

Provider of Choice Introductory Workshop

April 21, 2022

PROVIDER OF CHOICE

**POST
2028**



Agenda

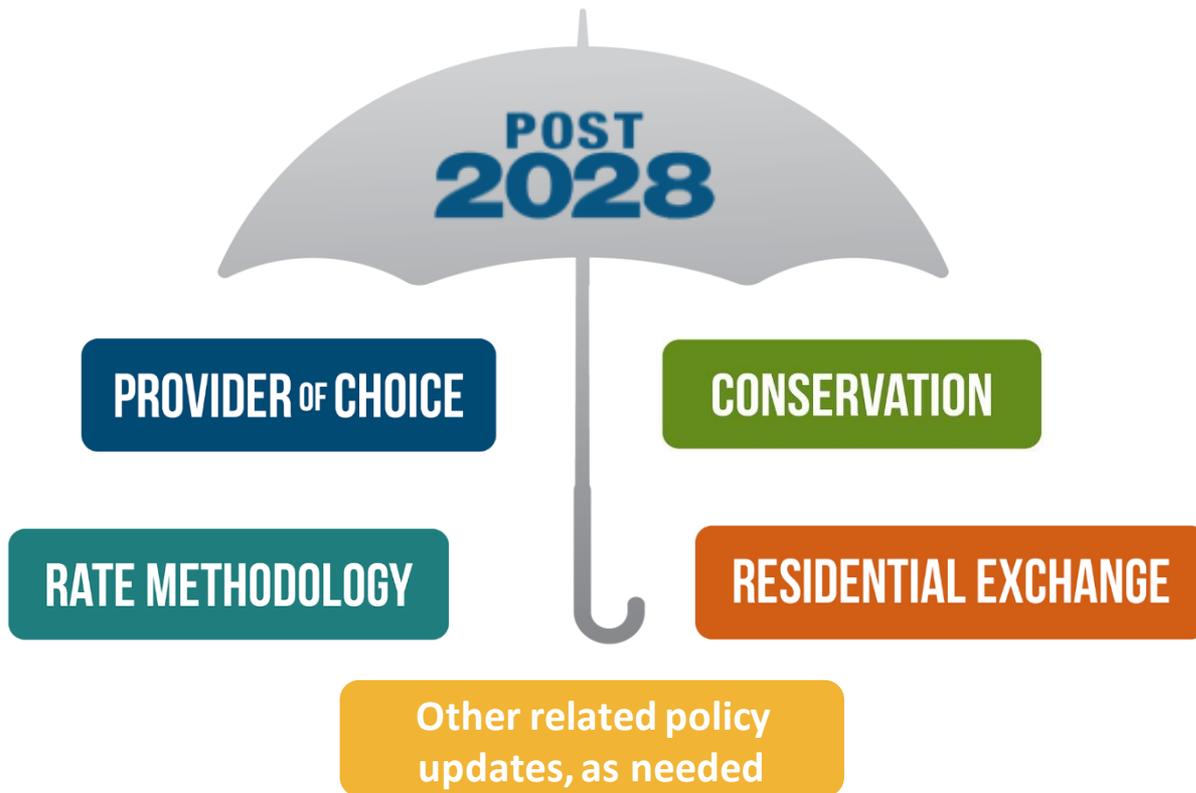
- Executive Remarks
- Landscape
- Statutes
- Scope
- Timeline & Process



Provider of Choice Overview

Kim Thompson, Vice President, Northwest Requirements Marketing

Post-2028 Initiative



Where We've Been, Where We Are



2016 - 2021

Early Customer Engagement
BPA customer outreach starting in 2016 to understand customers challenges and contract wants and needs for Post-2028.



2020 - 2021

Early Concept Development
Meetings with public power provided a foundation for significant policy topics, including capacity, carbon, energy efficiency, and the Residential Exchange Program.



2022

BPA Concept Paper
BPA in process of developing a concept paper that provides leanings and options to launch policy conversations.

