



Provider of Choice Workshop

Overview: LDD, IRD, NLSL, and Transfer Service

December 14, 2022

PROVIDER OF CHOICE

**POST
2028**





Today's Workshop

Michelle Lichtenfels, Program Manager

Agenda

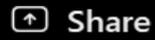
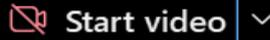
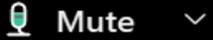
Time Start	Time End	Topic	Presenter(s)
9 am	9:05 am	Intro and Expectations	Michelle Lichtenfels
9:05 am	9:20 am	Reflections on 12/8 Workshop	Sarah Burczak
9:20 am	10:30 am	Customer Presentations	AHWM Group, Seattle/Snohomish/Tacoma, EWEB
10:30 am	10:45 am	B R E A K	
10:45 am	11:30 am	<ul style="list-style-type: none"> - Low Density Discount (LDD) - Irrigation Rate Discount (IRD) 	Nancy Schimmels
11:30 am	12 pm	New Large Single Load (NLSL)	Andrew Miller
12 pm	12:30 pm	L U N C H	
12:30 pm	2:30 pm	Transfer Services	Paul Garrett
2:30 pm	2:35 pm	Wrap Up	Michelle Lichtenfels

Format

- Presenters will take pauses for questions.
- Questions will be addressed in the order received.
- Please state your name and organization.
- If a question/opportunity for feedback arises during a presentation, please:
 - Webex: Write it in the Webex chat or raise your Webex hand; when called on, mute/unmute yourself.

Webex:

Mute/unmute



Raise hand

Workshop Roles & Expectations

Bonneville: Provide open and inclusive opportunities for feedback.

Participants: Provide feedback and share perspectives.

All: Respect one another and assume good intentions.

Bring a constructive mentality.





Reflections on 12/8 Workshop

Sarah Burczak, Policy Lead

December 8 Workshop

- Thank you to all participants for a successful first hybrid workshop!
- The meeting covered:
 - Executive Remarks from Suzanne Cooper and Kim Thompson.
 - Firm Power Products.
- Please remember to send any feedback on the workshop by December 22.



Shift in Process

- New timeline for releasing draft policy.
 - Draft policy will be released in July 2023.
- Changing workshop approach and content.
 - Shifting to one hybrid workshop and one virtual workshop per month, January-May.
 - The additional time will allow topics to be brought forward as policy packages rather than solving topics in isolation.



Draft Policy

- Draft policy will cover similar topics to concept paper – but with a specific direction rather than set of options.
- The goal is to have no surprises on the major issues or direction.
 - There may be details or nuances added to the draft policy if there is not time to fully vet in workshops.
- The number of issues to be addressed and the level of detail to be included will depend on how quickly decisions are made over next several months.

Change is Coming

- The future will look different. Changes include:
 - Expected load growth;
 - New markets, improved coordination and standardized planning practices;
 - And a new regional resource mix.
- Products and services will look different in the future to ensure BPA is prudently planning to meet future load obligations.



Design Intent

- Need to align on a clear design intent that is broadly acceptable and will underline both future policy and contracts.
 - Concept paper assumed carrying over tiered rate construct but feedback from recent workshops does not align with this.
- Any customer concepts or proposals need to have a clear tie to that agreed upon design intent.

Collaboration

- Goal to remain highly collaborative on the policy package.
- There are deadlines and decisions need to be made in order to start discussing details and dependent issues.
- Encourage any interested party to share proposals with BPA as soon as possible.
 - Be clear on the problem the solution is trying to solve.
 - Sometimes the proposal may not work but there could be an alternative solution to resolve the issue at hand.
 - Proposals do not need to be completely vetted; early versions may help move issues forward.



BREAK



Irrigation Rate Discount

Nancy Schimmels, Manager, Eastern Customer Services

Irrigation Rate Discount (IRD) Overview

- Discount initially offered in the early 1940s.
- Briefly phased out when seasonality in rates was introduced in the late 1970s.
- Reinstated in 1985 due to the importance of agriculture to region's economy.
- BPA noted in its Regional Dialogue Record of Decision that elimination of some form of rate mitigation would severely impact the economy of the some rural NW communities where irrigated agriculture is the primary industry.
- While a discount is not required by statute, BPA has offered rate mitigation for irrigation either through a rate discount or surplus power sales.



History of BPA's Irrigation Programs

Product	Period
Irrigation Discount	1942 - 1996
Summer Seasonal Product (SSP)	1997 - 2001
Irrigation Rate Mitigation Product (IRMP)	2002 - 2011
Irrigation Rate Discount (IRD)	2012 - current

IRD Eligibility Under Regional Dialogue

IRD Program Qualifying Months	IRD Program Eligibility Criteria	IRD Program Energy Amounts
May - September	Must meet one of the following: <ol style="list-style-type: none"> 1. Participated in BPA's Summer Seasonal Product (FY 1997-2001). 2. Participated in BPA's Irrigation Rate Mitigation Product (FY 2007-2011). 3. 75% of TRL placed on BPA and May-Sept irrigation sales is at least 5% of TRL. If less than 5%, 3-yr average irrigation load is more than 7500 MWh. 	100% of 2002-2004 average irrigation amounts

- IRD eligibility criteria, rate methodology and implementation criteria are outlined in **BPA's Tiered Rates Methodology**.
- Eligible energy amounts (2002-2004 average irrigation amounts) are set for the term of the Regional Dialogue contract and listed in **Exhibit D**.

IRD Rate Calculation

- IRD rate **calculated each rate period** in accordance with the TRM. Rate (\$/MWh discount) is determined by:
 - **Multiplying 37.06% by the sum** of forecast revenue that eligible IRD loads will pay through the Composite customer charge, Non-Slice customer charge, and Load Shaping charges,
 - **Adjusted for** any applicable Low Density Discount,
 - » **Divided by** the sum of the irrigation loads (expressed in MWh).
- The **37.06% was established in the BP-12 Rate Case** and is based on the amount of Irrigation Rate Mitigation Product benefits customers received in FY 2009 under the IRMP Program.

