section 5(b) of the Northwest Power Act, 16 U.S.C. § 839c(b)(1) precludes utilities from reselling Firm Power. Thus, only a minimal amount of power sold under BPA's "slice" product can be resold. For more information, see Comments of the Bonneville Power Administration to Washington Department of Commerce on September 17, 2021.

[alkaseweter@bpa.gov](mailto:alkaseweter@bpa.gov)

503.230.4358

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**Subject:** Bi-Weekly RITS Meeting - PRDM Progress Update, IPR Expense & Capital Forecasts  
**Location:** Webex

**Start:** Thu 5/16/2024 10:00 AM  
**End:** Thu 5/16/2024 12:00 PM

**Recurrence:** (none)

**Meeting Status:** Meeting organizer

**Organizer:** Cooper,Suzanne B (BPA) - P-6  
**Required Attendees:** Reed,Scott G W (BPA) - PSR-6; Fisher,Daniel H (BPA) - PSR-6; Stiffler,Peter B (BPA) - PSR-6; Green,Mitchell R (BPA) - FAF-2; Bellcoff,Steve (BPA) - PGPR-5; Gschwend,Neal M (BPA) - LP-7; Alders,Kyna L (BPA) - F-2; Hardy,Kyle R (BPA) - FAC-2; RITS Standing Invitees; RITS Members; RITS Meeting Coordinators  
**Optional Attendees:** Horton,Alec L (BPA) - PSR-6; Halbert,Brian D (BPA) - TSQR-TPP-2; Armentrout,Scott G (BPA) - E-4; Cook,Joel D (BPA) - K-7; James,Daniel M (BPA) - D-7; Conforti,Karen-Maria A (BPA) - K-3; Bustamante,Richard (BPA) - TO-DITT-2; Thompson,Kim T (BPA) - PS-6; Spraggins,Melanie (BPA) - P-6; McDonald,Thomas A (BPA) - C-7; Dibble,Rachel L (BPA) - PT-5; Mesa,Aaron J (CONTR) - F-2; Wittig,Veronica (BPA) - F-2; Harris,Marcus A (BPA) - F-2; Agre,Benjamin M (BPA) - FAF-2; Furrer,Robin R (BPA) - N-7; Zepeda-Martinez,Pablo (BPA) - FAB-MODW; Lennox,Alexander (BPA) - FTR-2; Zimmerman,Nita M (BPA) - MT-3; Cook,Jeffrey W (BPA) - TP-DITT-2; Estep,Judith A (BPA) - DS-3; Nice,Lori (BPA) - N-7; Chong Tim,Marcus H (BPA) - L-7; Tyson,Ivy L (BPA) - TA-DITT-2; Kayim,Melike Bala (BPA) - FC-2; Gobrele,Amanda Mae M (BPA) - DKS-7; Bleiler,Damen C (BPA) - FTL-2; Kuhn,Shana L (BPA) - D-DITT-2; Greene,Richard A (BPA) - LP-7; Rubin,Qualisha M (BPA) - FTR-2; McDonnell,Colleen G (BPA) - TSQT-TPP-2; Manary,Karlee D (BPA) - FAB-2; Siegel,Darin C (CONTR) - TSQ-TPP-2; Switzer,Alayne M (BPA) - TPW-TPP-4; Hairston,John L (BPA) - A-7; Mandell,Zach R (BPA) - FA-2; Nguyen,Leon D (BPA) - PSR-6; Bersaas,Melanie J (BPA) - TSQT-TPP-2; Holowatz,Emmanuel J (BPA) - FAB-MODD; Kutil,Sarah M (BPA) - LT-7; Perkins,Matthew W (BPA) - LT-7; Cathcart,Michelle M (BPA) - PG-5; Winner,Scott W (BPA) - PSRF-6; Molina,Mario A (BPA) - FAF-2

**Categories:** BPA Meetings

Adding PSR materials. IPR materials to follow.

Bi-Weekly RITS/IPR recurring meeting.

