

Bonneville Power Administration
New Resource Rate Block Policy
March 12, 2025



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1. Introduction

The Bonneville Power Administration (Bonneville) is a “self-financing” federal agency that sells hydroelectric power generated by dams in the Columbia River basin along with other resources acquired by the Administrator. The revenue from these sales must cover all of Bonneville’s operating costs and expenses. Bonneville’s obligation to supply power to regional customers is determined by statute. Section 5(b) of the Pacific Northwest Electric Power Planning and Conservation Act¹ (Northwest Power Act) directs the Bonneville Administrator to offer a contract to meet the firm power load of regional entities (both publicly owned and privately owned) to the extent that such firm power load exceeds the capability of those entities’ own resources. These supply contracts are colloquially referred to as “section 5(b) requirements” contracts.

The current section 5(b) requirements contracts, also referred to as Regional Dialogue contracts, expire on September 30, 2028. To prepare for the post-2028 period of service, Bonneville launched the Provider of Choice process. In March 2024, Bonneville released the Provider of Choice Policy (POC Policy)², in which Bonneville outlined the policies, major provisions, and goals of the next section 5(b) requirements contract. Among other issues addressed, the POC Policy set the length of power sales provided by the next Section 5(b) requirements contract to 16 years, or from 2028 to 2044 (POC contract period). The POC Policy and accompanying record of decision primarily focused on service to regional public bodies, cooperatives, and federal agencies. This class of customers are also referred to as Priority Firm (PF) rate customers (PF customers).³ Since issuing the POC Policy, Bonneville and PF customers have engaged in contract negotiations over the terms of the Provider of Choice contract.

Bonneville also briefly described in the POC Policy its intended approach for developing the section 5(b) requirements contract for regional investor-owned utilities (IOUs), which are eligible to request that the Administrator sell them requirements power at the New Resource⁴ (NR) rate. Specifically, Bonneville stated that the IOUs’ section 5(b) requirements contract would be modeled from the contract for the Block product offered to PF customers, also referred to as the PF Block contract. The POC Policy states:

Bonneville intends to provide power sold at the NR rate that IOUs elect to purchase as a standalone Block product, also referred to as the NR Block product,

¹ The Northwest Power Act is available as part of BPA Statutes at <https://www.bpa.gov/-/media/Aep/power/provider-of-choice/gi-BPA-Statutes.pdf>.

² The Provider of Choice Policy is available at <https://www.bpa.gov/-/media/Aep/power/provider-of-choice/provider-of-choice-policy-march-2024.pdf>.

³ The term “PF customer” refers to the class of customers that purchase firm power from Bonneville for their “general requirements” at the rate established by section 7(b)(1) of the Northwest Power Act. This rate is referred to as “Priority Firm” or “PF” rate.

⁴ The term “NR” refers to “New Resources”, which is the section 7(f) rate assessed to IOUs for service to their loads under section 5(b). See 16 U.S.C. § 839e(f).

with similar features to the standalone Block product offered to PF customers (Section 3.3) and on the same development timeline. In contrast to the Block product for PF customers, IOUs would not receive a [Contract High Water Mark] nor would their NR Block contract reflect elements of the tiered rate construct, as all power sold under such agreement would be at the NR rate.⁵

To date, no IOU has received service under a section 5(b) requirements contract. As such, following publication of the POC Policy, Bonneville did not begin formal development of the terms of a Provider of Choice NR Block contract (*e.g.*, the IOU's section 5(b) requirements contract). In its place, Bonneville introduced the idea of publishing a policy that outlined the key terms, timelines, and prerequisites for service to the IOUs under an NR Block contract to guide any future development of such a contract, following any future requests during the POC contract period.

Bonneville notified stakeholders at a public meeting on POC of its intent to issue a policy outlining the NR Block provisions for an IOU's section 5(b) requirements contract on December 18, 2024.⁶ Bonneville took comments on its proposed New Resource Rate Block Policy (NR Block Policy) approach until January 10, 2025. Thereafter, Bonneville held a workshop on January 23, 2025, to discuss the proposal and receive stakeholder feedback.⁷ No party raised objections to Bonneville's approach or provided feedback on the proposal in the comment period or workshops.

This NR Block Policy establishes how and when Bonneville will develop the NR Block contract template and key provisions of the agreement to meet the IOU's section 5(b) requirements. The NR Block product and contract offering would build from the terms defined in the POC Policy and the Provider of Choice standalone PF Block and Load Following contracts.

2. NR Block Contract Development Process

Bonneville intends to develop and offer a standardized NR Block contract template if and when an IOU requests section 5(b) requirements service. This section establishes when an IOU may request a NR Block contract and Bonneville's process for developing the NR Block contract template.

2.1 Election Window

An IOU may request an NR Block contract between October 1, 2025, and September 30, 2036, for the Provider of Choice contract period (*i.e.*, for power sales through September 30, 2044). Bonneville's intention is that an NR Block contract will provide power for a minimum of a five-

⁵ POC Policy § Section 4.1.