YOU
ARE
HERE



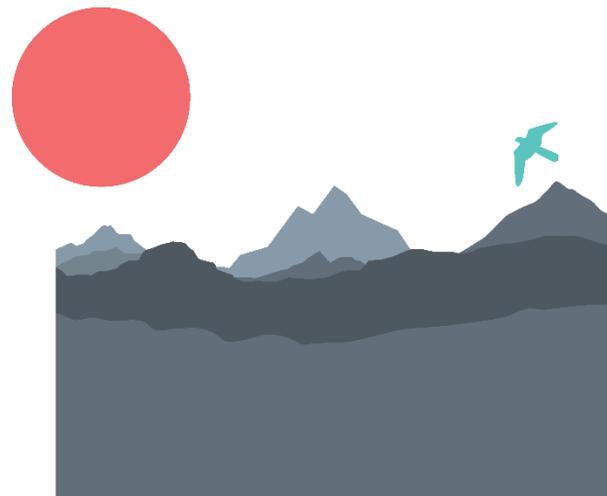
Landscape

Sarah Burczak, Policy Lead

Post-2028 Energy Landscape

The Pacific Northwest faces an ever evolving energy landscape.

At the start of Regional Dialogue, the region was expecting explosive load growth prior to improved energy efficiency of technology and the Great Recession.



Electrification and Resources



The resource mix is changing with:

- Early retirement of fossil fuel generators like coal plants.
- Increasing demand for intermittent renewables like wind and solar.

In the post-2028 time horizon expecting to see strong demand for energy through:

- Electrification of both buildings and vehicles.

Markets and Programs

New markets and programs could provide the Northwest or Western Interconnection with:

- New opportunities to integrate renewables.
- Improved transmission access.

These include:

- Western Resource Adequacy Program.
- CAISO's Extended Day-Ahead Market.
- SPP Markets +.



Clean Energy and Carbon

Regional efforts through regulations or markets are driving a focus on clean, carbon-free power.

Washington customers will need to comply with the Clean Energy Transformation Act and cap-and-trade program.





BPA Statutes

Kim Thompson, Vice President, Northwest Requirements Marketing

Purpose

1. Highlight key statutory provisions that serve as BPA's foundation for selling firm power under long term contracts.

- BPA is subject to other federal statutes not discussed here.

2. Illustrate how statutes are applied under Regional Dialogue.



Power Marketing Directives

- BPA is the **marketer for all** power generated at Bureau of Reclamation and U.S. Army Corps of Engineers projects in the Pacific Northwest.²
- BPA is directed to encourage “widespread use” of FCRPS power, at “**lowest possible rates**” and “**consistent with sound business principles.**”^{1,2,3}
- BPA has **obligation to offer contracts to meet the firm power loads** of publics and IOUs whenever requested.⁴
- Power sales **contract duration limited** to 20 years, including any renewals or extensions.¹
- BPA has **authority to acquire** resources on a short-term³ and a long-term basis to meet contract obligations.⁴
- BPA is authorized to sell **surplus energy and capacity** to entities outside the Pacific Northwest, consistent with both **public and PNW regional** preference.⁵

- 1) Bonneville Project Act of 1937
- 2) Flood Control Act of 1944
- 3) Transmission System Act of 1974
- 4) Northwest Power Act of 1980
- 5) Preference Act of 1964

BPA Rates and Tariff Provisions

- BPA is **self-financing** and the Bonneville Fund provides the Administrator **more flexibility** than relying on the annual appropriations process.³
- BPA develops rates and tariff provisions in **administrative hearings**.⁴
- BPA's rates, set **at least once every five years**, must **fully recover costs**.^{1,4}
- BPA administers the **Residential Exchange Program** and includes costs in rates to extend benefits of FCRPS to consumers of eligible utilities.⁴
- BPA offers **transmission services** pursuant to the open access transmission tariff.