My Web Ex Account Information:

(b)(6)

Phone: US Toll +1-415-527-5035



Access Code: (b)(6)

Meeting number: (b)(6)



2024.05.16 RITS - PRDM IPR .pp...



2024.05.16 RITS - Agenda and N...

## Today's Agenda

Topic	Minutes	Presenter
Update on PRDM Progress	60	Scott Reed, Daniel Fisher, Neal Geschwend, Mitch Green
Approve IPR Expense & Capital Forecasts for Publication	60	Kyna Alders, Ben Agre, Kyle Hardy

*Pre-decisional. For internal use only.*

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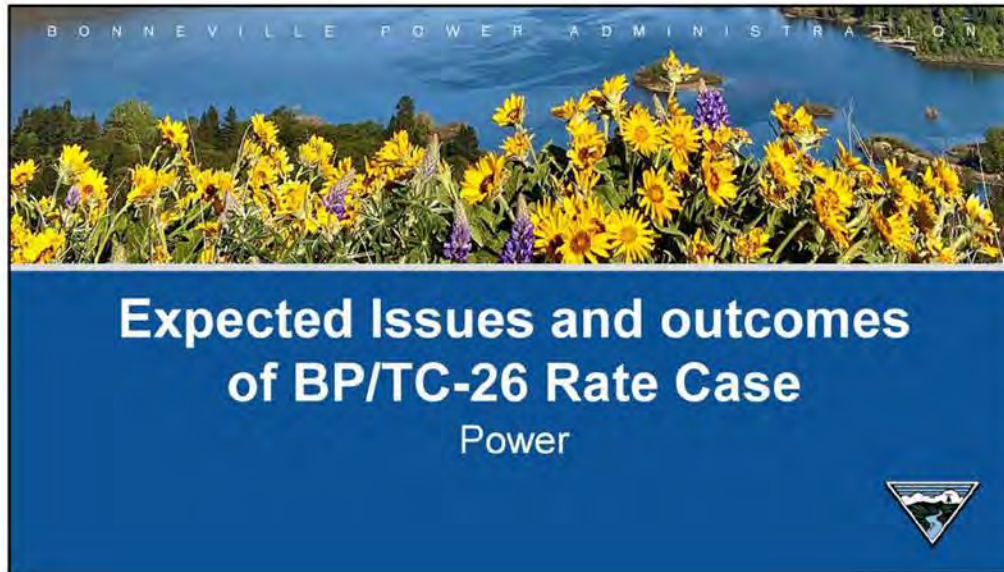
## Today's planned update and discussions

1. Project Update: background, timeline, direction, and next steps.
2. Discuss intersection of risk and PRDM and approve strategy for workshop

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3





## Background: Public Rate Design Methodology

- Bonneville is replacing the Tiered Rates Methodology (expiring September 2028) with the Public Rate Design Methodology 2029 (FY 2029 to FY 2044)
- Bonneville's Public Rate Design Methodology 2029 is a stand-alone document that works in concert with our Provider of Choice (PoC) power sales contracts and each rate setting process (starting with the 7(i) process used to set rates for the BP-29 rate period)
- The PRDM defines the core rate methodology applicable to public customers that purchase priority firm power under a tiered rates construct. The PRDM specifies how PF rates will be developed to ensure that Tier 1 rates do not include costs of serving Publics' Above-CHWM load. Non-core rate adjustments, charges, special provisions as well as the rate design applicable to products and services not included in the PRDM would be established in each 7(i) process or in other PRDM-like documents.

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## Project Summary

- This process continues to be collaborative, aimed at delivering a broadly supported draft methodology by the end of summer – we are on track with our timeline.
- The goal is to produce a methodology that customers can evaluate in tandem with Bonneville's product offerings in advance of signing power sales contracts.
- Our draft methodology will serve as our initial proposal which will be formally vetted in a section 7(i) hearing conducted in parallel with the BP-26 7(i) rate process.
- Our project timeline is geared toward providing customers rate design certainty before contract signing and provides a second 7(i) opportunity (BP-29) to address any unintended consequences and any unfilled sections in the PRDM before its effective date.
- Our intent has been to design a robust, equitable and economically sound methodology; converge on this core design; and then circle back to consider whether/how to approach rate shock mitigation.
- We are now setting the stage for this convergence.

