Provider of Choice Concept Paper Workshop

July 21, 2022
## Agenda

<table>
<thead>
<tr>
<th>Time Start</th>
<th>Time End</th>
<th>Topic</th>
<th>Presenter(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>9 a.m.</td>
<td>9:40 a.m.</td>
<td>Executive Remarks</td>
<td>John Hairston</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Kim Thompson</td>
</tr>
<tr>
<td>9:40 a.m.</td>
<td>12 p.m.</td>
<td>Concept Paper Technical Overview</td>
<td>Various subject matter experts</td>
</tr>
<tr>
<td>12 p.m.</td>
<td>1 p.m.</td>
<td>Lunch Break</td>
<td>-</td>
</tr>
<tr>
<td>1 p.m.</td>
<td>4 p.m.</td>
<td>Concept Paper Technical Overview (Cont’d)</td>
<td>Various subject matter experts</td>
</tr>
</tbody>
</table>
INTRODUCTORY REMARKS
John Hairston, Administrator and Chief Executive Officer
SPONSOR REMARKS

Kim Thompson, Vice President for Northwest Requirements Marketing
Provider of Choice Concept Paper

Technical Session
### Detailed Agenda – Morning

<table>
<thead>
<tr>
<th>Time Start</th>
<th>Time End</th>
<th>Topic</th>
<th>Presenter(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>9:40 a.m.</td>
<td>9:45 a.m.</td>
<td>Introduction</td>
<td>Michelle Lichtenfels</td>
</tr>
<tr>
<td>9:45 a.m.</td>
<td>10:30 a.m.</td>
<td>Tier 1 System Size</td>
<td>Sarah Burczak</td>
</tr>
<tr>
<td><strong>10:30 a.m.</strong></td>
<td><strong>10:35 a.m.</strong></td>
<td><strong>Break</strong></td>
<td>-</td>
</tr>
<tr>
<td>10:35 a.m.</td>
<td>11:05 a.m.</td>
<td>Contract High Water Mark Calculation</td>
<td>Sarah Burczak</td>
</tr>
<tr>
<td>11:05 a.m.</td>
<td>11:25 a.m.</td>
<td>Non-federal Resources</td>
<td>Lindsay Bleifuss</td>
</tr>
<tr>
<td>11:25 a.m.</td>
<td>11:40 a.m.</td>
<td>Long-term Cost Control</td>
<td>Scott Wilson</td>
</tr>
<tr>
<td>11:40 a.m.</td>
<td>12 p.m.</td>
<td>Q &amp; A</td>
<td>-</td>
</tr>
<tr>
<td><strong>12 p.m.</strong></td>
<td><strong>1 p.m.</strong></td>
<td>Lunch Break</td>
<td>-</td>
</tr>
</tbody>
</table>

**Note:**
Start and end times are approximate; we will make every effort to align to planned agenda and break times.
# Detailed Agenda – Afternoon

<table>
<thead>
<tr>
<th>Time Start</th>
<th>Time End</th>
<th>Topic</th>
<th>Presenter(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 p.m.</td>
<td>1:15 p.m.</td>
<td>Peak Net Requirements</td>
<td>Lindsay Bleifuss</td>
</tr>
<tr>
<td>1:15pm</td>
<td>1:25 p.m.</td>
<td>Priority Firm Products</td>
<td>Lindsay Bleifuss</td>
</tr>
<tr>
<td>1:25 p.m.</td>
<td>1:35 p.m.</td>
<td>Above-RHWM Service</td>
<td>Sarah Burczak</td>
</tr>
<tr>
<td>1:35 p.m.</td>
<td>1:45 p.m.</td>
<td>Q&amp;A</td>
<td>-</td>
</tr>
<tr>
<td>1:45 p.m.</td>
<td>1:55 p.m.</td>
<td>Additional Products and Rate Discounts</td>
<td>Sarah Burczak</td>
</tr>
<tr>
<td>1:55 p.m.</td>
<td>2 p.m.</td>
<td>Break</td>
<td>-</td>
</tr>
<tr>
<td>2 p.m.</td>
<td>2:15 p.m.</td>
<td>Basic Contract Framework</td>
<td>Kelly Olive</td>
</tr>
<tr>
<td>2:15 p.m.</td>
<td>2:30 p.m.</td>
<td>Carbon and Other Environmental Attributes</td>
<td>Alisa Kaseweter</td>
</tr>
<tr>
<td>2:30 p.m.</td>
<td>2:40 p.m.</td>
<td>Transfer Services and Transmission</td>
<td>Paul Garrett</td>
</tr>
<tr>
<td>2:55 p.m.</td>
<td>3 p.m.</td>
<td>Break</td>
<td>-</td>
</tr>
<tr>
<td>3 p.m.</td>
<td>3:35 p.m.</td>
<td>Post-2028 Initiative Processes</td>
<td>Sarah Burczak, Paulina Cornejo, Dave Moody</td>
</tr>
<tr>
<td>3:35 p.m.</td>
<td>4 p.m.</td>
<td>Schedule and Feedback; Q&amp;A; Wrap Up</td>
<td>Michelle Lichtenfels, Kim Thompson</td>
</tr>
</tbody>
</table>
Workshop Roles & Expectations
Michelle Lichtenfels, Program Manager
Today’s Workshop

• Presenters will take pauses for questions.
• There is scheduled Q & A time.
• If a question arises during a presentation, please:
  – Hold your question until a pause, or
  – Write your question in the Webex chat with the corresponding slide number.
• Chat questions will be addressed in the order received.
• We will call on raised hands. You can unmute/mute yourself.
  – Please state your name and organization.
Workshop Roles & Expectations: BPA

- Distribute workshop materials a minimum of 48 hours in advance via email and/or post on BPA website.
  - Materials will not be printed.
- Start and end workshops on time.
- Facilitate and moderate conversations with an eye on workshop objectives and scope.
- Provide open and inclusive opportunities for feedback, both within and following workshops.
- Respect others and assume good intentions.
- Bring a constructive mentality.
Workshop Roles & Expectations: Participants

• Come prepared by reviewing materials in advance of workshops.
• Participants are empowered to represent utility or organization, as applicable.
• Share your perspective and provide feedback.
• Limit discussion to the scope of each workshop. Don’t start side conversations.
• Respect others and assume good intentions.
• Bring a constructive mentality.
Tier 1 System Size

Concept Paper Section 4.2

Sarah Burczak, Policy Lead
The tiered rate construct enables public power customers to purchase low-cost Tier 1 System power up to their high water mark for the term of the contract.