⁶ The December 18th presentation on the NR Block approach is available at <https://www.bpa.gov/-/media/Aep/power/provider-of-choice/contract-templates/20241219-poc-contract-templates.pdf>.

⁷ The January 23rd presentation on the NR Block Policy proposal is available at <https://www.bpa.gov/-/media/Aep/power/provider-of-choice/2025-workshops/2025-01-23-provider-of-choice-nr-block.pdf>.

year purchase period; however, Bonneville does not guarantee that a minimum of five years of power sales will be offered. The contract offer will be subject to the completion of a NR Block service study and its results, discussed below. Requests for section 5(b) requirements service after September 30, 2036, will be subject to Bonneville’s then-existing process for such service.

2.2 Contract Development Process

The following sections describe the steps that an IOU would need to take to receive an NR Block contract for the POC contract period. Bonneville expects this process would take a maximum of four years, inclusive of the NR Block service study. The NR Block contract template process described in Section 2.2.4 would occur when an IOU requests an NR Block contract.

Figure 1. Example of Estimated NR Block Contract Development and Offer Timeline

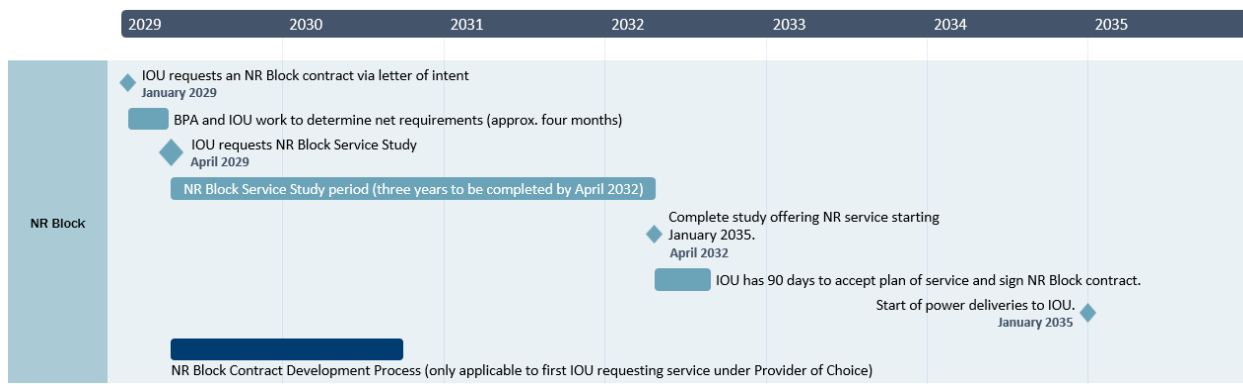


Figure 1 provides an estimated example timeline of the NR Block contract development and offer process as described in Sections 2.2.1 through 2.2.4 below if an IOU requested an NR Block contract in January 2029.

2.2.1 Letter of Intent

To request service under an NR Block contract, an IOU must submit a letter to Bonneville requesting service under section 5(b) of the Northwest Power Act. The letter shall include the following information for the next five fiscal years (October through September) in average annual megawatts: (1) the IOU’s estimated total retail load, (2) its firm generation of non-federal resources, and (3) its resulting net requirements.

2.2.2 Determining Net Requirements

Once the letter of intent is received, Bonneville will determine whether an IOU has a regional firm power net requirements load i.e., whether the IOU has firm power load that is not served by the IOU’s resources as determined by statute. In order to determine the IOU’s net requirements, Bonneville will require from the IOU: (1) historical hourly total retail load data (up to ten years), including any necessary metering information to disaggregate such data; (2) forecast of monthly total retail loads for the next ten fiscal years; and (3) documentation and data for all non-federal resources at the time of the determination. The non-federal resource

firm energy amounts will be determined pursuant to Bonneville's Provider of Choice Standards for Resource Declarations.

Bonneville will work to assess the IOU's net requirements in a timely manner. Bonneville anticipates the process for determining an IOU's net requirements could take as little as a few months and as long as year if significant issues are identified. There is no cost to the IOU for Bonneville to assess its net requirements.

2.2.3 NR Block Service Study

If an IOU has a net requirements, Bonneville will initiate an NR Block service study in which Bonneville will evaluate and determine a plan of service for power an IOU has requested Bonneville provide. This evaluation will include whether Bonneville has sufficient available firm power to supply the net requirements load or if Bonneville will require a resource acquisition to supply the net requirements load. An IOU will be required to sign an agreement to initiate an NR Block service study and to cover any costs as described below.

The NR Block service study may take up to three years to complete from the date of the IOU's request. During the study period, Bonneville will: (1) assess the ability of Bonneville to serve the requesting IOU's net requirements determined block amount with firm power, and (2) periodically keep the IOU apprised of its study progress. Bonneville will bill the IOU and the IOU will pay all costs associated with the NR Block service study, including but not limited to staff time and third-party costs associated with completing the study. Recovering NR Block service study costs from the IOUs is consistent with the cost treatment of similar study costs from PF customers seeking NR service for their new large single loads (NLSLs).⁸

Once Bonneville completes the NR Block service study, Bonneville will provide the requesting IOU with the NR Block service study summary report. The NR Block service study summary report will state the conditions of Bonneville making power available to serve the IOU such as:

1. The anticipated date Bonneville could provide power;
2. Cost arrangements;
3. Any Bonneville resource acquisition needs;
4. Any identified constraints.