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# Project Timeline





## Drivers of methodology improvements

- Objectives underlying and driving proposed changes introduced in PRDM:
- Send economically appropriate price signals that encourage efficient use, conservation, and non-federal resource development – with gradual moves emphasizing scarcity and value of hydro capacity.
- Retain and enhance balanced equity across products
- Seek rate stability and rate-shock mitigation from TRM to PRDM (RD to POC)
- Simplify and streamline where possible to reduce costs and errors associated with internal systems and processes

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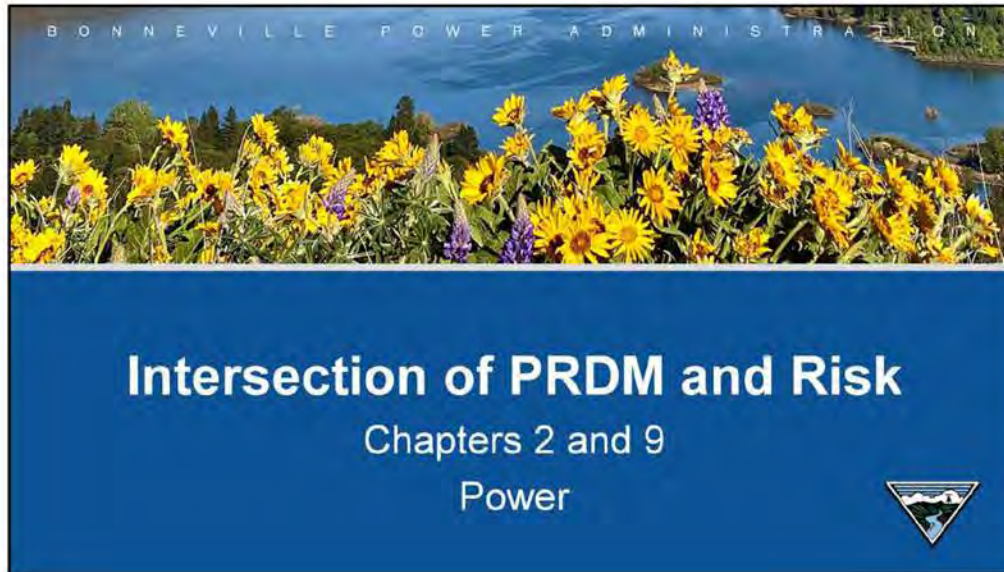
## Staff leanings and core design summary

All very much under development, and here's where we are:

- Foundational rate unit improvements: move to \$/MW away from TOCA charges (\$ per % of system approach)
  - Ease of interpretation, compatibility, reduced complexity and errors across systems and processes
  - We have proved two approaches yield equivalent results by customer -- with manageable cash-flow implications
- Capacity-related methodology improvements:
  - Move to aMonthly away from aHLH basis: this captures capacity use within block-product more consistently captures capacity use between LP and Block, with Shaping Capacity, and introduces durability in core determinant as HLHLLH construct evolves
  - Remove Contract Demand Quantity (CDQ) from within algorithm which has obscured price signal mechanism
  - Introduce Peak Load Variance Service (PLVS) to capture Bonneville's capacity obligation formalized in WRAP's Planning Reserve Margin (PRM) requirements
- Rate-mitigation improvements (RIC)
  - Remove past rate-mitigation from within core charges (CDQ) -- to send appropriate price signals
  - "Under development", and at a high level we are working on two-pronged approach
    - A fixed Capacity-based credit for duration of contract to reflect Bonneville's embedded cost of capacity at the start of the contract.
    - A pure design-change Mitigation credit 100% mitigation day one, tapering to 0% at contract expiry.
- Other ongoing work: RIC design, PLVC design Tail-event product inequity.

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## Intersection of PRDM and Risk

- TRM Chapter 2's cost allocation principles connect the Take-or-Pay obligation to BPA (1) crediting secondary revenues against costs in the ratemaking process, and (2) allocating net secondary revenue to the cost pools to which the costs of the resources that generate such excess power are allocated.
- TRM Chapter 9 recognizes risk mitigation mechanisms will be established in each 7(j) process, consistent with BPA's then-current financial plan. Risk associated with Tier 2 rates will not increase the cost of Tier 1 cost pools.
- Today the chapter is 1.5 pages in length and is relatively perfunctory.
- Enter RDC. Strongly worded customer comments in RDC comments, POC comments, and within PRDM workshops are pressing Bonneville to return RDC Amounts as rate.
- Staff sees an opportunity to leverage the PRDM to link side-boards around the RDC to more risk-conservative rates.
- Taking April 30 Financial Risk ADF RITS Discussion as a jumping off point, here is a possible approach.