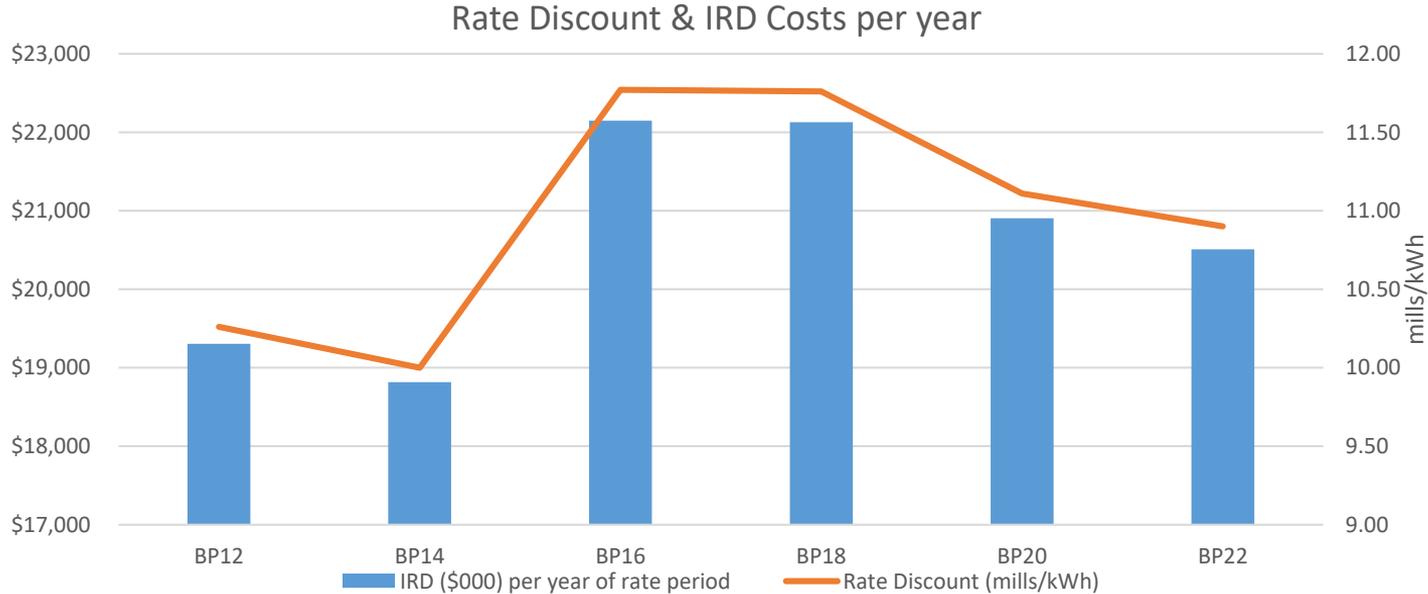
Other IRD Elements

- Discount applied to amounts in **Exhibit D** on May-September power bills.
- Customers provide monthly metered irrigation to BPA by **Oct. 31** each year.
- Compare measured irrigation loads to billed amounts, perform **end of season true-up**, if needed.
- Requires participating customers to implement **cost-effective conservation** measures on eligible irrigation systems in their service territories.



IRD Costs and Rate Discount

In BP-22, **30** customers receive IRD at a cost of approximately **\$20.5 million per year**.



Provider of Choice Concept Paper

IRD Proposal:

- Continue to offer IRD with similar features of today's program:
 - Mills-per-kWh discount.
 - Eligible kWh amounts set for the term of the contract.
 - Discount determined in each 7(i) process.
 - Require participating customers to implement cost-effective conservation measures on eligible irrigation systems in their service territories.
- Features of an IRD program under Provider of Choice such as qualifying months, eligibility criteria, and energy amounts, and rate methodology have yet to be determined.
- BPA welcomes customer input and proposals on BPA's future IRD program.



Low Density Discount (LDD)

Nancy Schimmels, Manager, Eastern Customer Services

Low Density Discount (LDD) Overview

- **The Northwest Power Act** directs the Administrator to provide an LDD:
 - Northwest Power Act section 7(d)(1):
 - “In order to avoid adverse impacts on retail rates of the Administrator's customers with low system densities, the Administrator shall, to the extent appropriate, apply discounts to the rate or rates for such customers. [Northwest Power Act, §7(d)(1), 94 Stat. 2725.]”
- BPA has offered an LDD to eligible customers since **1981**.
- Program changes are made in section **7(i) rate proceedings**.
- LDD eligibility criteria and methodology are outlined in BPA's **General Rate Schedule Provisions (GRSPs)**.

LDD Under Regional Dialogue

To qualify, a customer must meet all of the following eligibility provisions (BP-22 GRSPs):

- Serve as an electric utility offering power for resale to retail consumers.
- Pass the benefits of the discount through to its eligible consumers within the region served by BPA.
- Average retail rate for the reporting year must exceed BPA's average Priority Firm Power rate for the most closely corresponding fiscal year by at least 25%, which is 44.68 mills/kWh for FY 2022 and FY 2023.
- **K/I ratio** must be less than 100.
- **C/M ratio** must be less than 12.

K/I and C/M Ratios

Kilowatt-hour/Investment (K/I) Ratio:

Calculated annually by dividing the customer's previous calendar year's Total Retail Load by the value of the customer's depreciated electric plant (excluding generation plant).

Consumers/Pole Mile (C/M):

Calculated annually by dividing the customer's previous calendar year's number of consumers within the distribution system by the number of pole miles of distribution lines.

See BPA's General Rate Schedule Provisions for definitions and more detail.

K/I and C/M Ratios (Cont'd)

- The sum of the corresponding discount for the **K/I** and **C/M ratios** equals the **eligible LDD %**.
- The eligible LDD is capped at **7%**.

LDD Eligible Discount percentage

Percentage Discount	Applicable Range for kWh/Investment (K/I) Ratio	Applicable Range for Consumers/Mile (C/M) Ratio
0.0%	$35.0 < X$	$12.0 < X$
0.5%	$31.5 < X \leq 35.0$	$10.8 < X \leq 12.0$
1.0%	$28.0 < X \leq 31.5$	$9.6 < X \leq 10.8$
1.5%	$24.5 < X \leq 28.0$	$8.4 < X \leq 9.6$
2.0%	$21.0 < X \leq 24.5$	$7.2 < X \leq 8.4$
2.5%	$17.5 < X \leq 21.0$	$6.0 < X \leq 7.2$
3.0%	$14.0 < X \leq 17.5$	$4.8 < X \leq 6.0$
3.5%	$10.5 < X \leq 14.0$	$3.6 < X \leq 4.8$
4.0%	$7.0 < X \leq 10.5$	$2.4 < X \leq 3.6$
4.5%	$3.5 < X \leq 7.0$	$1.2 < X \leq 2.4$
5.0%	$X \leq 3.5$	$X \leq 1.2$