- 1) Bonneville Project Act of 1937
- 2) Flood Control Act of 1944
- 3) Transmission System Act of 1974
- 4) Northwest Power Act of 1980
- 5) Preference Act of 1964

Preference

- **When making power sales, BPA must provide preference** to public bodies and cooperatives “at all times” in the event of competing applications.^{1,2,4}
- In general, preference does not come into play for long-term sales because **BPA can acquire resources** to meet all public and IOU requests for power.^{3,4}
- **Long-term power sales contracts to IOUs** must include a 5-year cancellation notice which triggers if power is needed to serve public customer requirements.¹
- **If BPA forecasts a deficiency** of resources on a planning basis, it may restrict sales and, as a last resort, allocate federal power.⁴
- **Rate setting provisions** provide price protection for preference customers.⁴

- 1) Bonneville Project Act of 1937
- 2) Flood Control Act of 1944
- 3) Transmission System Act of 1974
- 4) Northwest Power Act of 1980
- 5) Preference Act of 1964

Firm Load Obligation

- Section 5(b) of the Northwest Power Act established BPA's **Firm Load Obligation, referred to as "Net Requirements"**
- BPA is obligated to offer contracts to meet the firm power loads of requesting **public bodies, cooperatives and IOUs** net of the customer's non-federal resources:
 - A) Resources that were used prior to 1980
 - B) Such other resources that will be used to serve its firm load
- **Electric power** means energy, peaking capacity, or both.
- BPA determines net requirements in accordance with its Revised Policy on Determining Net Requirements of Pacific Northwest Utility Customers Under Sections 5(b)(1) and 9(c) of the Northwest Power Act.

New Large Single Loads

- An NLSL is any load:
 - associated with a new facility, an existing facility, or an expansion of an existing facility, which was not contracted for, or committed to, as determined by the Administrator, by a public body, cooperative, investor-owned utility, or federal agency customer prior to Sept. 1, 1979, and
 - which will result in an increase in power requirements of such customer of ten average megawatts or more in any consecutive twelve-month period.
- If BPA supplies Firm Power to serve an NLSL, it is sold at the New Resources rate.
- For more information, see BPA's NLSL Policy.



Regional Dialogue Contracts

Kim Thompson, Vice President, Northwest Requirements Marketing

BPA's Regional Dialogue Contracts

Full Requirements product – Load Following:

- BPA meets the customer's full energy and capacity requirements on an hourly basis.

Partial Requirements products – Block & Slice/Block:

- Block-BPA provides a planned amount of firm requirements power to serve a portion of a customer's planned Annual Net Requirement.
- Slice/Block-BPA provides a combined sale of firm requirements power under the Block product and firm power and other services as the Slice Output under the Slice Product based on a customer's planned Annual Net Requirement.

Tiered Rate Structure

Under Regional Dialogue, BPA created the Contract High Water Mark construct.

The Tiered Rate Methodology is the methodology used to establish a two-tiered PF rate design applicable to firm requirements service under the Regional Dialogue contracts.

Net Requirements Under Regional Dialogue

$$\text{Net Requirement} = \text{Total Retail Load} - \text{Dedicated Resources}$$

Under Regional Dialogue, BPA sells Firm Requirements Power to meet customer net requirements.

Tiered PF rates apply subject to Contract High Water Marks and BPA's Tiered Rate Methodology.

- Firm Requirements Power serving up to RHWM is subject to the PF Tier 1 rate.
- Firm Requirements Power used to serve Above-RHWM Load is subject to the Tier 2 rate.

Non-federal Resources

Customer resources must continue to be used to serve firm load unless they are permanently removed through one of the following¹:

- (1) Administrator's consent,
- (2) Discontinued because of obsolescence, retirement, loss of resource,
- (3) Loss of contract right.

For more information see Bonneville's 5(b)/9(c) policy on determining Net Requirements.



Provider of Choice Scope

Sarah Burczak, Policy Lead

Provider of Choice

The Provider of Choice process will address multiple topics and customer concerns.