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## Potential Strategy on PRDM and Risk

- If desired, a transition to more risk-conservative rates could be pursued in 2 ways:
  - Via Rate Case (BP-25 or BP-29)
  - Via PRDM
- A Rate Case approach will require using models, logic, and testimony to justify a difficult case toward setting rates differently from today. This approach will require distinguishing previous, and quite recent, arguments that BPA has made.
- A PRDM approach could leverage negotiation and customer interest to achieve the same result – possibly with greater ease. PRDM would be applicable to BP-29 but could, under the right circumstances, be welcomed by customers in BP-26.
  - Provides runway for timing and phased in approach
  - Limits conversation to PF Public Rates, and engenders goodwill via mid-rate period downward rate adjustments (e.g., the RDC, DDC, or similar)
  - Removes intense focus on perceived incongruities between past testimony, model results, operational implementation concerns, and future volatility/uncertainty concerns beyond data capabilities

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## Proposal for PRDM and Risk

- Power Rates Team proposes we introduce and test this ratemaking compromise at the May PRDM workgroup.
- Important: This would be a compromise applicable only to customers seeking service under a CHWM contract.
- PRDM would include an agreement to set the base Tier 1 PF Public rates more conservatively (i.e., additional PNRR, less than expected secondary revenue, or reduced reliance on the Treasury Note for TPP for purposes of setting Tier 1 PF Public rates).
- In exchange, the PRDM could include language to the effect of:
  - Any mid-rate period downward rate adjustments applicable to the Tier 1 PF Public rates would be formulaic, automatic, and flow back to Bonneville's PF Public Tier 1 rates in the next fiscal year consistent with the PF Public Tier 1 rate's proportional load share of Bonneville's risk provisions.

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## Considerations

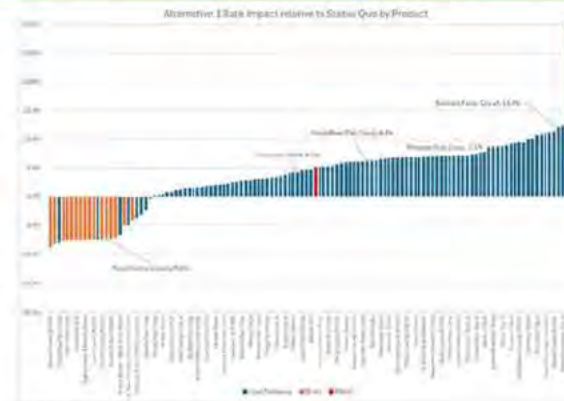
- Our demonstrated approach with potential changes: we introduce ideas in an open way – often at a Workgroup first, let people marinate, then test with larger Workshop. If we like this strategy, we'd adopt the same approach here. So far, this collaborative approach has been working well.
- If customers are interested, they will likely press us on the 'how conservative' question – they will want some specifics in terms of how that negotiation would look. We will have to be prepared to respond in the near-term (likely by June/July at the latest?)
- This arrangement in PRDM would only apply to PF. But given PF sales are the bulk of our revenues, work along these lines could potentially influence IP and NR decisions down the road.

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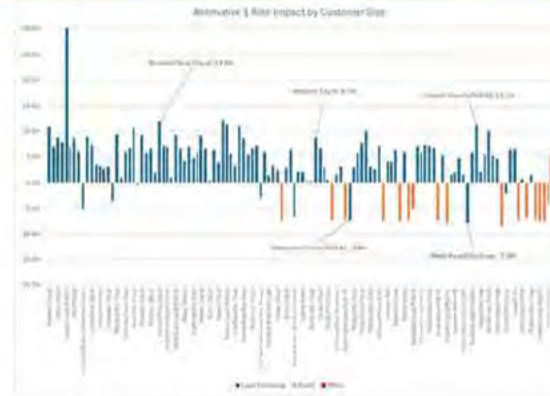
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Diurnal 1:

Alternative 1 results assuming no Block with Shaping Capacity and PLVS charge.

Rate = Marginal (1) Revenue Credit to Element 4  
 Load Following Demand = Tier 1 CSP - Tier 1 Off-Peak  
 Shaped Block = Tier 1 CSP - Tier 1 Off-Peak  
 Block w/ Shaping Capacity Demand = Contract Shaping  
 Amount

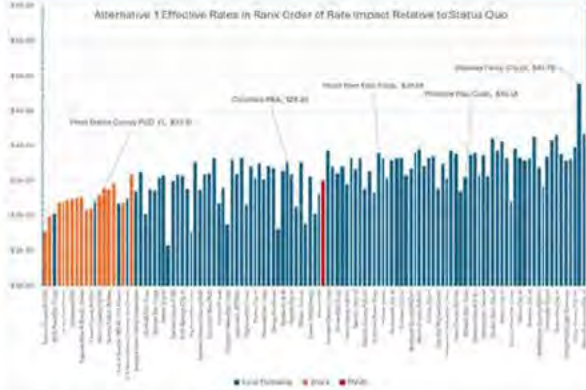
16



Pre-decisional. For internal use only.

