



Post-2028 Residential Exchange Program

2026 ASCM Development

Washington UTC Preliminary Consultation

October 16, 2025



Post-2028 REP Team

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Phase 2 Public Engagement Process

Phase 2 focuses the post-2028 REP Public Engagement Process on development of three foundational components to prepare for a traditional implementation of the REP post-expiration of the 2012 REP Settlement agreements. The 2012 Settlement expires September 30, 2028.

1. Residential Purchase and Sale Agreements (RPSA)
2. Average System Cost Methodology (ASCM)
3. 7(b)(2) Legal Interpretation and Implementation Methodology

PHASE 2 – TRADITIONAL REP PREPARATION

RPSA Template Development and
ROD Publication
(September 2025 – February 2026)

ASCM Consultation Process and
ROD Publication
(October 2025 – April 2026)

7(b)(2) L/I and I/M Process and
ROD Publication
(June 2026 – April 2027)

BP-29

Phase 2 Public Engagement Objectives

BPA's Objectives for Phase 2 of the Post-2028 REP efforts are to:

- ❖ Complete Phase 2 before BPA's BP-29 Rate Case Proceedings.
Phase 2 target completion date is April 2027.
- ❖ Facilitate a robust engagement process for BPA and regional parties to constructively work through germane issues.

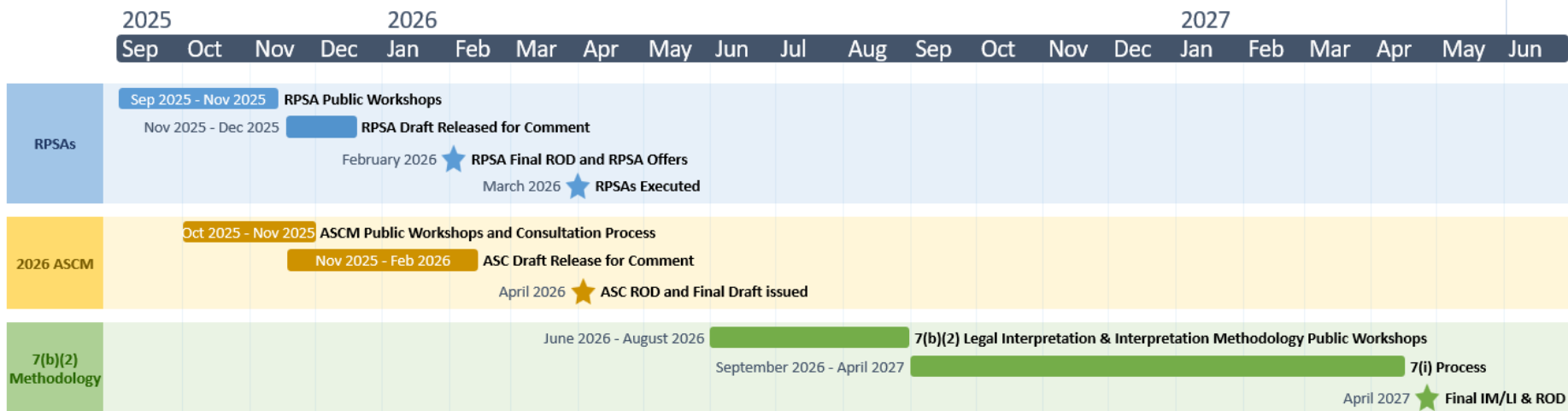
Phase 2 Public Engagement Approach

Broad approach to successfully achieve Phase 2 objectives:

- ❖ Hold regular, public, in-person workshops that include a virtual participation option. *BPA encourages parties that intend to engage in significant discussions to attend in-person.*
- ❖ Foster a collaborative workshop environment through informative presentations.
- ❖ Communicate priorities and expectations in each of the three Phase 2 processes.
- ❖ Provide multiple opportunities for regional parties to submit comments, feedback and questions.

