



NRU Goals and Considerations

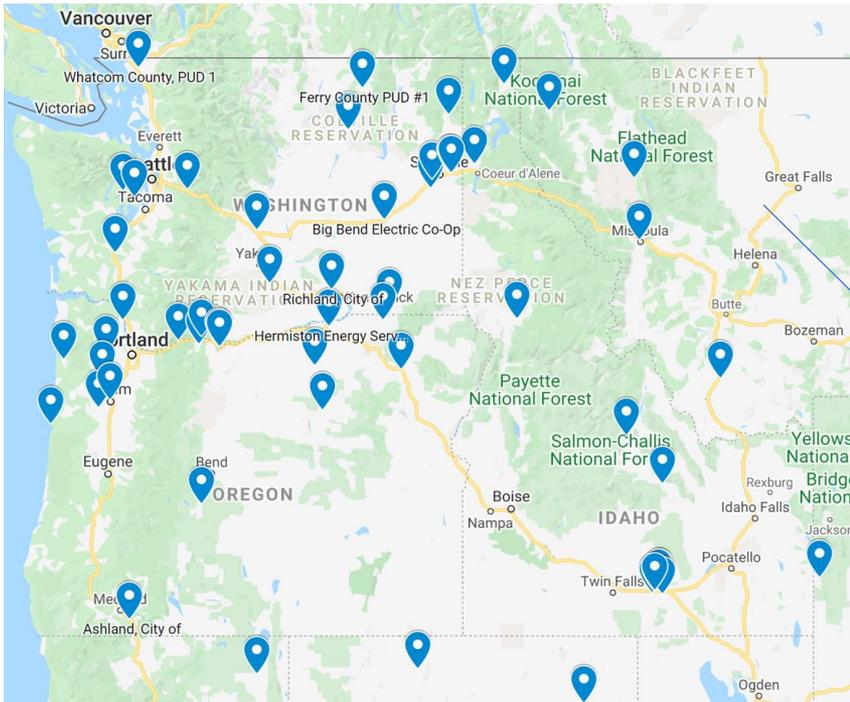
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Provider of Choice Workshop

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NRU: Who We Are



56 Load Following customers utilizing NT Transmission located across 7 states

36 members served solely or in part by transfer service

Typically smaller, more rural utilities

Board of Directors: all 56 members have one equal vote

Mix of utility members with growing, flat, and declining loads

NRU: How We Approach Post-2028 Decisions

- Develop and measure proposals against Principles and Goals
- Careful, analytical approach to policy decisions
- Positions developed to meet the needs and interests of NRU members
- Interested in developing a fair and balanced approach with interested stakeholders and BPA with the goal of consensus

NRU's Post-2028 Principles

Adopted by the NRU Board in February 2020

- 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's Tier 1 “System Size” Goals

Goal

When determining the amount of Tier 1 power that is available for preference customers (“System Size”):

- BPA should retain its tiered rate system to make individual utilities responsible for load growth outside of the available Tier 1 product
- BPA should size the system to enable the lowest forecast reasonable Tier 1 rate over time
- BPA should increase its Tier 1 sales to preference customers to provide additional rate stability and rate certainty over time; and
- BPA should maximize the federal system through updates to streamflow planning while still ensuring a firm and reliable power supply system

NRU's Tier 1 "System Size" Goals

Implementation

- General support for retaining a **tiered rates methodology** and addressing regional **load growth outside the Tier 1 product**
- Open to **recognizing some changes in load through a reset** of a utility's retail load and resources utilized for utilities' CHWM calculations, including a recognition of reasonable levels of conservation achievements and addressing other load loss that occurred after 2010
- NRU believes that what constitutes "reasonable levels" for these factors considers the **overall impact to the federal system and the Tier 1 rate** for the duration of the next contract

NRU's Tier 1 “System Size” Goals

More on Tiered Rates...

- Appropriate compromise between differently situated utilities to allocate cost and risk of serving growing loads
- Potentially applied to a larger Tier 1 system, providing an opportunity for some utilities to receive recognition for investments made during Regional Dialogue contracts
- Represents a new opportunity for BPA to acquire resources without dramatically increasing overall Tier 1 costs through an overall Tier 1 system size cap, contingent on forthcoming cost analysis from BPA
- Could provide environmental benefits through a framework for attributing carbon and environmental benefits for the different tiers of power
- Economic incentive for utilities to make new investments in conservation and new nonfederal resources

NRU's “Augmentation” Goals

Goal

When considering whether and how to augment or add long-term resources to the federal base system (“augmentation”):

- The federal system should only be augmented as necessary to get to the right system size, as defined by the system size goals
- When and if augmenting the federal system, the process should enable customers to have meaningful decision-making participation to guide augmentation decisions
- Augmentation decisions should be made at the appropriate time, and should both consider and balance customer interests related to cost and clean energy

NRU's "Augmentation" Goals

Implementation

- If a larger Tier 1 system is identified, NRU is interested in input on the **appropriate process**
- Interest in recognizing investments that reduce a utility's requirements on the federal system, such as **billing credits** as an option to both support and supplant BPA augmentation needs

NRU's Tier 1 "Allocation" Goals

Goal

When determining the amount of power each preference customer is entitled to receive at Tier 1 rates ("allocation"):

- BPA should establish an equitable allocation methodology of Tier 1 power that provides benefits for most NRU members and other preference customers, including those with flat, growing or declining load
- BPA should provide an equitable opportunity for preference customers to gain access to "unused Tier 1 power" (i.e., high water mark power that is not used by a preference customer) to meet utility load needs
- Load lost prior to 2010 and that has not yet returned should not factor into Contract High Water Marks for the post-2028 process

NRU's Tier 1 "Allocation" Goals

Implementation

- Consider the impacts to **differently situated utilities** when developing the CHWM calculation
- Continued interest in developing an approach that helps utilities **access unused Tier 1 "headroom"** through an exchange, pool, or rates approach that provides similar benefits
- Limited recognition of **load lost that will return**, upon certain conditions

Additional Ideas Related to CHWM Calculation

“New” Renewables Exception

- During the Regional Dialogue contracts, some utilities made investments in non-federal renewable resources, according to BPA’s analysis equaling approximately 22 aMW.
- The BPA Concept Paper proposed that “any non-federal resource dedicated to load as of September 30, 2026 would be applied to serve a customer’s load and reduce its CHWM.” (Provider of Choice Concept Paper, July 2022, page 23)
- As an alternate approach, NRU proposes a “new” specified renewable resource exception neutralizing investment for a utility's CHWM, which would:
 - Treat conservation and renewable resources similarly by providing a credit to a utility’s CHWM allocation (Note: this would not change the net requirements calculation)
 - Reward preference utilities for their investment in new specified renewables during Regional Dialogue
 - Eliminate the disincentive for utilities to make investments now through September 30, 2026

Additional Interests

Peak Net Requirements

- Interest in ensuring fair and balanced products for customers
- Getting an accurate, legal definition will be essential to ensure that BPA meets Load Following customer load at all times and that all customers get what they pay for and pay for what they get.

Looking at the Whole Portfolio

- Continued interest in exchange/pooling concept
- Considering Tier 2 needs and approaches to establish rate stability and certainty in Post-2028 contracts
- Interested in improvements to support nonfederal resource integration
- Parity for federal and nonfederal transfer service

Questions/Comments?

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