Bonneville’s tiered rates structure allocates the costs and risks associated with supplying power from Bonneville’s existing firm system capability (Tier 1 System) compared to the cost of additional power needed (e.g. market purchases or other resource acquisitions) to supply a customer with load the above their high water mark.

Alternatively to a tiered rate structure, Bonneville could return to a buy and meld construct as was done prior to the Regional Dialogue contracts and the Tiered Rate Methodology, in which case there would be no tiered rates.
How the Tier 1 System is Determined

Tier 1 System = Tier 1 System Resources – Tier 1 System Obligations

Tier 1 system resources include:
- The Federal Columbia River Power System.
- Designated non-federal resources (e.g., Columbia Generating Station).
- Designated contract purchases.

Tier 1 system obligations are any firm obligations placed on Bonneville based on:
- Signed contract provisions.
- Columbia River Treaty.
- Statute.
- Regulations.
- Court orders.
- Memoranda of agreement.
- Executive orders.
If the size of the proposed Tier 1 system exceeds current Tier 1 System firm capability, Bonneville may, if needed, acquire resources to ensure it could meet firm load obligations.

Bonneville would only acquire if there is a load obligation to serve.

In determining which resources to acquire on a long-term basis, Bonneville would be informed by Bonneville’s Resource Program and act consistent with the Northwest Power Act and the Council’s Power Plan.
Tier 1 System Size Options

• **P10 Firm Monthly (Regional Dialogue methodology)**
  – Leverage most recent 30-year period of record and monthly 10\textsuperscript{th} percentiles to establish firm system output.

• **Fixed System Size (BPA’s Concept Paper proposal)**
  – Set the Tier 1 system at a single size for the life of the contract.

• **Fixed Amount Added to Tier 1 System Size**
  – Add a fixed amount of additional aMWs to firm system (P10 Firm Monthly).

• **P35 Firm Monthly**
  – Set Tier 1 system closer to an average water year by using P35 firm monthly hydro profile to set the Tier 1 size and firming, via acquisitions, to that scale.
Net Requirements and Tier 1

- BPA will only acquire resources to meet firm load obligations, as determined by net requirements.
- Two scenarios provide estimates of total net requirement load in FY 2026, which could be used to determine Tier 1 system size.
  - Note this is based on current customers and information and could be higher than current estimate.

FY 2026 Net Requirement (Low Scenario): 6,981 aMW
FY 2026 Net Requirement (High Scenario): 7,180 aMW
This is the current methodology, as of June 2022, used to set the Tier 1 system size under Regional Dialogue.

RHWMs would vary rate period to rate period as the output of the Tier 1 system varies.

Note: Bonneville assumes that current augmentation of 69 aMW would be carried forward as part of Tier 1 system under Provider of Choice. Bonneville is open to discussing and changing this assumption.
Fixed System

<table>
<thead>
<tr>
<th>Total Tier 1 Firm System Output</th>
<th>P10 Firm Monthly – CHWM Tier 1 System and Fixed CHWM Tier 1 System</th>
<th>Delta Between Firm and CHWM Tier 1 Systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>6,667 aMW</td>
<td>6,736 aMW</td>
<td>69 aMW</td>
</tr>
<tr>
<td>6,667 aMW</td>
<td>7,000 aMW</td>
<td>333 aMW</td>
</tr>
</tbody>
</table>

Bonneville proposes to fix the Tier 1 system size at 7,000 aMW.

RHWMs would be equal to CHWMs and would be fixed for the term of the contract.
### Fixed Amount

<table>
<thead>
<tr>
<th>Total Tier 1 Firm System Output</th>
<th>P10 Firm Monthly – CHWM Tier 1 System (Fixed Amounts)</th>
<th>Delta Between Firm and CHWM Tier 1 Systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>6,667 aMW</td>
<td>7,400 aMW</td>
<td>733 aMW</td>
</tr>
<tr>
<td>6,667 aMW</td>
<td>9,000 aMW</td>
<td>2,333 aMW</td>
</tr>
</tbody>
</table>

RHWMs would **vary rate period to rate period** as the output of the Tier 1 system varies.
RHWMs would **vary rate period to rate period** as the output of the Tier 1 system varies.