LDD – Eligible vs Applicable %

- Prior to Regional Dialogue (RD) the maximum LDD was 7%.
- With the introduction of Tiered Rates, the Regional Dialogue policy proposed an LDD approach to avoid biasing customer's choices between purchasing power at a Tier 2 rate or from non-Federal resources.
- As a result, the applicable LDD was introduced to adjust the benefit to be approximately the same as if the customer's Above-RHWM Load was included:

$$\text{applicableLDD} = \text{eligibleLDD} \times \max \left(\frac{\text{adjTRL}}{\text{RHWM}}, 1.0 \right)$$

applicableLDD = the discount percentage to be applied to the Tier 1 charges on a customer's bill

eligibleLDD = the customer's eligible discount percentage

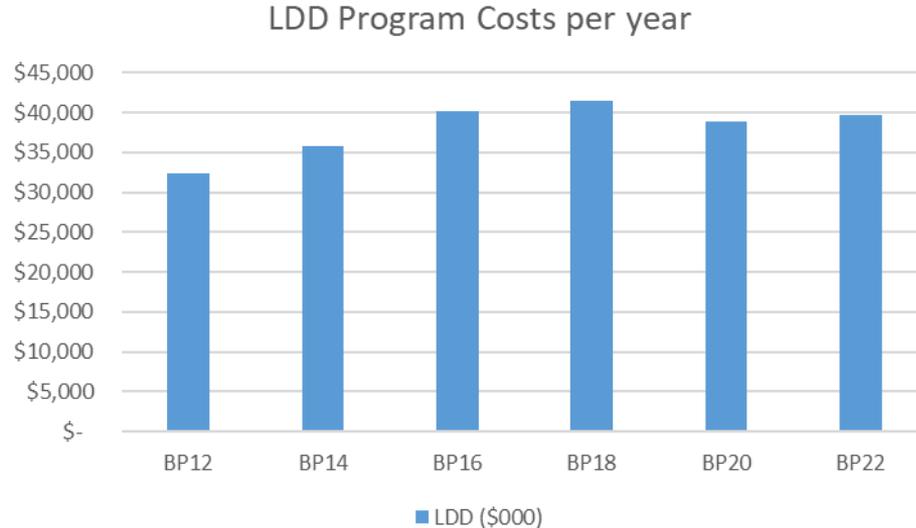
adjTRL = the customer's Total Retail Load less output of Existing Resources and NLSLs, as determined in the RHWM Process for the applicable fiscal year

RHWM = the customer's Rate Period High Water Mark for the applicable fiscal year

- The applicable discount percentage applies to charges for purchases under the Tier 1 rates: Composite Customer Charge, Non-Slice Customer Charge, Load Shaping Charge, Load Shaping Charge True-Up Adjustment, Demand Charge, and Risk Adjustments.

LDD Costs

In FY 2023, **53** customers receive LDD at a cost of approximately **\$40 million per year.**



Provider of Choice Concept Paper

Low Density Discount Proposal:

- Continue to review the LDD in future 7(i) rate proceedings including implementation details related to eligibility criteria, methodology, and applicable rates.
- Propose the LDD program is looked at holistically to ensure updates or efficiencies to be gained are addressed.
- BPA welcomes customer input and proposals regarding BPA's future LDD program.

IRD and LDD Discussion

- What we've heard so far:
 - Broad customer support for continuing LDD.
 - IRD: interest in revisiting eligibility of qualifications.
- Any additional feedback on adjustments to approach?





New Large Single Loads (NLSL)

Andrew Miller, Account Executive

NLSL Definition

Per Section 3(13) of the Northwest Power Act, a New Large Single Load (NLSL) is:

- Any load that grows by 10 aMW or more in any consecutive 12-month period provided that:
 - the load was ***not*** contracted for, or committed to be served (as determined by the Administrator) by a public body, cooperative, investor-owned utility, or Federal agency customer prior to September 1, 1979. Also known as a CF/CT load.
 - The load growth occurred at a ***single facility***, as determined by BPA.

NLSL Definition Clarification

- 10 aMW means a single facility takes an additional 87,600,000 kWh (non-leap year) during a consecutive 12-month period.
- 12 months is defined as two dates certain, 12 months apart.
- An end-use consumer may have multiple facilities. The individual facilities will have separate monitoring periods and will be measured independently of each other.

NLSL in the Northwest Power Act

Why did Congress write provisions regarding NLSLs into the Northwest Power Act ?

- To disincentivize industry in other parts of the country to relocate to the Pacific Northwest.
- To disincentivize Direct Service Industrial customers from taking service from a local preference utility.
- To discourage migration of investor-owned utility (IOU) industrial customers to public utilities.

NLSL Treatment

- Customers can request BPA serve NLSLs, but BPA may only serve them at the New Resource (NR) rate.
 - BPA's NR Rate constitutes a 7(f) Rate, which in BP-22 is an average of \$78.04 per mills/kWh.
- Customers can also elect to serve an NLSL with non-federal resources dedicated specifically to that NLSL.
- Consumer-Owned Resources can also be used to serve NLSLs.



NLSL Measurement and Determination



Notification of Large Load

- As stated in the NLSL policy, BPA customers have the obligation to notify BPA of a load that could be close to and/or have potential to exceed 10 aMW.
- BPA and the customer work closely together so that BPA can make a facility determination, establish the monitoring period, and capture the load in the contract.

Facility Determination

The Northwest Power Act defines an NLSL as a *single facility*, so determining what makes up a single facility is very important.

Facilities Determinations – factors to be considered:

- Is the load at a single location? In a single building?
- Is the load operated by a single consumer?
- Is the load separately metered?
- Does the load serve a manufacturing process which produces a single product or type of product?
- Are separable portions of the load interdependent?
- Is the load contracted for, billed or served as a single load under the utility's customary billing and service policy?
- Are there applicable precedents?
- Any other relevant factors

Establishment of Monitoring Period

As outlined in BPA's NLSL policy, utility selects with BPA's concurrence:

– **Start of Utility Service:**

- The date of first utility service to a preexisting load. This option applies in situations in which an existing load of 10 aMW or more is “taken over” in a merger, annexation or similar situation. Here the load is an NLSL from the day the “new” utility begins service.

– **Initial Energization:**

- The date of initial energization (for test and start up) with BPA's consent. In this instance BPA and the utility agree on a date on which the construction at the site is substantially complete and production equipment is being energized for test and startup.

– **Commercial Operation:**

- The date of commercial operations.

At the End of a Monitoring Period

- If the facility grows by more than 87,600,000 kWh during the year, then the load is an NLSL.
 - BPA sends a letter from the Administrator notifying the utility that their load is an NLSL and updates Exhibit D.
- If the facility does not grow by more than 87,600,000 kWh during the year, the load is not an NLSL (yet).
 - BPA continues to monitor the load during the next monitoring period.
 - BPA calculates the amount of load eligible for Priority Firm service amount from the prior monitoring period.
 - If the load grows by more than 10 aMW above the Priority Firm amount established in the prior monitoring period, the load becomes an NLSL.