Example graph showing the rate impacts of Alternative 1 relative to Status Quo, ordered smallest to largest customer

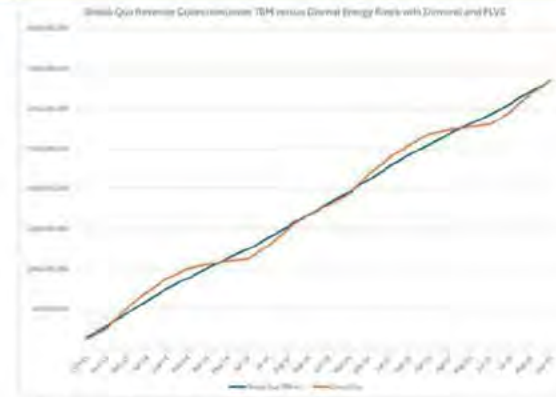
17



Pre-decisional. For internal use only.

Example graph showing the rate impacts of Alternative 1 relative to Status Quo, \$/MWh effective rate distribution

18

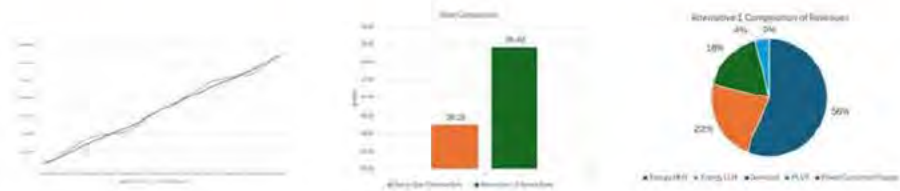


Pre-decisional. For internal use only.

Example graph showing the cash flow impacts of all customers together on BPA's revenue collection



## Example Output Single Customer:



Pre-decisional. For internal use only.

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## Statutory Context

- Section 7(b) of the Northwest Power Act requires BPA to establish "a rate or rates" for the sale of electric power to meet preference customers' "general requirements."
- Costs of serving this load begins with Federal Base System Resources, then exchange resources, then "other resources."
- For many years, BPA set a single 7(b) rate to recover resource costs to serve preference customers' entire "general requirements."
- Tiered Rates construct provides a framework for BPA to serve "general requirements" of preference customers under multiple 7(b) rates.
  - Tiered Rates permissible pursuant to section 7(b) (refers to "rate or rates") and BPA's rate design authority under section 7(e).

*Provisional. For internal use only.*

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## Limitations of Tiered Rates

- Tiered Rates is a discretionary rate methodology
  - NWPA does not require BPA to establish a rate methodology to set section 7(b) rate, but BPA has done so to provide certainty and transparency.
- Tiered Rates Methodology does not affect any other rate directives. E.g.,
  - 7(b)(2) Rate Test or Residential Exchange Program.
  - Calculation of Direct Service Industry rates under 7(c).
  - Sales for New Large Single Loads or Investor-Owned Utilities under Section 7(f) (New Resource (NR) sales).
- Tiered Rates Methodology does not limit the Administrator's authority to develop rates to recover BPA's costs.
  - TRM does not constrain BPA's authority to develop new rates or mechanisms to recover its total system costs, constrain BPA's ability to forecast costs, or limit BPA's ratemaking discretion when developing products and services.
- In general, the Tiered Rates Methodology sought to ensure that Tier 1 Rates did not include costs of serving Publics' Above Rate Period High Water Mark Load.

*Pre-decisional. For internal use only.*

22

## Questions

*Pre-decisional. For internal use only.*

23



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**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Friday, May 17, 2024 4:29 PM  
**To:** Smith, Jack A (BPA) - PSW-6  
**Cc:** Wilson, Scott K (BPA) - PSW-6  
**Subject:** RE: (Update) - 4/26 PNGC Letter Response  
**Attachments:** 2024 05 Matlock Letter V2.docx

**Importance:** High

Hi Jack – Thank you so much for the initial draft! I put a little more of my voice into it – and there were a few framing approaches I thought could be useful. Markup would have been a little messy, so here is a clean version.