Along with the report Bonneville will send an NR Block contract offer, provided that the NR Block contract development process, as described in Section 2.2.4, is complete at the time an NR Block service study summary report is available. The IOU will have 90 days after receiving the NR Block service study summary report to accept and execute the associated NR Block contract offer. If the NR Block contract development process, as described in Section 2.2.4, is

⁸ The cost recovery for the NR Block service study mirrors the provision in section 20.3.7 of the PF Load Following contract. The contract states, "BPA shall bill «Customer Name» and «Customer Name» shall pay all costs associated with the NLSL service study, including but not limited to staff time and third-party costs associated with completing a study."

not complete at the time an NR Block service study summary report is available, an IOU will have until 90 days after a contract offer is made to accept and execute the contract offered.

2.2.4 NR Block Contract Development Process

Bonneville will prepare the NR Block contract template after Bonneville determines that an IOU has a net requirement need as outlined in Section 2.2.2. The NR Block contract template will be built from the PF Block contract, with elements from the PF Load Following contract related to NLSLs served by Bonneville at the NR rate. Bonneville intends to hold a public process where interested parties can review and provide input on the NR Block contract template applicable to IOUs. The process would include public meetings and a formal comment period on the template.

The NR Block contract template developed in the NR Block contract development process will be used for all subsequent requests for section 5(b) service by an IOU for the Provider of Choice contract period.

3. NR Block Offering

Bonneville will offer IOUs a Block product modeled on the PF Block contract for the standalone flat annual option and adapting features of the PF Load Following contract related to NLSLs served by Bonneville at the NR rate. The following describes the product that will be offered.

3.1 NR Block Product

Bonneville will offer IOUs the Block product, which is a planned product that provides firm power each month on a planned annual basis to meet the IOU's planned annual net requirements load in pre-defined quantities and shapes. NR Block contracts will establish hourly amounts for the month. Bonneville will not follow load hour to hour under the NR Block product.

The NR Block product that Bonneville will offer IOUs will be a flat block, which delivers an equal amount of power in all hours of the year. IOUs will plan and operate their non-federal resources to meet their actual hourly loads beyond what they are provided from Bonneville. Bonneville will establish the block amount for an IOU at the NR Block contract offer (initial block) based on the net requirements determination described in Section 2.2.2.

If an IOU wishes to purchase additional power at an NR rate above its initial block amount and has a demonstrated net requirements, the IOU may request a new NR Block service study, as outlined in Section 2.2.3, for an additional block amount of power. All of the study requirements as described in Section 2.2.3 will apply to the subsequent block request. The IOU will have 90 days after receipt of the NR Block service study summary report to elect in writing to add the additional block amount to its contract, pursuant to the terms of its executed NR Block contract. The additional block amount would be documented in the IOU's existing NR Block contract with any necessary terms specific to the outcome of the new study.

3.2 Rates

The Northwest Power Act directs Bonneville to sell firm power to an IOU under section 5(b) at rates established pursuant to section 7(f). Such applicable rates are known as the “new resources” or NR rate, or its successor. The NR rate is determined in each rate proceeding, pursuant to section 7(i) of the Northwest Power Act.

3.3 Environmental Attributes and Renewable Energy Credits

Section 7.1 of the POC Policy states, “Bonneville will convey the environmental attributes of the power sold, including emissions and any renewable energy credits (RECs), commensurate with a customer’s firm power purchase amount and rate elections.” POC Policy at 42. This methodology is applicable to all power sold by Bonneville. *Id.*

Bonneville will use the PF Block contract Exhibit H for the accounting of environmental attributes and RECs. Exhibit H establishes an Environmental Attribute Accounting Process, which is defined as “the public process BPA will conduct each Rate Case Year, after the conclusion of each routine power rate 7(i) Process, during which the allocation methodology and Attribute Pools for BPA’s Environmental Attributes for the upcoming Rate Period will be determined.” Provider of Choice contract template at Exhibit H. Bonneville intends to use this same process to determine the RECs and environmental attribute allocations for sales of power at the NR rate.

3.4 Contract Length

The NR Block contract will be effective from the time an IOU signs the contract through September 30, 2044. The contract will define the period of time power sales are expected. This aligns with the Provider of Choice PF customers contracts’ expiration date.

3.5 Other Modifications

Bonneville may make modifications to the NR Block contract due to the nature of IOU service.

APPENDIX A – Abbreviations/Acronyms

Abbreviation/Acronym	Definition
Bonneville	Bonneville Power Administration
IOU	investor-owned utility
Northwest Power Act	Pacific Northwest Electric Power Planning and Conservation Act
NLSL	new large single loads
NR	New Resource
NR Block Policy	New Resource Rate Block Policy
PF	Priority Firm
POC Policy	Provider of Choice Policy
REC	renewable energy credits