There is greatest variability and risk planning in this scenario.
System Size Considerations

1. Resource Acquisition
2. Federal Base System Capability Reduction
3. Carbon
4. Secondary Sales
5. Rate Stability
## Tier 1 Firm System Size Options

<table>
<thead>
<tr>
<th>Using BP-22 RHWM Tier 1 System Studies (Annual aMW)</th>
<th>P10 Firm Monthly</th>
<th>Fixed System (Recommended)</th>
<th>Fixed Amount</th>
<th>P 35 Firm Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Tier 1 Firm System Output</strong></td>
<td>6,667</td>
<td>6,667</td>
<td>6,667</td>
<td>6,667</td>
</tr>
<tr>
<td><strong>CHWM Tier 1 System</strong></td>
<td>6,736</td>
<td>6,736</td>
<td>7,000</td>
<td>7,400</td>
</tr>
<tr>
<td><strong>Delta Between Firm and CHWM Tier 1 Systems</strong></td>
<td>69</td>
<td>69</td>
<td>333</td>
<td>733</td>
</tr>
<tr>
<td><strong>FY 2026 Net Requirement (Low Scenario)</strong></td>
<td>6,981</td>
<td>6,981</td>
<td>6,981</td>
<td>6,981</td>
</tr>
<tr>
<td><strong>FY 2026 Net Requirement (High Scenario)</strong></td>
<td>7,180</td>
<td>7,180</td>
<td>7,180</td>
<td>7,180</td>
</tr>
<tr>
<td><strong>Energy Needed to Firm to Tier 1 Net Requirement</strong></td>
<td>69</td>
<td>69</td>
<td>314</td>
<td>314</td>
</tr>
<tr>
<td></td>
<td>69</td>
<td>69</td>
<td>333</td>
<td>513</td>
</tr>
</tbody>
</table>
Bonneville proposes to retain the three Regional Dialogue categories for adjusting the Tier 1 system size and CHWMs for Provider of Choice contracts:

1. Newly formed public utilities placing net requirements on BPA,
2. Load growth for existing tribal utilities served by BPA, and
3. To serve U.S. Department of Energy Richland’s vitrification plant’s planned load.

Bonneville declines to adopt a customer proposal for a mid-term Tier 1 system size update that would account for load growth from electrification and other industry changes because it is incompatible with tiered rates.
Calculating Contract High Water Marks
Concept Paper Section 4.2.3
Sarah Burczak, Policy Lead
Contract High Water Marks

• A CHWM sets a public customer’s eligibility to purchase an amount of power service at the Tier 1 rate.

• Currently, BPA adjusts the CHWMs based on the Tier 1 system size for each rate period resulting in a Rate Period High Water Mark (RHWM).
  – Any load above the CHWM, or RHWM, is considered Above Rate Period High Water Mark (Above-RHWM) load and is ineligible for Tier 1 priced power.

• The CHWM construct was designed as part of the Tiered Rate Methodology. To carry the CHWM construct forward, BPA will need to adopt a rate methodology through a 7(i) rate process.
Bonneville proposes to calculate new CHWMs for the Provider of Choice contracts. The calculation will take into account:

- Recalculation year(s).
- Treatment of existing and new resources.
- New Large Single Loads.
- Weather normalized load amounts proposed for CHWM calculations.
- Conservation.
- Pro-rata scaling, if needed.
Recalculation Year

- Bonneville proposes to base Provider of Choice CHWMs on loads measured in FY 2026.
- Use of a single year provides simplicity for calculations.
Resource Treatment

- Bonneville proposes that any non-federal resources dedicated to load as of September 30, 2026 would be applied to serve a customer’s load and reduce their CHWM.
New Large Single Loads

A New Large Single Load is any new load, or an expansion of an existing load, at a single facility that grows by 10 average megawatts (aMW) or more in any consecutive 12-month monitoring period, as defined in the Northwest Power Act. Such load is separately metered and is not part of the customer’s general requirements.

Customers serving NLSLs can buy firm power from BPA at BPA’s marginal cost rate, the New Resource (NR) rate.

As such, NLSLs are subtracted from a customer’s total retail load when determining CHWMs.
Weather Normalization

- Bonneville proposes to weather normalize FY 2026 loads used to set CHWMs.
- Weather normalization would use data from FY 2021 – FY 2025.
- Irrigation loads would be normalized separately.
Bonneville proposes to add **self-funded conservation savings** from FY 2022 through FY 2026 to their measured loads for CHWM.

- Such an approach ensures that customers who spend more on conservation than they receive from BPA still have an incentive to do so.

Bonneville remains open to discussing whether and how a conservation savings adjustment should be included in CHWM calculations.
Pro-rata Scaling Down

- Customers’ collective CHWMs cannot exceed the maximum intended Tier 1 system size.

- Bonneville proposes that if the selected Tier 1 system size is less than initial CHWMs, all customers would share an equal pro rata decrement to their CHWMs.
Limit Changes From Regional Dialogue

- Circumstances and decisions under Regional Dialogue could have major impacts on CHWM calculations for Provider Of Choice.

- Bonneville offers options for how to approach CHWM calculation for customers with increases in net requirements due to load growth, loss of resource or a returning public utility, as well as customers with load loss during RD unrelated to conservation.

- Bonneville proposes that one way to handle is to include 50% of these changes as CHWM load for future contracts.
RHWM Exchange or Transfer

• Bonneville declines to implement a customer suggestion to allow for a RHWM exchange or a RHWM transfer option for its customers.
  – These options would allow customers with headroom in a given rate period to exchange or transfer that amount of load eligible for the PF Tier 1 rate to a customer that is looking to offset their Above-RHWM load.

• Bonneville believes this would undermine the tiered rate construct, lessen price signals for customers to develop or acquire their own non-federal resources, or to develop conservation, and the option should be included in the Provider of Choice contract.
Non-Federal Resources
Lindsay Bleifuss, Power Account Executive
Under Regional Dialogue contracts, a customer must designate in Exhibit A any customer or (retail) consumer-owned resource in excess of 200 kilowatt nameplate. Over the past several years, customers have expressed concern that this threshold is too low, and serves as a disincentive to adding a small resource. Customers have requested additional flexibility to add new resources in the next contract period, including increasing the 200 kW threshold.
Bonneville proposes to allow customers to dedicate generating resources to offset some of their Tier 1 take-or-pay obligation:

- Resources would need to be customer-owned resources connected to the customer’s distribution system.
- Resources would be limited up to an aggregate nameplate of 5 MW or 50% of their CHWM, whichever is less.
- Such resources would not require Resource Support Services but would be subject to any additional load shaping and capacity costs.