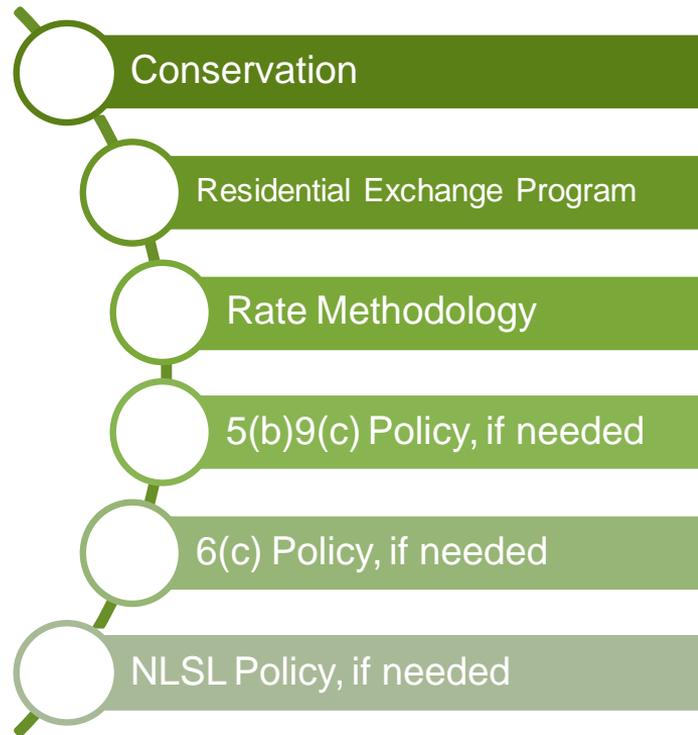
The actual policy and contracts developed will be more limited; certain identified issues may be addressed in separate processes or work streams.



Other Post-2028 Processes

Additional processes will be required to address all Post-2028 Initiative issues.

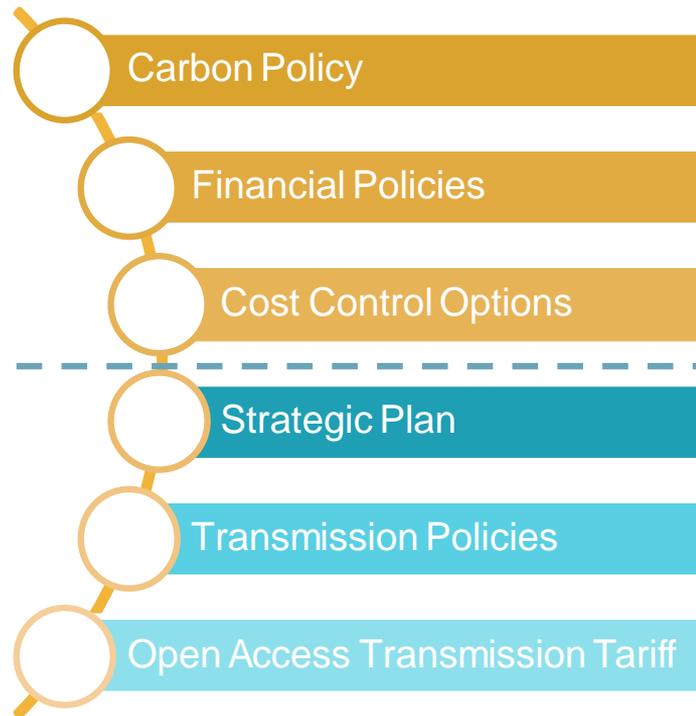
Efforts will be closely coordinated; processes may run in parallel or in sequence.



