



**FLATHEAD ELECTRIC**  
**COOPERATIVE**  
Community. Innovation. Reliability.



**KALISPELL**  
2510 U.S. Highway 2 East  
Kalispell, MT 59901  
**(406) 751-4483**

**LIBBY**  
121 West 4th Street  
Libby, MT 59923  
**(406) 293-7122**



[www.flatheadelectric.com](http://www.flatheadelectric.com)



**TOLL FREE (800) 735-8489**

March 17, 2023

John Hairston  
Administrator

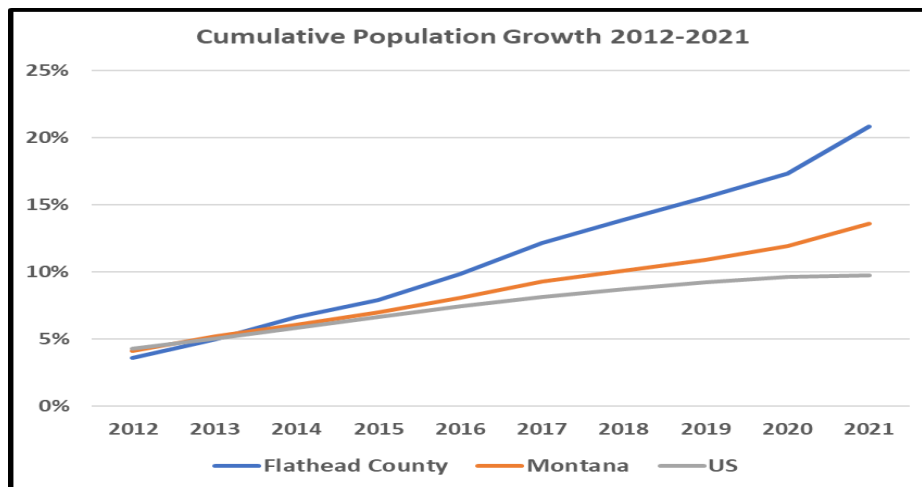
Suzanne Cooper  
Senior Vice President of Power Services

Kim Thompson  
Vice President of Northwest Requirements Marketing

Submitted via email to [post2028@bpa.gov](mailto:post2028@bpa.gov)

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

Flathead Electric is a load following customer of BPA that provides electric service to over 73,000 meters in Northwest Montana. In the graph below, you can see that we have experienced significant and sustained year over year population growth in our service area.



The challenge for Flathead is like many growing BPA customers; we have an obligation to serve this load growth with few options to effectively control it. At the start of the next BPA contract, Flathead is forecasting that 33 aMW, or 16% of our net requirement, will be Above-RHWM load. By 2033, Flathead's Above-RHWM load is forecast to grow to 47 aMW, or 22% of our net requirement.

Our load is 57% residential and each year, this rate class continues to grow and be a larger and larger portion of our total load. Power costs make up over 59% of Flathead's total operating expenses, so any increase in these costs has a significant impact on Flathead's rates that we charge our 57,000 members.



A successful outcome to BPA’s Provider of Choice process is critical for Flathead, all of BPA’s preference customers, and the region as a whole. It is imperative that we get this right as not to advantage or disadvantage one preference utility versus another or one utility customer versus another. Therefore, an equitable result is critical for a successful outcome.

Now that BPA is mostly through the development phase of the Provider of Choice process, I wanted to remind myself about BPA’s initial perspective on the measurable outcomes and rules of the road regarding the process. To do this, I went back to where it all started and reread BPA’s Provider of Choice Goals and Principles as outlined by BPA in May 2022. After reconsidering these Goals and Principles, I cannot say that all the Goals and Principles have been met.