BPA recognizes customer request to raise the minimum threshold:

- Bonneville is currently analyzing the feasibility of raising both the Power Services and Transmission Services minimum thresholds from 200 kilowatt (kW) to 1 MW.
Long-Term Cost Control
Scott Wilson, Western Power Customer Services Manager
• Customer concern over Bonneville's cost management is a recurring theme.

• Bonneville and customers agree that efficient and rigorous management of the costs that Bonneville collects from its customers is critical for both customers’ and Bonneville’s continued success.

• Bonneville has made significant progress leading up to and during Regional Dialogue establishing customer engagement opportunities to BPA's financial processes and granting our customers extensive transparency and access to financial decision making.
Cost Drivers

Figure 1. Power Services Revenue Requirement Cost Drivers (Average of Regional Dialogue 2012 – 2023)
Bending the Cost Curve

Bending the Cost Curve - Power Services
Average annual IPR program costs in billions of dollars

- Rate period average annual spending level
- BP-18 average annual spending level w/ inflation

2018 Financial Plan

BP-08  BP-10  BP-12  BP-14  BP-16  BP-18  BP-20  BP-22  BP-24

$0.75B  $1.00B  $1.25B  $1.50B  $1.75B
Bonneville remains committed to clear and transparent information and offers opportunities for input. Processes include:

- Integrated Program Review
- Quarterly Business Review
- Financial Plan Refresh
Bonneville proposes to offer long-term, 20-year contracts.

Bonneville is open to policy and contract options that would increase cost certainty and provide customers with flexibility while also ensuring recovery of Bonneville’s costs and maintaining its financial health.

Bonneville does not support customer proposals to include off-ramps or exit clauses because this could result in cost shifts among customers.
Reducing power rate risk by removing forecast secondary revenue from the base PF rate

- Bonneville proposes this significant change from current approach.

Additional cost management flexibilities: Non-federal purchases and assignment of power sales contracts

- Bonneville would consider an equitably designed “replacement required” off-ramp; customers could terminate their power sales agreement if they found other regional preference customers with firm power load that need power supply and are willing to increase the amount of federal power.
- Bonneville is open to exploring additional flexibility for customers to change their product choice over the term of the Provider of Choice contracts.

Other cost management tools: Regulatory assets treatment and contract/TRM revisions

- Regulatory Cost Recovery Deferral

Ability to change contract and rates

- Address unexpected events
- Bonneville is committed to working with customers to mitigate risks and address as needed
QUESTION AND ANSWER
Net Requirements
Concept Paper Section 4.1
Lindsay Bleifuss, Power Account Executive
A customer’s net requirement is its total retail load exclusive of its resources*. Propose to continue to offer a Load Following product that meets all of a customer’s actual hourly net requirements load. Propose to continue to offer the Block and Slice/Block products based on a forecast of the customers’ net requirements.

* The load eligible for service at PF rates discussed on this and subsequent slides are public utility net requirements less NLSL.
Bonneville proposes to implement peak net requirements. The calculation will include three components:

1. **Customer’s total peak load**
   - Bonneville plans to use the customer’s total retail load forecast for this purpose. The forecast used will be the 50th percentile (also referred to as P50), which establishes the customer’s average peak load.

2. **Customer’s peaking energy capability from its resources**
   - At this time, Bonneville proposes to explore using the method being established in the WRAP by the Western Power Pool to determine a resource’s peaking energy capability. As conversations continue, Bonneville recognizes its thinking may need to evolve.

3. **Bonneville’s peaking energy capability of the federal system**
   - Bonneville proposes to address this using the methodology used to determine a customer’s non-federal resource’s peaking energy capability.
Load Following

• The Load Following product serves a customer’s net requirement load on an hourly basis, and meets the customer’s peak load.

• Bonneville proposes to continue to meet hourly peak net requirements and resource adequacy requirements under this product.

• Bonneville is open to finding ways that remove barriers and increase opportunities for Load Following customers to develop physical resources.
  – Bonneville will explore approaches to equitably address capacity needs associated with those resources.
Bonneville proposes to offer a similar design, with peak net requirements integrated in the Block product for Provider of Choice.

Bonneville proposes to offer a standalone Block product as well as a Block product with Shaping Capacity option.

Bonneville is open to modifications that may improve these product offerings and looks forward to redesigning the Shaping Capacity option to better meet customer needs.
Bonneville proposes to **include a peak net requirements calculation for the Slice/Block product:**

- Each customer’s monthly firm peak net requirement would be calculated and the product would be limited to providing the calculated monthly amount.

- In months where a customer receives excess firm capacity, flexibility of the Slice product could be limited, and Bonneville would have the right to reduce the excess firm capacity to serve other requirements loads.
Above-RHWM Load Service

Concept Paper Section 4.3.2

Sarah Burczak, Policy Lead
Above-RHWM Service

Bonneville proposes to have two options for Above-RHWM load service during the Provider of Choice contract term:

- Federal Above-RHWM service and Non-federal Above-RHWM service.
- Customers would make a one-time election for either of these services prior to the Provider of Choice contract term.
Above-RHWM Service Options

**Federal Above-RHWM Service:**
Customers would elect to have Bonneville serve Above-RHWM loads with firm requirements power sold at a Tier 2 rate.

**Non-federal Above-RHWM Service:**
Customers would elect to serve Above-RHWM loads with non-federal resources and be responsible for managing their own load growth.