Planned and Potential NLSLs



Potential and Planned NLSLs

- **Potential NLSL**
 - The utility and BPA agree the load at the facility is expected to grow by less than 10 aMW during the facility's 12-month monitoring period. But, BPA monitors the load because it could grow by 10 aMW or more.
- **Planned NLSL**
 - The utility and BPA agree the load at the facility is expected to grow by at least 10 aMW during the facility's 12-month monitoring period.
- **Neither Potential NLSLs nor Planned NLSLs are NLSLs.**

Potential/Planned if Below RHW M

B E L O W R H W M		
	POTENTIAL NLSL	PLANNED NLSL
Serve With	PF	NR / Non-Fed
Balance With	Load Shaping Rate	NR – Energy Shaping Service
Schedule	N/A	Hourly Load
Back Bill	- YES -	- NO -
Liquidated Damages....	- NO -	- YES

Liquidated Damages

- Customers will be subject to liquidated damage if the following applies:
 - Customer's load is below its RHWM.
 - Customer is serving a Planned NLSL with non-federal resources.
 - The Planned NLSL does not reach 10 aMW in the given monitoring period.
 - The Load Shaping True-Up rate is negative.
- BPA will charge the customer liquidated damages to recover the revenue for power that the customer otherwise would have purchased from BPA at the PF rate.

Potential/Planned if Above RHW M

A B O V E R H W M		
	POTENTIAL NLSL	PLANNED NLSL
Serve With	PF / Non-Fed ¹	NR / Non-Fed
Balance With	Load Shaping Rate	NR – Energy Shaping Service
Schedule	Monthly Exhibit A Amount	Hourly Load
Back Bill	- YES -	- NO -
Liquidated Damages....	- NO -	- NO -

¹ Customers only can use Non-Federal resources to serve Above-RHWM Load if they have made that election. If the customer has not made an election to use Non-Federal resources, then the customer must purchase power at the PF rate.

New Resource Energy Shaping Service

For a Planned NLSL or NLSL:

Load Following customers will take the New Resource Energy Shaping Service (ESS) from BPA to meet the variation between the load and the non-federal resources.

- Positive monthly deviations (energy provided to BPA) credited at monthly weighted average market index by HLH and LLH
- Negative monthly deviations (energy purchased from BPA) provided at NR Energy Rates



Provider of Choice Concept Paper Summary



Provider of Choice Concept Paper

- BPA proposes to maintain its current NLSL policy for the Provider of Choice contract term.
- BPA recognizes there is interest in changing the NLSL policy or the implementation of the policy. BPA is open to hearing ideas on potential changes and how to better define NLSL policy implementation in future contracts.
- Requests for change specific to the NR rates associated with NLSLs would be discussed in the Post-2028 Rate Methodology process.

Concept Paper (Cont'd)

- BPA has heard requests to change the 10 aMW threshold for NLSLs. This is a statutory definition in the Northwest Power Act.
- Any change to the threshold requires action by the U.S. Congress and is outside the scope of the Provider of Choice effort.

Discussion

- Bonneville is open to hearing potential changes and/or how to better define NLSL policy implementation in future contracts.
- Requests for change specific to NR rates is an item to be discussed in the Post-2028 Rate Methodology process.



LUNCH
(30 Minutes)

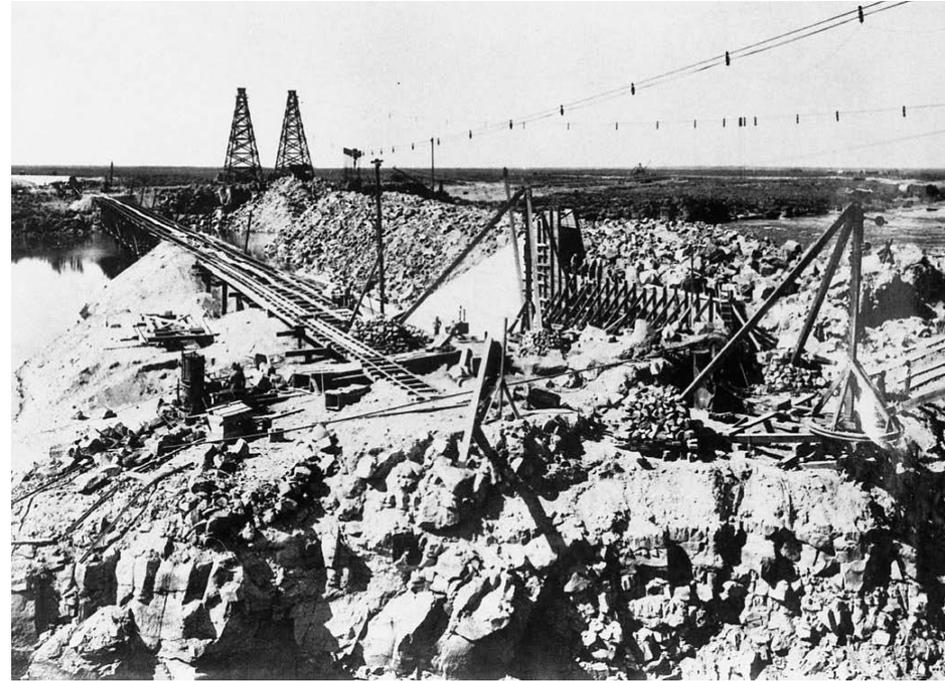


Transfer Service

Paul Garrett, Manager, Power Account Services

Early History of Transfer Service

- Public (Fed) power born in S. Idaho
- 1902 Theodore Roosevelt creates Federal Irrigation Service— “Reclamation”
- Minidoka Dam authorized in 1904—rush of settlers
- Reclamation Act of 1906 “Public Preference”—consumer-owned systems
- Dam completed in 1908
- Power available for Irrigation Districts and Coops



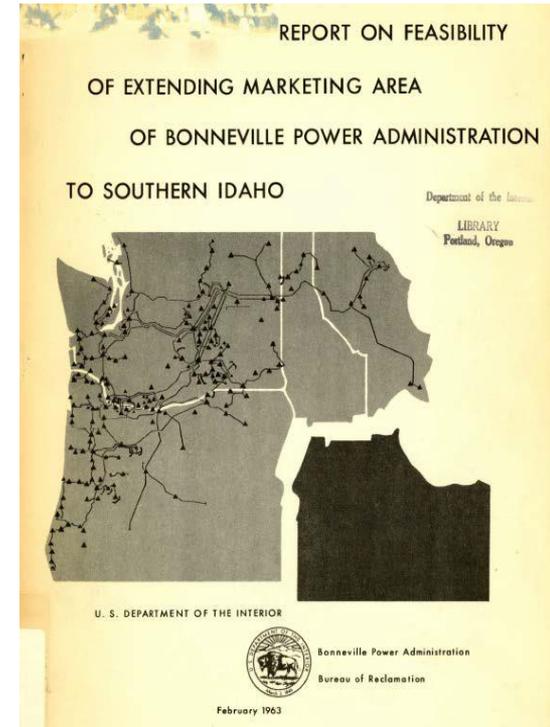
Minidoka Dam construction, 1905

Bonneville Project Act of 1937

- Creates BPA to transmit and market power from Bonneville and Grand Coulee dams
- Encourage electrification of rural areas (Rural Electrification Act 1936)
- Gives preference and priority in power sales to public bodies and cooperatives.