Phase 2 Public Engagement Timeline

BP-29 ASC
Filings Due
Jun 1, 2027



ASCM Engagement Timeline



Structure of ASCM Workshops

Workshop Structure

- ❖ BPA will host a total of four one-day workshops between October and November. Workshops are scheduled to begin at 9AM and will vary in length dependent on content. See BPA's Event Calendar for specific timeframes.
- ❖ ASCM workshops will overlap with RPSA workshops beginning October 22-23, 2025. Day 1 will be reserved for RPSA topics and Day 2 will shift to ASCM.
- ❖ BPA will post workshop materials to the Post-2028 REP external site three business days in advance whenever possible.
- ❖ The fourth ASCM workshop BPA is scheduled to occur following the publication of the preliminary ASCM draft and will address that document.

Additional Content in Workshops Two Through Four:

- ❖ Participant questions and BPA responses on previous workshop content.
- ❖ Participant led topics on previous workshop content and discussion.
- ❖ Additional time allotted for topics from the previous workshops as necessary.

ASCM Workshop Agenda

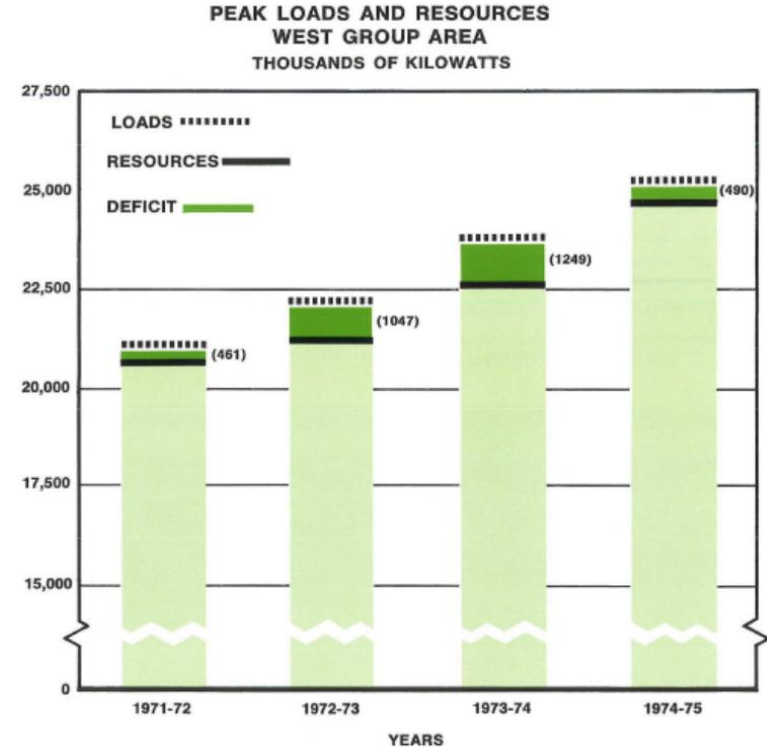
- **ASCM Workshop 1 – Oct. 23, 2025**
 - Process overview
 - Background on ASCM
 - ASCM Reorganization
 - Filing procedures
 - ASC review process
 - Routine updates & unchanged sections
 - Distribution losses
 - Overview: Appendix 1 & Forecast Model
 - Outline of remaining issues
- **ASCM Workshop 2 – Nov. 5, 2025**
 - Transmission
 - Batteries / Storage
 - Account 925: Injuries & Damages
 - Load Forecasts
 - Exchange period ASCs
 - Endnotes & remaining provisions
- **ASCM Workshop 3 – Nov. 20, 2025**
 - Revisions to Appendix 1 and Forecast Model
 - Customer led topics & open discussion
 - Complete any previous workshop content
- **ASCM Workshop 4 – Dec. 3, 2025**
 - Preliminary ASCM Draft