Limited option to request service for a defined amount of power at the Tier 2 rate from Bonneville prior to each rate period subject to possible limits based on resource availability.
Additional Products and Rate Discounts
Concept Paper 4.3.3 – 4.3.6, 4.4
Sarah Burczak, Policy Lead
Power Sales to IOUs

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.

Sales of power to IOUs under Section 5(b) are sold at the Section 7(f), NR rate.

Bonneville is working on a schedule to engage IOUs interested in 5(b) contracts as part of policy workshops this fall.
Additional Product Offerings

Capacity:
- Propose no additional PF capacity product at this time but open to further conversations.

New Large Single Loads:
- Sales of power to serve NLSL are sold at the section 7(f), NR rate.
- Offer opportunities to discuss NLSL changes and whether they could be achieved by a policy update or in the Provider or Choice contracts.

Direct Service Industry:
- Bonneville will only offer Port Townsend Paper a contract if Port Townsend Paper requests a contract, and an economic analysis determines that the contract will have a benefit to Bonneville and its customers. BPA is prohibited from selling power to new DSIs.
Rate Discounts

Irrigation Rate Discount:
- Discount offered since early 1940s.
- Propose to continue to offer discount in Provider of Choice.

Low Density Discount:
- Discount is described in the Northwest Power Act.
- Propose to continue existing discount terms under Provider of Choice.
Billing Credits

Under Regional Dialogue, customers waived the right to take billing credits for generating resources in order to support the tiered rates construct.

Bonneville proposes to request customers to continue to waive rights to billing credits for generating resources, and for conservation, if Bonneville continues with the tiered rates construct post-2028.
QUESTION AND ANSWER
Basic Contract Framework

Concept Paper Section 3.2

Kelly Olive, Contract Lead
Bonneville proposes **20 year contracts**, with expiration in 2045.

- All Provider of Choice contracts would have the same effective date and expiration date at the time of contract offer.

Bonneville is open to exploring 19-year contracts that would provide power deliveries through 2044 to align with WA Clean Energy Transformation Act compliance timing.

**Long-term power sales agreements:**

- Provide stability to the region.
- Enable long-term planning for both Bonneville and customers.
- Fundamental for long-term financial health.
- Assure locked-in, long-term access to carbon-free, competitively priced FCRPS.
Bonneville proposes **standardized provisions for each product offering** (Load Following, Block, and Slice/Block).

Bonneville proposes to offer **as many standardized terms and conditions** across all contracts as is possible.

Standardized contracts, similar to those offered under Regional Dialogue, offer consistency and create confidence in uniform and fair treatment, as well as transparency.
Bonneville proposes that power purchases under Provider of Choice contracts are take-or-pay for the amount of Federal power that the customer is obligated to purchase from BPA whether the power is purchased at Tier 1 or Tier 2 rates.

- Bonneville would continue to build in mechanisms and flexibilities to ease customer’s take-or-pay risk.

The purpose for a take-or-pay provision, similar to that offered under Regional Dialogue, is two-fold:

1. To discourage a customer from advantageously offsetting federal power with non-federal options and ultimately shifting the cost recovery to other customers; and
2. Provide assurance to the U.S. Treasury that BPA will be able to make its payments in full and on time.
Carbon and Environmental Attributes

Concept Paper Section 5

Alisa Kaseweter, Climate Change Specialist
Context

• In recent years, multiple states have enacted **carbon pricing programs**, clean energy standards, or both.

• In the time horizon for Provider of Choice contracts, staff anticipates that the value of carbon-free power – and costs associated with any carbon – will be much higher than it is today.

• Washington utilities are subject to both the Clean Energy Transformation Act (CETA) and the Climate Commitment Act (cap-and-invest).
  – CETA requires utilities to be 100% carbon-neutral by 2030 and 100% carbon-free by 2045.
  – CETA uses Renewable Energy Credits (RECs) as a primary tool for compliance.

• Accordingly, **carbon will be a driving factor** in elements of BPA’s Provider of Choice contract:
  – Approach on whether to augment the system
  – What types of resources BPA should acquire to replace reductions in the capability of the existing BPA system (i.e., FCRPS) and to meet a customer’s above high water mark (AHWM) load.
  – How to meet short-term balancing needs
Priority Firm Tier 1 Power Rate: Tier 1 System Carbon Content

Bonneville proposes to assess carbon-free options:

- Through **Resource Program process**, evaluate options for acquiring power from carbon-free resources and adjusting Bonneville’s conservation measures in addition to the current practice of acquiring least-cost power from the market.

- Assess whether increasing the size of the Tier 1 system above firm generation levels requires **resource acquisitions** and if that acquisition should be done with carbon-free resources.

- Develop Bonneville **trading floor processes** to seek out specified, clean power purchases for balancing load and/or consider including a price for carbon emissions in determining the least-cost resource.
Conveyance of Renewable Energy Credits

Bonneville proposes to convey RECs created by the Tier 1 system commensurate with the actual amount of power purchased by a public power customer.
Bonneville proposes to convey the environmental attributes, including carbon content and RECs, to public power customers that are served with firm requirements power at a specific Tier 2 rate.
Bonneville has heard specific interest from customers in separating out fuel type and other attributes of the federal system and conveying them to a subset of customers willing to pay a premium for it.

Bonneville notes three areas of concern:
- Statutory
- CETA intent and/or requirements
- Cost
Transfer Service Proposals

Administration of transfer service:
- Bonneville proposes to continue to hold transmission contracts across third-party transmission systems (arrange for transfer service).

Payment for transfer service:
- Bonneville proposes to continue to recover transfer service costs for federal power in PF Tier 1 rate.
- Bonneville proposes not to pay for the transmission or other services to deliver federal power sold at 7(f) rates (e.g. service to NLSL, surplus sales).
- Bonneville proposes to return to the pre-Regional Dialogue policy of not rolling the cost of transfer service for customers’ non-federal resources into the PF Tier 1 rate.
Comparability of service:
  – Bonneville proposes to carry forward the principle of comparability as it relates to treatment of costs including direct assignment guidelines and ancillary services.
  – However, as it relates to quality of service, Bonneville proposes to no longer perpetuate the principle of comparability.