Best Plan of Service

- The need for additional transmission grew as public utilities formed throughout the Pacific Northwest.
- In order for BPA to serve this increasingly diverse regional load, BPA looked to identify the best plan of service for each utility.
- The best utility plan of service included deciding whether building transmission or acquiring transmission rights from 3rd parties, commonly referred to as Transfer Service, was the most efficient and effective means of delivering federal energy to the preference customers.



Best Plan of Service (Cont'd)

- When needed, BPA constructed transmission facilities to deliver federal power to public utility loads.
- Other customers were located in regions where existing transmission facilities, either Investor Owned Utility (IOU) or publicly owned, were sufficient to serve public power loads.
- In the cases where transmission already existed, BPA generally chose to make use of existing facilities rather than to build redundant facilities.
- This decision resulted and continues to result in benefit to BPA ratepayers in the form of more cost-effective use of regional transmission assets.
- As loads and facilities change, BPA works with customers on a case-by-case basis to re-evaluate these choices and determine the best plan of service for each transfer customer.

The Transmission System Act of 1974

- BPA initially planned to extend the federal transmission system to southern Idaho with a 500 kV line from McNary, but the line was contentious, eventually resulting in federal legislation (Transmission System Act).
- The Transmission System Act limited BPA's ability to build major transmission facilities, or condemn existing facilities, in the region without specific authorization by an act of Congress.
- The Transmission System Act, and the common practice of not duplicating existing facilities, encouraged the use of Transfer Service to deliver federal power.

Obligated to Make Power Available; Authorized to Deliver

- Congressional Acts, federal orders, regional legislation, and court challenges memorialized **BPA's purpose** to provide federal power at cost.
- BPA's obligation to make federal power available to regional power customers is codified by the **1981 Pacific Northwest Electric Power Planning and Conservation Act** (Northwest Power Act).
- With an obligation to deliver federal power available to customers, it was necessary for BPA to either build or acquire transmission to assure delivery.
- **The Transmission System Act**, authorizes BPA, but does not obligate BPA, to acquire third-party transmission necessary to deliver power to customer load.



Transfer Service in the Power Sales Agreements



1981 Contracts, 3 Guiding Principles

- The 1981 contracts sold a ‘bundled’ product, with both power and transmission under one contract.
 - In 1996, BPA voluntarily separated its power and transmission functions to operate consistent with FERC Order 888.
- The 1981 Power Sales Agreements (1981-2001) that BPA entered into with both preference customers and investor owned utilities did not explicitly call out BPA’s role in providing Transfer Service.
- Exhibit B of the contract included a “Delivery by Transfer” section, which provided:
 1. Bonneville shall be obligated to make available to the Purchaser at such point only such amounts of electric power and energy as are made available to the Purchaser by such Transferor or Transferors at such point, and the obligation of Bonneville to make electric power and energy available to the Purchaser at such point shall be in all respects subject to all provisions contained in the agreement or agreements executed or to be executed, if not already in effect, by Bonneville and such Transferor or Transferors providing for such transfer.



Plain language translation: requires that BPA deliver preference customers their contractual allocation of power to their point of delivery served over 3rd party transmission facilities.

1981, 3 Guiding Principles (Cont'd)

2. Bonneville shall use its best efforts to effect a quality of service to the Purchaser comparable to that provided under direct service from Bonneville.



Plain language translation: provides that BPA use best efforts (but did not require) to provide service comparable to that which direct connect customers receive.

3. Bonneville's right to terminate deliveries at such point, under the agreement or agreements providing for such transfer, shall not be exercised while such Transferor or Transferors meet their obligations to make such deliveries under such agreement or agreements unless (1) the Purchaser consents thereto; or (2) Bonneville determines that the Purchaser's requirements for electric power and energy at such point may be adequately supplied under reasonable conditions and circumstances at another point or points (A) directly from the Federal System (B) indirectly from facilities of another Transferor or Transferors, or (C) both.



Plain language translation: signals that BPA will continue to look for the best plan of service, including moving points of delivery from transfer service to directly connecting to the federal transmission system.

Subscription Contracts

Two major policy decisions came out of the Subscription policy/contracting process:

- First, BPA would continue Transfer Service to deliver federal power customers during the term of the agreement. Under the initial Record of Decision (ROD) BPA proposed to not offer Transfer Service to new preference customers; however, in the supplemental ROD it was decided to allow for a limit of 75 aMW increase to new preference customers.
- The second major policy decision was that BPA would not acquire or pay for Transfer Service for non-Federal power deliveries.
- Note: The Subscription power sales contracts were for a 10-year term, from 2001-2011

Subscription Transfer Service Terms

BPA shall obtain Transfer Service over any non-federal transmission systems necessary to deliver “Contracted Power” to the customer’s retail service area.

- This contractually obligated BPA to acquire and fund the costs of Transfer Service from 2001-2011 for preference customers that signed Subscription contracts.

The Subscription Power Sales Agreement went into further detail about cost allocation in describing the treatment of Ancillary Service and Low Voltage Delivery charges.

- Transfer Service customers would be billed at a charge comparable to directly connected customers paying BPA Transmission rates, and BPA would pay (recover in rates) the difference between the BPA Transmission rate for Ancillary Services and the Transfer Providers’ Ancillary Services rate.

The 'ARTS' agreement

In late 2004, BPA's Administrator signed a Record of Decision referred to as the **Agreement Regarding Transfer Service (ARTS) ROD**.

- ARTS (expires in 2024) was signed in large part to address Transfer Service customer concerns about future rate treatment and potential direct assignment of transfer costs to the specific Transfer Service customers.
- Customers were also adamantly opposed to RTO-West. Ensuring rolled-in rate treatment (in either T or P) helped allay concern.