ASCM Engagement Methods

	Informal 1: Participants may submit informal comments on workshop topics and discussion after each workshop.	Informal 2: Participants may submit initial comments on the full ASCM preliminary draft after its release on November 25th .	Formal Comment: BPA will open a public <u>formal</u> comment period on January 12th, 2025 , to respond to the Draft RPSA.
Comment Deadline	Feedback submittal is due within 1 week following each workshop.	Comments will be due by COB Tuesday, December 15th .	Formal comments will be due by COB Friday, February 13th .
Comment Repository	via email to REP2028@bpa.gov	via email to REP2028@bpa.gov	Upload to a “Comments” page created for the Post-2028 REP process on bpa.gov. <i>Details to upload comments will be provided at Workshop 4.</i>
BPA Responses	BPA will consider all comments received and attempt to respond as applicable and as time permits at a subsequent workshop.	A redline copy will accompany the preliminary draft to crosswalk to initial provision.	BPA will provide its responses to formal comments in a published Record of Decision, accompanied by the final ASCM.

History: The View from Circa 1960s & 1970s

- ❖ “The forecast indicates that Northwest electric energy requirements will triple in the next 20 years and that within a few years . . .” (BPA’s Annual Report, December 31, 1970.)
- ❖ 7% load growth across the region.
- ❖ In 1973:
 - BPA stopped selling to IOUs.
 - BPA periodically reduced sales to Direct Service Industries (aluminum plants, steel plants, etc...) and would not renew contracts post expiration.
- ❖ In 1976 - BPA issued a “notice of insufficiency” to its preference customers.
 - Notified preference customers that BPA would be short on power by 1983.
 - BPA would have to allocate Federal power among public power.

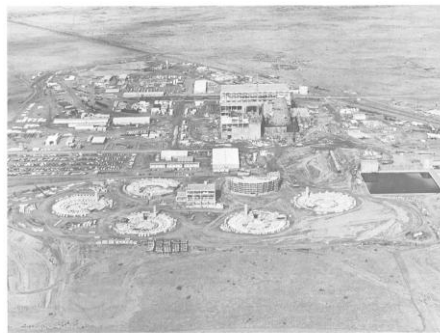


The Hydro-Thermal Power Program & Issues

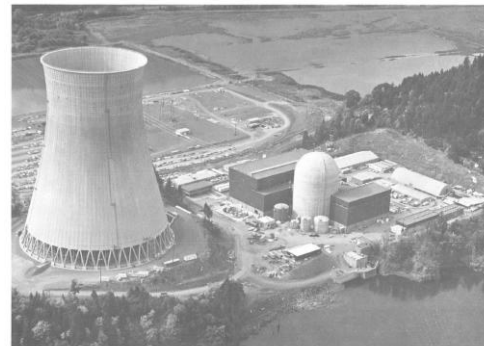
- ❖ In 1968, BPA and over 100 utilities outlined the Hydro-Thermal Power Program (HTPP) to supply the region through 1981.
- ❖ Federal, private and public utilities collaborated to build generation and transmission.
- ❖ HTPP proposed developing **20 nuclear plants and 2 coal** and projected to cost \$17.9 billion (~\$141 billion today).

Problems with the HTPP

- Reduced forecast for power
- Cost overruns
- Construction delays
- Community opposition
- Environmental opposition
- Court injunction. BPA's participation in Phase 2 paused until BPA completed an EIS



By the end of October 1975 overall construction of Washington Public Power Supply System's Nuclear Project No. 2 was about 20 percent complete. Plant's six circular cooling towers are being constructed in the foreground. (Photo courtesy of WPPSS)



The 1,320,000-kilowatt Trojan Nuclear Plant, which first put power into the Pacific Northwest grid in December 1975.