New and annexed load:
  – Bonneville proposes to continue to allow for incremental transfer service in certain instances

Day-ahead market or RTO considerations:
  – Bonneville will work with customers to adapt transfer service policies and contracts if and when applicable.
The industry landscape is increasingly complex.

Bonneville continues to move toward standardized, pro forma products and improved/streamlined processes.

Bonneville’s Power and Transmission Services will continue to collaborate to ensure consistency and transparency.
Post-2028 Initiative
Concept Paper Section 10
Sarah Burczak, Policy Lead
Post-2028 Initiative

Other related policy updates, as needed
# Post-2028 Initiative Timelines

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>Post-2028 Initiative Timelines last updated July 2022 and subject to change</td>
</tr>
<tr>
<td>2022</td>
<td><strong>Provider of Choice</strong>:&lt;br&gt;&lt;br&gt;Policy and ROD&lt;br&gt;Contract Development&lt;br&gt;Contract Delivery and System Readiness&lt;br&gt;Power Deliveries Under New Contracts Begin</td>
</tr>
<tr>
<td>2022</td>
<td><strong>Residential Exchange</strong>:&lt;br&gt;&lt;br&gt;Public Workshops (Fall 2022 - Spring 2023)&lt;br&gt;Deliberative External Engagement (Summer 2023 - Spring 2024)&lt;br&gt;🌟 Crossroad: Settlement/No Settlement (Summer 2024)</td>
</tr>
<tr>
<td>2022</td>
<td><strong>Rates Methodology</strong>:&lt;br&gt;&lt;br&gt;Public Workshops (Summer - Winter 2023)&lt;br&gt;Public Rate Methodology Drafting (Winter - Summer 2024)&lt;br&gt;🌟 Proposed Rate Methodology (BP-26 7(i) Process, Winter 2024)&lt;br&gt;🌟 Final Rate Methodology (BP-26 ROD, Summer 2025)</td>
</tr>
<tr>
<td>2022</td>
<td><strong>Conservation</strong>:&lt;br&gt;&lt;br&gt;Post-2028 Energy Conservation Agreements: Negotiate, Offer, Execute (Winter 2025 - Spring 2028)</td>
</tr>
<tr>
<td>2023</td>
<td><strong>Contract Development</strong>:&lt;br&gt;&lt;br&gt;Policy and ROD&lt;br&gt;Contract Development&lt;br&gt;Contract Delivery and System Readiness&lt;br&gt;Power Deliveries Under New Contracts Begin</td>
</tr>
<tr>
<td>2023</td>
<td><strong>Residential Exchange</strong>:&lt;br&gt;&lt;br&gt;Public Workshops (Fall 2022 - Spring 2023)&lt;br&gt;Deliberative External Engagement (Summer 2023 - Spring 2024)&lt;br&gt;🌟 Crossroad: Settlement/No Settlement (Summer 2024)</td>
</tr>
<tr>
<td>2023</td>
<td><strong>Rates Methodology</strong>:&lt;br&gt;&lt;br&gt;Public Workshops (Summer - Winter 2023)&lt;br&gt;Public Rate Methodology Drafting (Winter - Summer 2024)&lt;br&gt;🌟 Proposed Rate Methodology (BP-26 7(i) Process, Winter 2024)&lt;br&gt;🌟 Final Rate Methodology (BP-26 ROD, Summer 2025)</td>
</tr>
<tr>
<td>2023</td>
<td><strong>Conservation</strong>:&lt;br&gt;&lt;br&gt;Post-2028 Energy Conservation Agreements: Negotiate, Offer, Execute (Winter 2025 - Spring 2028)</td>
</tr>
<tr>
<td>2024</td>
<td><strong>Contract Development</strong>:&lt;br&gt;&lt;br&gt;Policy and ROD&lt;br&gt;Contract Development&lt;br&gt;Contract Delivery and System Readiness&lt;br&gt;Power Deliveries Under New Contracts Begin</td>
</tr>
<tr>
<td>2024</td>
<td><strong>Residential Exchange</strong>:&lt;br&gt;&lt;br&gt;Public Workshops (Fall 2022 - Spring 2023)&lt;br&gt;Deliberative External Engagement (Summer 2023 - Spring 2024)&lt;br&gt;🌟 Crossroad: Settlement/No Settlement (Summer 2024)</td>
</tr>
<tr>
<td>2024</td>
<td><strong>Rates Methodology</strong>:&lt;br&gt;&lt;br&gt;Public Workshops (Summer - Winter 2023)&lt;br&gt;Public Rate Methodology Drafting (Winter - Summer 2024)&lt;br&gt;🌟 Proposed Rate Methodology (BP-26 7(i) Process, Winter 2024)&lt;br&gt;🌟 Final Rate Methodology (BP-26 ROD, Summer 2025)</td>
</tr>
<tr>
<td>2024</td>
<td><strong>Conservation</strong>:&lt;br&gt;&lt;br&gt;Post-2028 Energy Conservation Agreements: Negotiate, Offer, Execute (Winter 2025 - Spring 2028)</td>
</tr>
<tr>
<td>2025</td>
<td><strong>Contract Development</strong>:&lt;br&gt;&lt;br&gt;Policy and ROD&lt;br&gt;Contract Development&lt;br&gt;Contract Delivery and System Readiness&lt;br&gt;Power Deliveries Under New Contracts Begin</td>