In the ARTS agreements, BPA committed to:

- (1) continue to arrange for Transfer Service with the third party transmission owners;
- (2) continue to be financially responsible for specified transfer costs; and,
- (3) stipulate in its initial rate proposals continued rolling in of specified transfer costs into either power or transmission rates.

The ARTS requires customers to work with BPA to reasonably limit the cost of Transfer Service.

Transition to Regional Dialogue

- **The appendices of the ARTS Agreement** listed major issues that still needed to be addressed which had longer term policy implications.
- BPA and customers **left these issues to be decided** in the Long-term Regional Dialogue forum.
- Over five years was invested in a regional collaborative effort to develop the new power sales policies, contracts, and rate structure for the 20-year Regional Dialogue period.
- The Regional Dialogue ROD was signed in July 2007, with contracts effective December 2008 and an expiration date of September 30, 2028.

B O N N E V I L L E P O W E R A D M I N I S T R A T I O N

factsheet

August 2008

A roadmap to the provisions of Regional Dialogue contracts and tiered rates

BPA's current power sales contracts expire Sept. 30, 2011. After years of collaborative discussions with customers and other parties and much hard work on all sides, BPA is offering new contracts to its customers. These contracts will work in tandem with a new Tiered Rate Methodology BPA has proposed for the Priority Firm Power (PF) rate. These Regional Dialogue contracts and the tiered PF rate form the foundation of the business relationship BPA is offering for the next 20 years.

Another reason to sign the new contracts this year is that BPA has spent considerable time helping the current administration in Washington, D.C., understand the need for new long-term contracts. If the contracts are not signed by the Dec. 1 deadline, the region faces the risk of delay as a new administration is brought up to speed. There also is the possibility of significant and unpredictable changes to the contracts or rates.

In many important respects, the new power sales contracts will be similar to the current Subscription

Key dates

Contracts:

- Aug. 18, 2008 – Final Regional Dialogue Load Following and Block contract templates provided to customers
- Aug. 29, 2008 – Final Regional Dialogue Slice contract template provided to customers
- Dec. 1, 2008 – Deadline for signing Regional Dialogue contracts

New long-term contracts

The new power sales contracts will cover fiscal years 2012-2028. Customers will have until Dec. 1, 2008, to consider and sign their new contracts. BPA is offering contracts ahead of when the current contracts expire so that BPA and its customers will know well in advance who has the responsibility to develop new resources to meet load growth starting in FY 2012.

Regional Dialogue Transfer Policy

The following are Regional Dialogue policy decisions, in place through 2028, that directly impact Transfer Service:

- Provides Transfer Service to non-federal generation deliveries.
 - With the move to the tiered rate methodology and the push to have customers meet their own load growth, transfer service support for non-federal resources was intended to encourage non-federal resource development.
 - BPA placed a maximum cap of 41 MW per fiscal year, cumulative over the duration of the RD contract, to provide financial support for Transfer Service of non-federal generation.
- BPA does not pay for losses associated with Transfer Service of non-federal power deliveries.
- BPA will pay for Transfer Service of annexed and new public utility customers, with a cap of 50 aMW per rate period, and 250 aMW over the term of the contract.

Regional Dialogue Transfer Policy (Cont'd)

- **Implemented BPA's Supplemental Guidelines for Direct Assignment of Facilities Costs** to align cost allocation whether a customer is directly connected or served by Transfer Service. This applied to low voltage costs, construction costs, upgrade costs, etc.
- Allowed for customers to **contract directly** with a third-party provider for low voltage service over a new POD.
- **Continued evaluation of new plans of service** for opportunities that could shift load from Transfer Service to directly connected.
- **Transfer customers not in BPA's control area** pay BPA Transmission Services for Ancillary Services. (Changes to FERC, NERC or WECC standards could change this treatment (as evident with treatment of Spinning/Supplemental Reserves based on updated BAL-003 standard)).

Since the RD policy...

- BPA amended its contracts to **streamline its 'Proportional Scheduling'** processes, which addresses where a customer's non-federal resource should be delivered in situations when customer's load is served across multiple transmission systems.
- Customers and NT stakeholders have come to BPA with numerous **'one-off' implementation issues** and have asked BPA to modify and create additional products and services, primarily to facilitate delivery of non-federal resources.
 - Transmission Curtailment Management Service
 - Transmission Scheduling Services-Partial
 - Mid-C Resource over Non-Firm
 - Transfer Service Customers' Non-Federal Market Purchase Exchange
- BPA released its Transfer Service Guidelines Regarding Requests for Transfer Service to New Points of Delivery.



**Transmission Related
to Power Sales and Transfer**
Mark Tucker, Transmission Services

BPA's OATT Products — NT

What are key differences between the Point to Point (PTP) and Network Transmission (NT) products?

- Open Access Transmission Tariff (OATT) requirements/obligations for BPA and customers related to resource elections and load service vary.