Rate Disparity: Publics and Private

- ❖ HTPP costs included in rates meant costs of serving customers of IOUs and Publics rapidly increased.
- ❖ IOUs' consumers were hit harder. Paying 3x what public consumers paid.
- ❖ BPA required by federal law to serve Publics' needs first (preference).
- ❖ Only sell to IOUs if surplus available.
- ❖ As rates between private and public utilities diverge, political pressure builds to provide consumers of IOUs with a share of low-cost federal power.

Preference and Regional Division

- ❖ Washington is primarily served by COUs.
- ❖ Oregon is served primarily by IOUs.
- ❖ Turning Point: In an effort to gain access to a share of cheaper BPA power, Oregon prepared legislation creating “Domestic and Rural Power Authorities” (DRPA).
 - DRPA would sell power to IOUs’ consumers at a melded rate (some DRPA and some IOU).
 - DRPA would have asserted rights as a BPA preference customer.
- ❖ Other states considered proposing the same type of legislation. This opened the door to a regional fight over BPA’s allocation of power.
- ❖ City of Portland lawsuit – Opposed BPA offering new contracts to publics.

The Northwest Power Act (NWPA) and REP

- ❖ To avert conflict, Congress passed the NWPA in 1980.
- ❖ One aspect of the NWPA was the Residential Exchange Program , which was designed to help address the wholesale rate disparity between residential and farm customers of IOU vs. Publics.
- ❖ NWPA created an “exchange” between IOUs and BPA.
- ❖ Preference battle avoided.
 - IOUs’ consumers received economic value from melding costs with the Federal power system through the exchange. Publics received no diminishment in the amount of power sold to them, and “rate protection” through section 7(b)(2) of the NWPA.
- ❖ The first 5 years of REP implementation was paid exclusively by DSIs. 7(b)(2) rate protection activates in 1985.



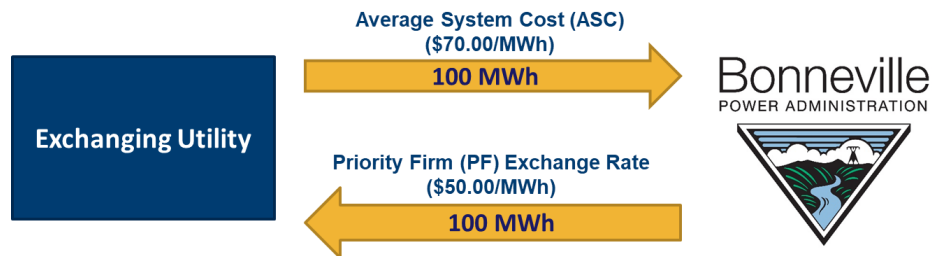
What is an ASC?

- **Section 5(c)(1) of the NWPA**

- Whenever a Pacific Northwest electric utility offers to sell electric power to the Administrator at the **average system cost [ASC] of that utility's resources** in each year, the Administrator shall acquire by purchase such power and shall offer, in exchange, to sell an equivalent amount of electric power to such utility for resale to that utility's residential users within the region.

- **An ASC is:**

- The sum of a utility's resources costs,
- expressed as a \$/MWh rate, and
- used to calculate an exchanging utility's financial REP benefits.



Section 5(c) of the NWPA

Section 5(c) of NWPA
(ASC Methodology)

Sections 3(18),
5(c)(1) of NWPA

$(\text{Average System Cost} - \text{PF Exchange Rate}) \times \text{Res\&Farm Load} = \text{REP } \$\$$

Section 7(b)(2) of NWPA
(Legal Interpretation)
(7(b)(2) Methodology)

Section 5(c) & ASC Methodology

- **Section 5(c)(7) of the NWPA directs BPA to determine a methodology to calculate exchanging utilities' ASCs. The ASCM is that methodology.**
 - In consultation with the Council, BPA's customers, and State regulatory bodies.
 - Subject to FERC review and approval.
- **BPA has had three ASC methodologies.**
 - 1981 and 1984 ASC Methodologies were cumbersome, requiring 50+ staff to implement. Used a “jurisdictional” approach to calculating ASCs.
 - 2008 ASC Methodology streamlined the ASC process; moved to FERC Form 1.
- **NWPA stipulates the methodology must exclude the following costs:**
 - the cost of additional resources in an amount sufficient to serve any new large single load (NLSL) of the utility,
 - the cost of additional resources in an amount sufficient to meet any additional load outside the region occurring after December 5, 1980, and
 - any costs of any generating facility which is terminated prior to initial commercial operation.