</tr>
<tr>
<td>2025</td>
<td><strong>Residential Exchange</strong>:&lt;br&gt;&lt;br&gt;Public Workshops (Fall 2022 - Spring 2023)&lt;br&gt;Deliberative External Engagement (Summer 2023 - Spring 2024)&lt;br&gt;🌟 Crossroad: Settlement/No Settlement (Summer 2024)</td>
</tr>
<tr>
<td>2025</td>
<td><strong>Rates Methodology</strong>:&lt;br&gt;&lt;br&gt;Public Workshops (Summer - Winter 2023)&lt;br&gt;Public Rate Methodology Drafting (Winter - Summer 2024)&lt;br&gt;🌟 Proposed Rate Methodology (BP-26 7(i) Process, Winter 2024)&lt;br&gt;🌟 Final Rate Methodology (BP-26 ROD, Summer 2025)</td>
</tr>
<tr>
<td>2025</td>
<td><strong>Conservation</strong>:&lt;br&gt;&lt;br&gt;Post-2028 Energy Conservation Agreements: Negotiate, Offer, Execute (Winter 2025 - Spring 2028)</td>
</tr>
<tr>
<td>2026</td>
<td><strong>Contract Development</strong>:&lt;br&gt;&lt;br&gt;Policy and ROD&lt;br&gt;Contract Development&lt;br&gt;Contract Delivery and System Readiness&lt;br&gt;Power Deliveries Under New Contracts Begin</td>
</tr>
<tr>
<td>2026</td>
<td><strong>Residential Exchange</strong>:&lt;br&gt;&lt;br&gt;Public Workshops (Fall 2022 - Spring 2023)&lt;br&gt;Deliberative External Engagement (Summer 2023 - Spring 2024)&lt;br&gt;🌟 Crossroad: Settlement/No Settlement (Summer 2024)</td>
</tr>
<tr>
<td>2026</td>
<td><strong>Rates Methodology</strong>:&lt;br&gt;&lt;br&gt;Public Workshops (Summer - Winter 2023)&lt;br&gt;Public Rate Methodology Drafting (Winter - Summer 2024)&lt;br&gt;🌟 Proposed Rate Methodology (BP-26 7(i) Process, Winter 2024)&lt;br&gt;🌟 Final Rate Methodology (BP-26 ROD, Summer 2025)</td>
</tr>
<tr>
<td>2026</td>
<td><strong>Conservation</strong>:&lt;br&gt;&lt;br&gt;Post-2028 Energy Conservation Agreements: Negotiate, Offer, Execute (Winter 2025 - Spring 2028)</td>
</tr>
<tr>
<td>2027</td>
<td><strong>Contract Development</strong>:&lt;br&gt;&lt;br&gt;Policy and ROD&lt;br&gt;Contract Development&lt;br&gt;Contract Delivery and System Readiness&lt;br&gt;Power Deliveries Under New Contracts Begin</td>
</tr>
<tr>
<td>2027</td>
<td><strong>Residential Exchange</strong>:&lt;br&gt;&lt;br&gt;Public Workshops (Fall 2022 - Spring 2023)&lt;br&gt;Deliberative External Engagement (Summer 2023 - Spring 2024)&lt;br&gt;🌟 Crossroad: Settlement/No Settlement (Summer 2024)</td>
</tr>
<tr>
<td>2027</td>
<td><strong>Rates Methodology</strong>:&lt;br&gt;&lt;br&gt;Public Workshops (Summer - Winter 2023)&lt;br&gt;Public Rate Methodology Drafting (Winter - Summer 2024)&lt;br&gt;🌟 Proposed Rate Methodology (BP-26 7(i) Process, Winter 2024)&lt;br&gt;🌟 Final Rate Methodology (BP-26 ROD, Summer 2025)</td>
</tr>
<tr>
<td>2027</td>
<td><strong>Conservation</strong>:&lt;br&gt;&lt;br&gt;Post-2028 Energy Conservation Agreements: Negotiate, Offer, Execute (Winter 2025 - Spring 2028)</td>
</tr>
<tr>
<td>2028</td>
<td><strong>Contract Development</strong>:&lt;br&gt;&lt;br&gt;Policy and ROD&lt;br&gt;Contract Development&lt;br&gt;Contract Delivery and System Readiness&lt;br&gt;Power Deliveries Under New Contracts Begin</td>
</tr>
<tr>
<td>2028</td>
<td><strong>Residential Exchange</strong>:&lt;br&gt;&lt;br&gt;Public Workshops (Fall 2022 - Spring 2023)&lt;br&gt;Deliberative External Engagement (Summer 2023 - Spring 2024)&lt;br&gt;🌟 Crossroad: Settlement/No Settlement (Summer 2024)</td>
</tr>
<tr>
<td>2028</td>
<td><strong>Rates Methodology</strong>:&lt;br&gt;&lt;br&gt;Public Workshops (Summer - Winter 2023)&lt;br&gt;Public Rate Methodology Drafting (Winter - Summer 2024)&lt;br&gt;🌟 Proposed Rate Methodology (BP-26 7(i) Process, Winter 2024)&lt;br&gt;🌟 Final Rate Methodology (BP-26 ROD, Summer 2025)</td>
</tr>
<tr>
<td>2028</td>
<td><strong>Conservation</strong>:&lt;br&gt;&lt;br&gt;Post-2028 Energy Conservation Agreements: Negotiate, Offer, Execute (Winter 2025 - Spring 2028)</td>
</tr>
</tbody>
</table>
Rate Methodology

Concept Paper Section 10.1

Sarah Burczak, Policy Lead
Rate Methodology Process

Bonneville plans to use the same process used to establish the TRM.
Scope and Considerations

The scope of BPA’s rate considerations is currently limited to the PF rate design.