Please flag any critical considerations I may have missed – or any additions you feel are problematic. (and Scott, please take a pass at this too!)

If it looks OK, could you please move this version (or edits as per your inputs) to legal review? I apologize it took me a bit to get this to you!

Best Regards,

**Kim Thompson** (she/her/hers)

Vice President | Northwest Requirements Marketing

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**From:** Smith, Jack A (BPA) - PSW-6 <jasmith@bpa.gov>  
**Sent:** Wednesday, May 15, 2024 2:34 PM  
**To:** Thompson, Kim T (BPA) - PS-6 <ktthompson@bpa.gov>  
**Cc:** Wilson, Scott K (BPA) - PSW-6 <skwilson@bpa.gov>  
**Subject:** RE: (Update) - 4/26 PNGC Letter Response

Hello Kim,

Apologies, One section fell out of our response draft covering the Tier 2 comments (quoted below). I have attached an updated version including the missing section for your review.

- If you have already begun editing the below text can be integrated into your draft.

“

**Tier 2 Rate for FY26 and Beyond:**

(b)(4)

A large black rectangular redaction box covers the majority of the lower half of the page, obscuring the content of the email body.

(b)(4)

Regards,

**Jack Smith**

Power Account Executive | Western Power Services

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C: (b)(6) | E: [jasmith@bpa.gov](mailto:jasmith@bpa.gov)

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**From:** Smith,Jack A (BPA) - PSW-6

**Sent:** Wednesday, May 15, 2024 12:28 PM

**To:** Thompson,Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>

**Cc:** Wilson,Scott K (BPA) - PSW-6 <[skwilson@bpa.gov](mailto:skwilson@bpa.gov)>

**Subject:** RE: (Update) - 4/26 PNGC Letter Response

Hello Kim,

As discussed, Please see the attached post SME edits draft of the response letter ready for your review and amendments.

(b)(5)

Regards,

**Jack Smith**

Power Account Executive | Western Power Services

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C: (b)(6) | E: [jasmith@bpa.gov](mailto:jasmith@bpa.gov)

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**From:** Thompson,Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>

**Sent:** Tuesday, May 14, 2024 2:05 PM

**To:** Smith,Jack A (BPA) - PSW-6 <[jasmith@bpa.gov](mailto:jasmith@bpa.gov)>

**Cc:** Wilson,Scott K (BPA) - PSW-6 <[skwilson@bpa.gov](mailto:skwilson@bpa.gov)>

**Subject:** RE: (Update) - 4/26 PNGC Letter Response

(b)(5)

(b)(5)

More to come after Thursday discussion – including any final inputs for the in-process letter.

Best Regards,

**Kim Thompson** (she/her/hers)

Vice President | Northwest Requirements Marketing

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**From:** Smith,Jack A (BPA) - PSW-6 <[jasmith@bpa.gov](mailto:jasmith@bpa.gov)>  
**Sent:** Monday, May 13, 2024 2:32 PM  
**To:** Thompson,Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>  
**Cc:** Wilson,Scott K (BPA) - PSW-6 <[skwilson@bpa.gov](mailto:skwilson@bpa.gov)>  
**Subject:** (Update) - 4/26 PNGC Letter Response

Hello Kim,

I hope you had a great weekend,

I wanted to provide an update on our drafting of the response to the 4/26 PNGC Letter. Today I met with the SME's and am currently working to integrate updates. I have requested all SME edits and comments to be complete by EOD tomorrow 5/14/2024. I will implement these updates and intend to have the **draft to you for your edits Wednesday 5/15/2024**. I will also discuss this with Tim to keep him up to date on our progress.

**Estimated Timeline:**

- SME Review 5/13-5/14
- Kim Review and Updates 5/15-5/16
- Legal Review 5/16-5/17
- Document Finalization 5/17-5/20

Link to current drafting document:

- [https://pwrportal.bud.bpa.gov/orgs/PS-ReqMarketing/psw/Documents/Smith/Issues/2024-04-26\\_LettertoJohn/04262024PNGCLetter-Response\\_Draft\\_V2.docx](https://pwrportal.bud.bpa.gov/orgs/PS-ReqMarketing/psw/Documents/Smith/Issues/2024-04-26_LettertoJohn/04262024PNGCLetter-Response_Draft_V2.docx)

Please let me know if you have any questions or concerns.