Other BPA Processes

Some BPA processes **may be within** the scope of Provider of Choice conversations, but decisions or policy directions are outside the scope of the Post-2028 initiative:

Other BPA processes **are outside** of the scope of the Post-2028 initiative due to timing and/or other business line drivers:





Timeline & Resources

Michelle Lichtenfels, Program Manager

Provider of Choice Timeline



Post-2028 Initiative Processes



Provider of Choice Resources

Provider of Choice [website](#):

- Background information and presentations on a range of related topics
- Fact sheets
- Regional Dialogue reference documents

Mark Your Calendar:

- Thursday, May 19, 1 to 3 p.m.
- Provider of Choice Goals and Principles

The screenshot shows the Bonneville Power Administration website. The header includes the BPA logo and navigation links: Energy & services, Environmental initiatives, Learn & participate, and About. A search icon and a social media icon are also present. Below the header is a dark blue navigation bar with dropdown menus for Power Services, Transmission Services, Energy Efficiency, Rate & tariff proceedings, and Customer & contractor services. The main content area features a sidebar on the left with a table of contents for 'BPA Power Contracts', including 'Provider of Choice', 'Resources', 'Regional Dialogue', and 'Resource Planning'. The main content area displays the title 'Provider of Choice (Post-2028)' in large, bold text, followed by a paragraph explaining the initiative: 'With BPA's current power sales contracts set to expire in 2028, BPA is planning for successor agreements. Provider of Choice is BPA's initiative designed to lay the foundation for delivery of competitively priced power beyond 2028. This initiative addresses the development of the policies and contracts BPA will offer its customers to meet their evolving needs well into the future.'

Feedback

Questions or feedback?

Please submit feedback by May 5 to your Power Account Executive, or email Tech Forum at techforum@bpa.gov.



QUESTION AND ANSWER

Thank you!

Provider of Choice Lead Sponsor:

Kim Thompson, Vice President, Northwest Requirements Marketing

Provider of Choice Team Leads:

Sarah Burczak, Policy Lead

Kelly Olive, Contract Lead

Michelle Lichtenfels, Program Manager



APPENDIX

Governing Statutes Detail

Governing Statutes

- The Bonneville Project Act of 1937, 16 U.S.C. § 832.
- The Pacific Northwest Consumer Power Preference Act of 1964, 16 U.S.C § 837.
- The Federal Columbia River Transmission System Act of 1974, 16 U.S.C § 838.
- The Pacific Northwest Electric Power Planning and Conservation Act of 1980, 16 U.S.C § 839.
- BPA is subject to other federal statutes that will not be discussed herein.

Framework

- BPA operates to fulfill its statutory mandates.
- BPA establishes policies to implement these statutory directives.
- BPA contracts establish buyer and seller obligations consistent with the statutes and BPA policies.

1930s Historical Context

- Federal projects to bolster economy during the Great Depression.
- Rural America lacked electrification.
- Concerns with monopolization of utilities and services.

Bonneville Project Act

- The Bonneville Project Act of 1937 created BPA and designated the Administrator as the marketer for energy generated at the Bonneville project.
- Secretary of Interior orders designated BPA as the marketer for some Reclamation Projects.
- The Project Act requires the Administrator to “at all times... give preference and priority to public bodies and cooperatives.”

Contract Term Limitation

Section 5(a) of the Project Act specifies that contracts “. . . shall be effective for such period or period, including renewals or extensions, as may be provided therein, not exceeding in the aggregate twenty years from the respective dates of the making of such contracts.”

Prohibition on Resale

Section 5(a) also specifies that contracts “shall contain a provision forbidding such private purchaser to resell any of such electric energy so purchased to any private utility or agency engaged in the sale of electric energy to the general public, and requiring the immediate canceling of such contract of sale in the event of violation of such provision.”

1960s and 70s Historical Context

- Development of Columbia River treaty increased storage and power production.
- Technological advancement and development of DC Intertie connecting PNW and California.
- Hydro-Thermal Power Program in development.

Preference Act of 1964

- Passed prior to construction of the Southern Intertie.
- Authorizes sales of electricity for use outside of the Pacific Northwest.
- Requires that contracts provide the Administrator the right to recall energy with 60 days notice if such energy is needed for use in the Pacific Northwest.