Rate considerations outlined in the concept paper include:

- Timing of rate processes.
- Capacity pricing.
- Long-term risk methodology.
- REP for public customers purchasing power under a tiered rate construct.
Context

• The REP was developed to administer Section 5(c) of the Northwest Power Act, which provides residential and farm customers of high cost Pacific Northwest utilities access to the cost benefits of federal power.

• The current REP Settlement Agreement expires in FY 2028.

• The concept paper provides an overview of the REP’s guiding statutes, components, and the current REP settlement.
Residential Exchange

The concept paper REP section focuses on:

- Building a foundational knowledge of REP, its history, implementation and mechanics.
- Laying out prospective roadmap of two paths to achieve post-2028 Residential Purchase and Sale Agreements:
  - New settlement, or
  - Traditional implementation of the REP.

Public workshops are planned for the fall of 2022.
Conservation

Concept Paper Section 10.3
Dave Moody, Manager, Energy Efficiency Planning & Evaluation
• Bonneville is statutorily obligated to acquire cost-effective conservation from customers before acquiring power from other sources.

• Energy Conservation Agreements (ECAs) are the long-term contractual mechanism BPA uses to acquire conservation from customers.

• The concept paper provides an overview of the legal and operational foundation of BPA’s conservation program.

• The paper notes broad customer support for BPA’s current approach to conservation, and proposes to continue the status quo post-2028.
Funding Model and Flexibility

Funding model:

- At the beginning of each two-year rate period, Bonneville proposes to continue to establish an energy efficiency incentive (EEI) budget that is based on the overall energy savings target and estimated cost to achieve those savings.
- Customers report to Bonneville on qualifying conservation achieved and receive payment from their EEI budgets.

Flexibility mechanisms:

- Bonneville proposes to continue to offer several mechanisms to ensure flexibility of program implementation.
- This includes the ability to roll over budget between rate periods, customer bilateral transfers, and unassigned account distributions.
- Note that major changes in the funding model would require a reexamination of flexibility mechanisms.
Regional Infrastructure:

- Bonneville proposes to continue to offer **regional programs** that create economies of scale, support high priority areas for acquisition, and provide services unavailable at the local utility level.

- **Changing markets** may lead to Bonneville consideration of other program models (e.g. midstream and upstream) that differ from Bonneville’s current transactional approach.
Future Considerations

• Any potential changes to BPA’s conservation program will be guided by feedback on the concept paper.

• BPA is open to feedback and suggestions for further exploration.

• Any public process would be scoped to address the feedback provided and timed to ensure it does not conflict with the broader Provider of Choice process.
Schedule & Feedback
Michelle Lichtenfels, Program Manager
Provider of Choice Timeline

Policy & ROD

- BPA Concept Paper Release (July 2022)
  - Jul 2022 - Jul 2023
- Policy Workshops
- Draft Policy (Spring 2023)
  - Jan 2024
- Final Policy & ROD

Contract Development

- Contract Negotiations, Workshops and Drafting
  - Jan 2024 - Jul 2025
    - Sep 2025
- Contract Policy ROD
  - Sep 2025 - Dec 2025
- Offer and Execute Contracts

System Readiness & Go Live

- Contract Delivery and System Readiness Scoping and Planning Processes (TBD)
  - Sep 2025 - Dec 2025
- Power Deliveries Under New Contracts Begin

Timelines last updated 4/18/2022 and subject to change
Policy Workshop Detail: Draft Schedule

This timeline is for illustrative purposes, subject to change, and is not inclusive of all issue work streams and processes.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>System Size</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>8/22-12/22</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High Water Mark</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>8/22-12/22</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capacity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>8/22-12/22</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carbon</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>9/22-12/22</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Federal Resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>9/22-12/22</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer Service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>12/22-3/23</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract Terms</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>12/22-3/23</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost Control</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1/23-3/23</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low Density Discount</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1/23-3/23</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Irrigation Rate Discount</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1/23-3/23</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Review: Workshop Approach

Phase 1: Issue Development
- Introduction and education
- Description of the issue
- Public provides feedback for alternative analysis

Phase 2: Alternative Analysis
- Discuss alternatives
- Discuss public feedback
- Alignment on individual topics build toward a single draft policy

Phase 3: Policy
- Comprehensive draft policy
- Public feedback and discussion; workshops
- Final policy and record of decision (ROD)

Note: This is an iterative phase
## Mark Your Calendar

<table>
<thead>
<tr>
<th>Date</th>
<th>Time</th>
<th>Workshop Type</th>
<th>Topics</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 16</td>
<td>9 a.m. – 12 p.m.</td>
<td>Phase 1: Issue Development</td>
<td>• CHWM overview</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Interrelated issues</td>
</tr>
<tr>
<td>August 31</td>
<td>9 a.m. – 12 p.m.</td>
<td>Phase 1: Issue Development</td>
<td>System size</td>
</tr>
<tr>
<td>September 8</td>
<td>9 a.m. – 12 p.m.</td>
<td>TBD</td>
<td>TBD</td>
</tr>
<tr>
<td>September 22</td>
<td>9 a.m. – 12 p.m.</td>
<td>TBD</td>
<td>TBD</td>
</tr>
</tbody>
</table>

**BPA Event Calendar:** https://www.bpa.gov/learn-and-participate/public-involvement-decisions/event-calendar
Informal comments accepted and feedback requested:
– On the Provider of Choice Concept Paper.
– On today’s workshop.
– To help inform August and September workshop topics and agendas.

Timeline:
– Share feedback by August 10 to your Power AE and/or Post2028@bpa.gov with a copy to your Power AE.
– Please note that direct responses will not be provided.
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

Provider of Choice Website:
https://www.bpa.gov/energy-and-services/power/provider-of-choice