Regards,

**Jack Smith**

Power Account Executive | Western Power Services

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C: (b)(6) | E: [jasmith@bpa.gov](mailto:jasmith@bpa.gov)

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**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Thursday, May 23, 2024 3:11 PM  
**To:** Hairston, John L (BPA) - A-7  
**Subject:** PNGC letter response - question  
**Attachments:** 2024 May Matlock Letter.pdf

Hi John – I was assigned the response to the letter Jessica sent you a few weeks back. I was about to hit send (with you on cc) on my reply... but want to check first whether you wish to read/review in advance?

Please let me know if you are good with me replying. I've included the response here in case you do wish to read it first. I shared this draft with Suzanne and she had no edits.

Best Regards,

**Kim Thompson** (she/her/hers)

Vice President | Northwest Requirements Marketing

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**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Friday, May 24, 2024 2:37 PM  
**To:** Fisher, Daniel H (BPA) - PSR-6; Bleifuss, Lindsay A (BPA) - PSW-6; Wilson, Scott K (BPA) - PSW-6  
**Cc:** Greene, Richard A (BPA) - LP-7; Gschwend, Neal M (BPA) - LP-7  
**Subject:** RE: PNGC  
**Attachments:** 2024 May Matlock Letter.pdf

Hi Daniel – sharing the attached letter I just sent yesterday PM to Jessica. Legal (Tim) reviewed this – no changes since his edits. The 5MW allowance is among the issues addressed.

Best Regards,

**Kim Thompson** (she/her/hers)

Vice President | Northwest Requirements Marketing

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**From:** Fisher, Daniel H (BPA) - PSR-6 <[dhfisher@bpa.gov](mailto:dhfisher@bpa.gov)>  
**Sent:** Friday, May 24, 2024 12:55 PM  
**To:** Bleifuss, Lindsay A (BPA) - PSW-6 <[lbleifuss@bpa.gov](mailto:lbleifuss@bpa.gov)>; Wilson, Scott K (BPA) - PSW-6 <[skwilson@bpa.gov](mailto:skwilson@bpa.gov)>; Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>  
**Cc:** Greene, Richard A (BPA) - LP-7 <[ragreene@bpa.gov](mailto:ragreene@bpa.gov)>; Gschwend, Neal M (BPA) - LP-7 <[nmgsgschwend@bpa.gov](mailto:nmgsgschwend@bpa.gov)>  
**Subject:** PNGC

Does the Tier 1 allowance apply to PNGC as a single customer or at the individual member level?

---

**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Friday, May 24, 2024 2:38 PM  
**To:** Johnson, Tim A (BPA) - LP-7  
**Subject:** RE: Input requested!  
**Attachments:** 2024 May Matlock Letter.pdf

Hi Tim – No changes after your edits – all accepted and incorporated into the attached, which I sent yesterday. Apologies for not closing the loop!

Best Regards,  
**Kim Thompson** (she/her/hers)  
Vice President | Northwest Requirements Marketing  
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**From:** Johnson, Tim A (BPA) - LP-7 <tajohnson@bpa.gov>  
**Sent:** Friday, May 24, 2024 12:14 PM  
**To:** Thompson, Kim T (BPA) - PS-6 <ktthompson@bpa.gov>  
**Subject:** RE: Input requested!

I had reviewed an earlier draft of the letter Jack was writing. I did not see the final. Was it sent and if so may I get a copy? Thanks.

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**From:** Johnson, Tim A (BPA) - LP-7  
**Sent:** Friday, May 24, 2024 12:12 PM  
**To:** Thompson, Kim T (BPA) - PS-6 <ktthompson@bpa.gov>  
**Subject:** RE: Input requested!

I am having a call with Rich Greene at 1 pm to discuss. I agree with your take below.

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**From:** Thompson, Kim T (BPA) - PS-6 <ktthompson@bpa.gov>  
**Sent:** Friday, May 24, 2024 11:31 AM  
**To:** Johnson, Tim A (BPA) - LP-7 <tajohnson@bpa.gov>  
**Subject:** Input requested!  
**Importance:** High

Hi Tim – Hoping you can take a quick look at the below. I will craft a response today – (b)(5)

(b)(5)



Any other formative guidance before I start drafting?

Best Regards,  
**Kim Thompson** (she/her/hers)

Vice President | Northwest Requirements Marketing

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(b)(4)





(b)(4)

