

February 13, 2023

John Hairston
Administrator and CEO

Suzanne Cooper
Senior Vice President of Power Services

Kim Thompson
Vice President of Northwest Requirements Marketing

Submitted via email to post2028@bpa.gov

Dear Administrator Hairston, Ms. Cooper, and Ms. Thompson:

Northern Wasco County People's Utility District (NWCPUD) submits these comments to express support for the Northwest Requirements Utilities system size, allocation, and augmentation proposal (the "NRU Proposal"), which NRU submitted to the Bonneville Power Administration on February 8, 2023. The NRU Proposal is consistent with the Public Power Council's (PPC's) Framework and Considerations, which PPC presented to Administrator Hairston and other officials from the agency on February 2, 2023, but the NRU Proposal provides more specific guidance on several issues that will be critical to public power in the post-2028 era.

The NRU Proposal would provide benefits to preference utilities, whether those utilities are experiencing load growth, have lost loads, maintain relatively flat loads, or have invested in conservation during the Regional Dialogue contract. Further, current modeling shows that preference customers would be better off under the NRU Proposal more so than any other approach under consideration in the region.

The NRU Proposal represents a careful compromise among its members and strikes an intentional, equitable balance of benefits for all of Bonneville's preference customers. Although my utility would prefer and benefit from the NRU Proposal as submitted (including a fixed Tier 1 System Size of 7500 aMW), NWCPUD fully acknowledges the impacts proposal elements have

on other preference customers and understands the need for BPA to strike a balance. That said, NWCPUD strongly urges BPA to consider some level of Tier 1 system augmentation to place utilities on more equitable footing in terms of Above-High Water Mark exposure at the start of the post-2028 era.

NWCPUD remains concerned that BPA's Provider of Choice process has largely failed to develop a comprehensive proposal that explicitly addresses policies surrounding Tier 2 services, Non-federal resource integration, or equitable treatment for dedicated resource investments. This statement is not intended to be a complaint. It should be taken as one customer's observation that more robust conversation is needed in order to develop a comprehensive policy package that truly addresses the future challenges that public power will face. NWCPUD would like to provide you with a few comments that may help facilitate future conversations:

Tier 2 service offerings:

As a member of the Above High Water Mark Group, NWCPUD has consistently asserted for both flexibility and certainty in the BPA Tier 2 products and services. As an example, NWCPUD proposes that BPA offer terms that allow customers to 'opt in' and 'opt out' of products as a way to help customers manage their future uncertainties. BPA has made it clear that Tier 2 resource acquisitions would be executed in discrete blocks as obligations materialize, and from NWCPUD's perspective that would offer an opportunity for customers to make commitment decisions (e.g. every 4-5 years). We also acknowledge the financial obligations that come with making acquisition commitments and would not support early 'opt outs' that create cost shifts amongst Tier 2 customers.

Furthermore, NWCPUD seeks more conversations with BPA and preference customers to understand the limits of committing federal surplus energy as a Tier 2 resource. We have openly shared our perspective that BPA's Tiered Rate Methodology design has intentionally created inequities between customer classes, and questioned the public policy leading to this decision and whether it should be perpetuated into the future. This perspective is drawing from the policy intent of the Residential Exchange Program (REP) that was created by Congress in the Northwest Power Act—1980. Broadly speaking, REP was designed to provide a form of wholesale power rate parity for qualifying residential and farm loads being served by either investor-owned utilities or customer-owned utilities. During the Jan 24th REP Workshop, BPA REP subject matter experts confirmed that 'qualifying residential loads' are not limited by statute, thereby would receive benefits from a form of access to low-cost federal power, without limit as loads continue to grow. NWCPUD questions the TRM policy of limiting access to low-cost federal power amongst the Tier 2 preference customer pool when federal surplus energy exists. We believe a defined amount of federal surplus energy would offer rate stability and act as a bridge for preference customers who would like to develop new resources.

Non-federal resource integration:

The BPA Provider of Choice process presents a great opportunity to explore material reform of BPA's Resource Support Services and broader transmission services that are preventing economic and efficient renewable resource development by public utilities. NWCPUD is

confident that BPA's participation in western energy markets offer new opportunities to leverage regional resource diversity that should be used to integrate renewable resources and support regional climate change goals.

Equitable treatment for dedicated resource investments:

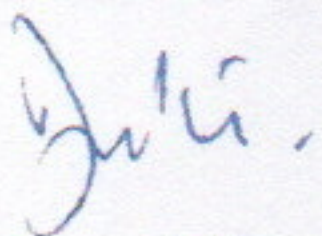
BPA's CHWM policy framework promotes crediting for public utilities who invested in self-funded conservation during the Regional Dialogue Contract. This 'crediting' adjustment would effectively provide additional CHWM amount, as a percentage of the self-funded, BPA reported conservation between FY12-23. NWCPUD asks BPA to consider equitable treatment for investments in renewable and non-emitting resources during the Regional Dialogue contract. In doing so, this may provide further incentive for resource development in the post-2028 era contracts. We believe the conservation alone will not achieve regional goals and supply-side resource development will benefit the region by reducing BPA's obligation to serve net requirements.

Resource Removal:

BPA's CHWM policy framework provides consideration for 'resource removal' during the Regional Dialogue—specifically resources will need to be removed by the end of the Regional Dialogue contract to qualify. NWCPUD supports BPA's proposal and seeks additional support to recognize utilities who may have experienced a 'total loss of resource event' during the Regional Dialogue contract. NWCPUD decided to reinvest in our McNary Fishway Project to make it fully operational. NWCPUD's actions benefited the region by not declaring a 'loss of resource', which would have placed additional load service obligations back onto BPA. Furthermore, this resource provides critical support for ESA fish and wildlife mitigation responsibilities, within the Columbia River Basin, providing attraction water at the McNary Dam North Fish Ladder.

In summary, Northern Wasco County People's Utility District appreciates and supports the approach that the NRU Proposal achieves and further recommends that BPA use this proposal as the basis for post-2028 power supply contracts. Further, we strongly urge BPA to consider the issues we have raised in this letter to develop a more comprehensive policy framework that will address future needs within public power in the post-2028 era.

Sincerely,



Roger Kline
General Manager
Northern Wasco County PUD