Calculating REP-Utilities' ASCs (\$/MWh)

❖ **The 2008 ASCM ASC is comprised of Contract System Costs and Contract System Load, expressed in \$/MWh**

- **Contract System Costs (CSC):**

- ROR Portion of P&T Rate Base
- Production and Transmission Expense
- Administrative and General Expenses
- Conservation Expenses
- Labor and State Property Taxes
- Offsets:
 - Sales for Resales
 - Other Revenues and Other Offsets
 - Costs to serve NLSLs

- **Contract System Load (CSL):**

- Total “regional” retail load
- Distribution Losses
- LESS:
 - NLSLs

$$ASC = \frac{\text{Contract System Cost (CSC)}}{\text{Contract System Load (CSL)}}$$

ASCM Development Highlights

- Revisions & updates to the ASCM
 - ASCM structure & organization
 - Identifying and addressing new technology
 - Methodological Changes
- Elements of the ASCM methodology carried forward
 - Appendix 1 (FERC form 1)

Batteries

- Background

- FERC Order 898 moved battery costs from separate accounts for each function (348, 351, 363) to a single “Energy Storage Plant” Account 387-387.12.
- The ASCM will need to functionalize those costs.

- Discussion Questions

- How does the State Commission functionalize battery costs between Production, Transmission, and Distribution?
- Does functionalization change from rate case to rate case, e.g., based on how the battery is being used?

Account 925 – Injuries and Damages

- Background
 - Account 925 – injuries and damages
 - Current ASCM treats Account 925 as a direct input, with labor ratio functionalization to Production/Transmission/Distribution.
 - It appears state commissions are taking a closer look.
 - BPA has observed large increases in some utilities' Account 925 associated with wildfires.
 - It is unclear to BPA whether all costs in Account 925 will be borne by retail consumers.
 - BPA is considering tying this ASCM input to state commission determinations.
- Discussion Questions
 - How does the State Commission use FERC Account 925 in its ratemaking?
 - What do you consider in allowing rate recovery for such costs?
 - How do your determinations interact with other Accounts, like deferred credits and debits or regulatory assets and liabilities?
 - What timing considerations should we be aware of if the ASCM were to use commission approval as an input for injuries and damages?

Transmission Costs

- Section 5(c) requires BPA to establish methodology for sales of power at the “utility’s average system cost of resources.”
- BPA has historically allowed transmission costs into ASC.
 - In 1981 ASCM, BPA permitted transmission costs in ASC without explanation.
 - In 1984 ASCM, BPA explained that transmission costs are allowable as a matter of “policy,” and excluded some transmission cost.
 - In 2008 ASCM, BPA reiterated that inclusion of transmission costs is a matter of policy and allowed all utility transmission costs in ASC.
- BPA will be revisiting whether to continue to include transmission costs as part of the ASC calculation.

ASCM Issues in Comprehensive Plan

- Statutory Guidance
- General Approach
- Procedures and Process
- New Resource Additions
- Resources to Serve a New Large Single Load
- Public Exchange Provisions

Communication and Resources

- ❖ Written comments and questions may be sent to rep2028@bpa.gov.
- ❖ Details regarding Post-2028 REP Phase 2 workshops can be found on [BPA's event calendar](#).
- ❖ For REP background, post-2028 public workshop materials, public notices, and additional REP resources, go to the [Post-2028 REP webpage](#).
- ❖ To receive pertinent notifications related to this process sign up for [Tech Forum](#).