Treatment of Non-Federal Hydro

Section 3(d) of the Preference Act specifies:

- The Secretary, in making any determination of the energy requirements of any Pacific Northwest customer which is a non-Federal utility having hydroelectric generating facilities, shall exclude any amounts of hydroelectric energy generated in the Pacific Northwest and disposed of outside the Pacific Northwest by the utility which, through reasonable measures, could have been conserved or otherwise kept available for the utility's own needs in the Pacific Northwest.
- The Secretary may sell the utility as a replacement therefor only what would otherwise be surplus energy.
- This limitation is reiterated in Section 9(c) of the Northwest Power Act

Transmission System Act of 1974

- BPA becomes self financing.
- Established the Bonneville Fund which provides the Administrator with more flexibility than the annual appropriations process.
- Designated the Administrator as the marketer for all energy generated at Bureau and Corps projects in the Pacific Northwest.

1980s Historical Context

- Pending allocation of limited Federal power.
- Concerns about rate disparity between retail customers served by public bodies versus IOUs.
- Growing interest in environmental protection and energy efficiency.

Northwest Power Act

- Directed BPA to offer contracts for power sales to requesting preference customers and IOUs.
- Authorized power sales to DSIs and Federal agencies.
- Specified ratemaking procedures.
- Created the Residential Exchange Program.
- Established the PNW Electric Power and Conservation Planning Council.
- Included energy efficiency and fish and wildlife obligations.

Sales of Power

- Reaffirms preference and priority in sales of power to public bodies and cooperatives.
- Section 5(b) obligates BPA to offer contracts to meet the firm power loads of public bodies, cooperatives, and IOUs net of existing resources and other resources as determined by the Administrator.

Net Requirements Obligation

Section 5(b)(1) Northwest Power Act

“Whenever requested, the Administrator shall offer to sell to each requesting public body and cooperative entitled to preference and priority under the Bonneville Project Act of 1937 and to each requesting investor-owned utility electric power to meet the firm power load of such public body, cooperative or investor-owned utility in the Region. . . .”

Application of Customer Resources

- Section 5(b)(1) calls out two categories of non-federal resources that a customer is required to take to load.
- BPA must meet the customer's "firm power load . . . To the extent that such firm power load exceeds—
 - (5)(b)(1)(A): "the capability of such entity's peaking and energy resources used in the year prior to December 5, 1980, to serve its firm load in the region, and
 - (5)(b)(1)(B): "such other resources as such entity determines, pursuant to contracts under this chapter, will be used to serve its firm load in the region."
(example. A customer resource contracted for the period by the customer for the period of the contract).

Removal of Customer Resources

- 5(b)(1)(a) and (b) requires that customer resources must continue to be used to serve firm load unless they are permanently removed through one of the following:
 - 1) Administrator's consent,
 - 2) Discontinued because of obsolescence, retirement, loss of resource,
 - 3) Loss of contract right.
- For more information see BPA's 5(b)/9(c) policy on determining Net Requirements.

Acquisition of Resources

- Provided BPA with authority to acquire resources when needed to meet net requirements when they exceed Federal Base System resources.
- Includes special provisions for development of major resources over 50MW.

New Large Single Loads

- Section 7(b)(4) prohibits NLSL's from being served at the Priority Firm (PF) rate.
- A NLSL is defined as:
 - Any load associated with a new facility, and existing facility, or an expansion of an existing facility
 - Which is not contracted for, or committed to, as determined by the Administrator, by a public body, cooperative, investor-owned utility, or Federal agency customer prior to September 1, 1979, and
 - Which will result in an increase in power requirements of such customer of ten average megawatts or more in any consecutive twelve-month period.
- For more information see BPA's NLSL Policy.

Reference

BPA Statutes Book: <https://www.bpa.gov/-/media/Aep/power/provider-of-choice/gi-BPA-Statutes.pdf>