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

## Provider of Choice Goals & Principles

GOALS	PRINCIPLES
1. <b>Regionally supported</b> Provider of Choice policy and contracts.	1. Tier 1 firm power rates are set at the <b>lowest possible</b> rates consistent with sound business principles.
2. The Federal Base System is <b>fully subscribed</b> to supply customers' net requirements.	2. Provider of Choice policy and contracts are <b>consistent</b> with Bonneville's statutes.
3. Product and service offerings <b>are equitable</b> .	3. Contracts provide long-term supply of electric power through <b>standardized</b> products and services and <b>transparent</b> processes.
4. Contracts offer customers <b>flexibility</b> to invest in and integrate non-federal resources.	4. Provider of Choice policy and contracts provide <b>financial stability</b> for Bonneville and support Bonneville's regional obligations and commitments.
5. Contracts <b>support</b> customers meeting national and regional objectives.	
6. Administratively <b>straightforward and implementable</b> contracts.	
7. Provider of Choice policy and contracts <b>build on a long history</b> of stewardship and regional relationship.	

PROVIDER OF CHOICE POST 2028 May 19, 2022

The first Goal, “Regionally supported Provider of Choice policy and contracts”, jumps out at me right away. After multiple Provider of Choice public meetings and then reading and rereading the resulting comments on BPA’s Provider of Choice website, it appears to me that there is a concerted effort by BPA to disregard the well thought out and constructive comments provided. Although there have been small steps forward by BPA, the most beneficial and impactful suggestions, like the NRU Proposal which we fully support, have seemingly been disregarded.

Flathead, like many others, has invested significant time and resources trying to work with BPA to make meaningful changes to the BPA post-2028 contracts. We participated in all of BPA’s Provider of Choice workshops, were a member of the PPC Executive Sponsors Group, joined the AHWM Group, and collaborated with NRU on the development of the NRU Proposal. All these groups have provided detailed comments and proposals, and to date, very few of the substantive suggestions have been incorporated in the draft policy. BPA has also not provided any response or evaluation as to why the customer comments and proposals have not been included.

My concern is that through the Provider of Choice process, BPA has shown little interest in collaboration and compromise. This was obvious during the March 9, 2023, Provider of Choice workshop. As BPA staff discussed each issue, they would note that they had received customer feedback on the issue and then they would categorically reject the feedback because there was not regional alignment.



I realize that full agreement among all preference customers is not realistic. It is an unfair expectation on BPA to design a contract that meets all the unique and diverse needs of the preference customers. However, by BPA continually disregarding customer feedback and reverting to its own original positions, there does not appear to be the collaboration and compromise that BPA initially strived for with its original Goals and Principles.

The third Goal, “Product and service offerings are equitable,” is another goal that does not seem to be met. “Equitable” can be interpreted in different ways and considering the proposed BPA Provider of Choice draft policy, it seems the region will be starting the post-2028 contracts with definite winners and losers. In Flathead’s case, our members will be losers because, 1) we are not getting our net requirements served at cost as required by statute, and 2) we are being forced to make a one-time Tier 2 election at the start of contract when we all know things are changing rapidly in our industry.

I will end my comments on Goals and Principles with the fourth Goal, “Contracts offer customers flexibility to invest in and integrate non federal resources.” I am still confused by this goal when you consider that if Flathead were to invest in a local renewable project to serve its load, as we did during the Regional Dialogue contract, its Tier 1 allocation would be decremented by the size of that generation project. How is that incentive to “invest in and integrate non federal resources?”

It is interesting reflecting back on a conversation I had in 2017 or 2018 with the Northwest Power and Conservation Council’s Power Division Director at the time. We talked about the upcoming BPA post-2028 contract process and how I was very optimistic about the great potential for a new and more flexible and equitable post-2028 BPA contract. They tempered my optimism and basically told me that BPA’s desire is to hand its customers the same contract that is in place today. For the most part, it appears they were correct. I believe we all hoped for innovative change from BPA, but unfortunately, BPA has not yet met those expectations.

Thank you for your consideration of Flathead’s comments.

Regards,



Mark Johnson  
General Manager