Load and Resource Considerations of the Network Transmission (NT) Product

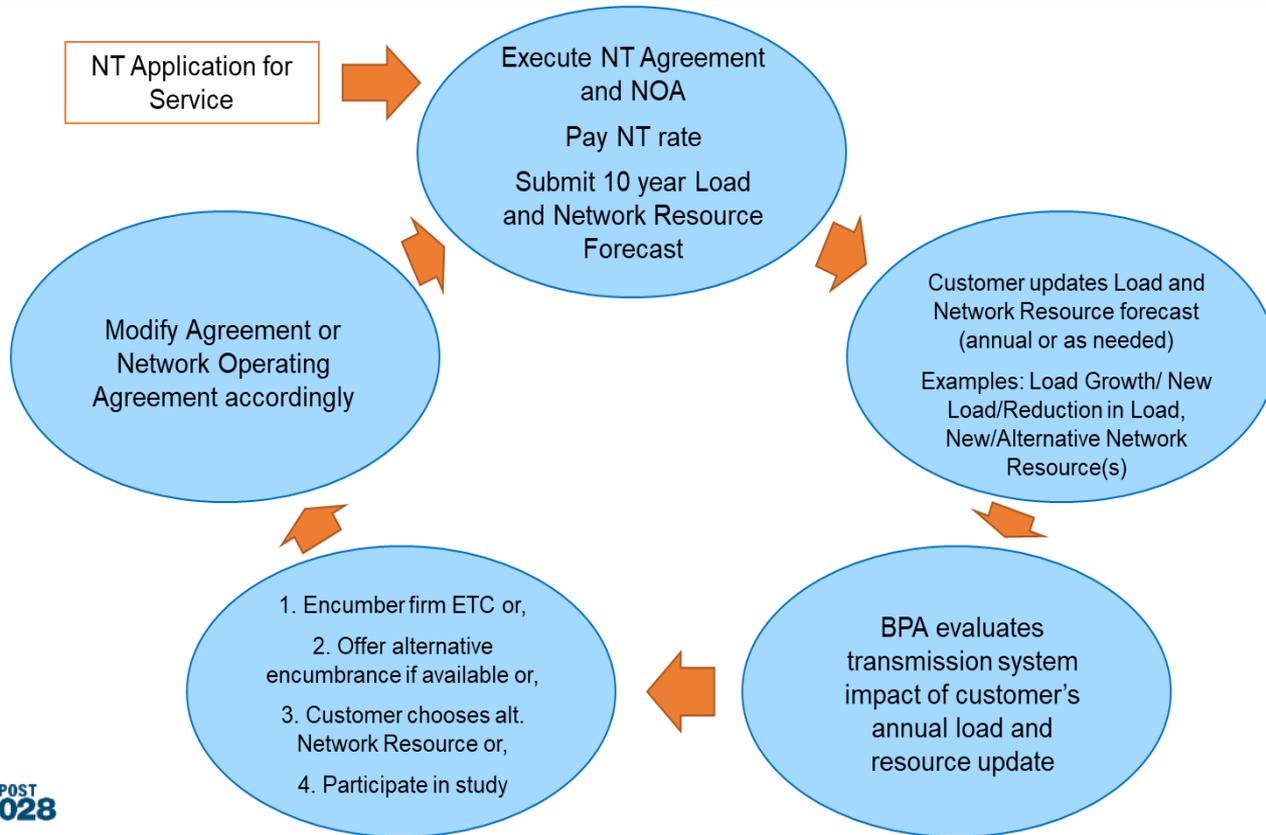
- NT is for load service only, cannot be used for marketing or resales.
- Billed on actual metered use.
- Requires annual 10-year load & resource forecasts to be submitted to BPA for transmission planning.
- BPA is obligated to plan to serve load growth from existing Designated Network Resources.
- Long-term firm service requires designation of a Network Resource 60 days in advance of service (and attestation).
- Secondary Network Service (or 6NN), as available, provides flexibility to use non-designated resources (e.g., market purchases).
- Redispatch may be used to manage congestion.

BPA's OATT Products — PTP

Load and Resource Considerations of the Point to Point (PTP) Transmission Product:

- Long-term firm & non-firm service is available (based on available transmission capacity or ATC) to serve load with a wide variety of resources, e.g., market purchases.
- PTP service allows flexibility for customers to request redirects or resale of their transmission service reservations (or TSRs), to serve load or for other purposes.
- Can be used to market various resources, including excess Slice, utility-owned resources, etc.
- No load or resource forecasts required.
- BPA does not have the obligation to plan to serve customers' load growth using PTP.
- Take or pay – billed based on reserved capacity.
- Curtailment may be used to manage congestion.

Cycle of NT Service



Transmission Considerations

When customers are thinking about their load and resource planning, and long-term firm transmission, what do they need post-2028?

- To qualify for long-term firm NT transmission, customers must designate Network Load to be served and Network Resources to serve the load. Resources must be designated at least 60 days in advance of start of service.
- BPA Power contracts can be designated as a single Resource. Non-federal resources must be designated individually.
- NT Secondary Service (6NN) provides flexibility to use resources that cannot be designated as Network Resources and will be delivered on the highest priority non-firm transmission.
- Customers can help BPA plan ahead through their load and resource forecasts by working with their Transmission AE well in advance to evaluate potential resources and loads, and ensure there is sufficient transmission.
- Long lead times required to integrate new generation resources and to build new transmission. This applies to BPAP and to customers.



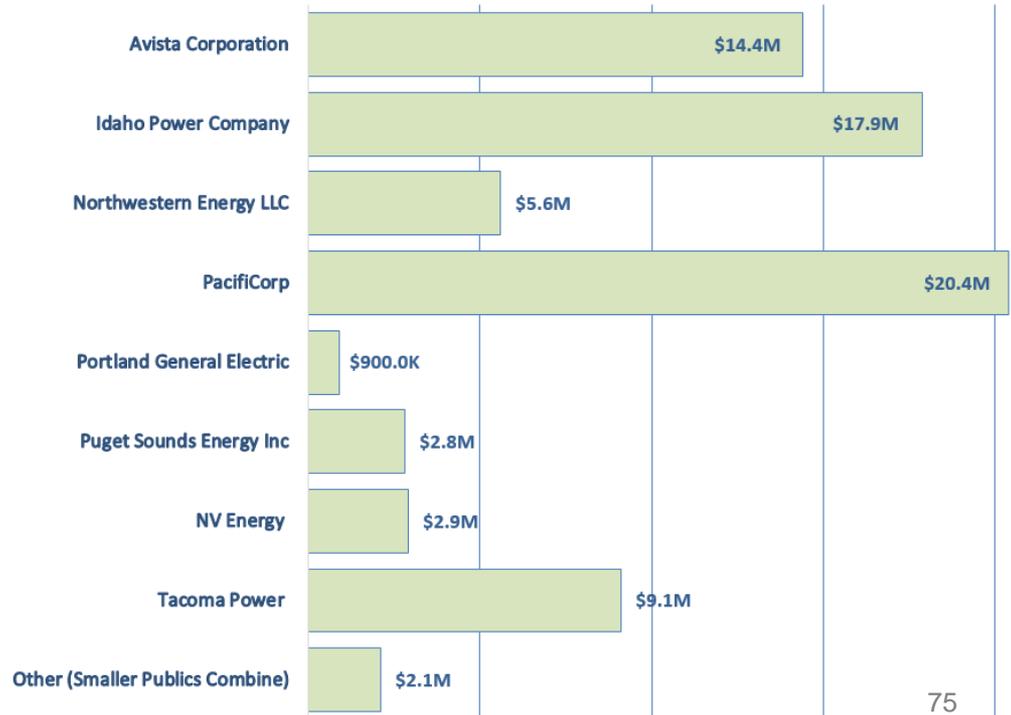
Facts and Figures



Facts and Figures Refresh

- Currently, 83 of BPA's 139 requirements power sales customers have at least one transfer point of delivery.
- 55 requirements customers are served solely by Transfer Service.
- In 2010, BPA's Transfer Service cost was about \$50 million/year. As of 2022, it is approximately \$77 million/year.
 - Approximately \$2 million/year of this currently supports non-federal resource delivery.
- Utilizing Transfer Service allows BPA to deliver approximately \$415 million dollars' worth of federal energy to our Transfer Service preference customers annually.

FY 2022 Annual Cost (\$)



Non-Federal Transfer Service in RD

- In fiscal year 2022, just over two thirds of the approximately 75 aMW of transfer Above-RHWM was served by non-federal resources/power.
 - About half of non-federal transfer service is served from market, and about half from physical resources.
- Customers served over multiple transmission system have contractual flexibility (termed ‘proportional scheduling’) to deliver their non-federal resources to the system of their choice.
 - Most customers in this situation choose to deliver their non-federal, often market purchases to their directly connected Points of Delivery.
 - BPA assesses a charge to recover any cost shifts associated with this election.
- Transfer service is benefited by resources located close to the load they serve.
 - These resources alleviate transmission congestion, provide more certainty in terms of long term load service.



Provider of Choice

Concept Paper Summary

Paul Garrett, Manager, Power Account Services

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 NLSLs, surplus sales).



Transfer Service Proposals (Cont'd)

Comparability of service:

- Bonneville proposes to **carry forward** the principle of comparability (as used in the ARTS agreement) 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.

Transfer Service Proposals (Cont'd)

Payment for transfer service:

- 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.
 - The policy of promoting non-federal resources in Regional Dialogue intended to encourage the development of physical non-federal resources. That development did not materialize to a significant degree for customers served by transfer.
 - This proposal also marks a return to Bonneville limiting costs included in the PF rate (Tier 1 in RD) to transmission associated with its own power supply, not that of its competitors.

Feedback to Date

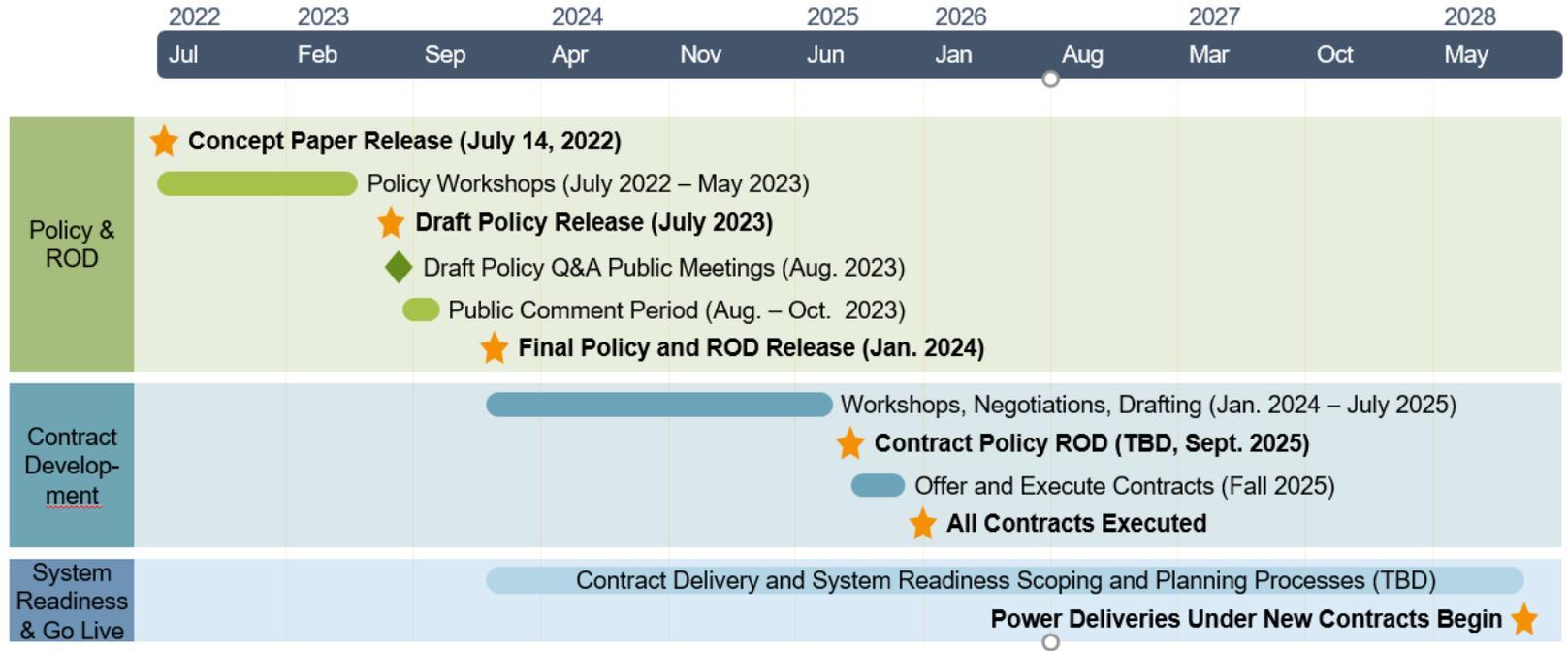
- Since the release of the concept paper, BPA has received significant feedback on its proposal to cease paying for non-federal transfer service.
 - This feedback generally centered on parity arguments, that customers not directly connected to the BPA transmission system should have the same flexibility from BPA to develop and access non-federal resources as directly connected customers.
- BPA is open to continuing this discussion and acknowledges there may be room for some non-federal transfer service post-2028.
 - Open to additional discussion particularly for generating resources, and for those resources that are close to the loads they serve, thereby alleviating transmission congestion.
 - There are several other policy topics that BPA addressed in Regional Dialogue related to non-Federal transfer service that would need to be addressed (e.g., proportional scheduling, MW caps).
- BPA welcomes customer input and proposals ahead of the next public meeting on transfer service in post-2028.



Schedule & Feedback

Michelle Lichtenfels, Program Manager

Schedule Recap



Last Updated 12/1/2022

Mark Your Calendar

Date	Time	Type
Jan. 19	9am – 4pm	Virtual
Jan. 24-25	Specific times TBD	Hybrid (BPA Rates Hearing Room)
Feb. 9	9am – 4pm	Virtual
Feb 21-22	Specific times TBD	Hybrid (BPA Rates Hearing Room)
March 9	9am – 4pm	Virtual
March 21-22	Specific times TBD	Hybrid (BPA Rates Hearing Room)

BPA Event Calendar: <https://www.bpa.gov/learn-and-participate/public-involvement-decisions/event-calendar>

Feedback



Informal comments accepted and feedback requested:

- Share feedback by **Dec. 28** with your Power AE and/or **Post2028@bpa.gov** with a copy to your Power AE.
- Please note that direct responses will not be provided.
- Send customer requests to present to **Post2028@bpa.gov**.



Thank You.

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PROVIDER OF CHOICE

