



Provider of Choice Customer Engagement During 2020

A summary of customers' views on the direction of post-2028 interests, contracts, and rate structure.

October 2020

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1. Executive Summary

In preparation for the long-term Regional Dialogue power sales agreements expiring in 2028, and in order to understand its customers' concerns and their long-term interests and service needs, Bonneville Power Administration (BPA) conducted a Provider of Choice customer engagement initiative between November 2019 and August 2020. During this period, BPA's Power Services customer account executives (AEs) engaged in open conversations with customer utilities regarding post-2028 needs for products, services, contracts and rate structure.

The following are the key themes that emerged from this engagement:

1. *This is a period of significant uncertainty in our industry and region.* Factors including evolving power markets, resource adequacy, legislative uncertainty, the Columbia River Treaty, the future of the Residential Exchange Program (REP), fish and wildlife obligations, and the Covid-19 pandemic make for an extremely dynamic operating environment. These uncertainties make it difficult to predict needs, interests and priorities in the post 2028 world.
2. *Most of the underlying interests and principles that provided the foundation of the Regional Dialogue contracts remain valid, prescient and relevant.* Customers placed particular emphasis on lowest Tier 1 costs and Tier 1 rates, customer/regional support and equity, and promote infrastructure development.
3. *Customers generally feel that the current contracts and rates structure are working well, but would like to see certain key adjustments. Notably these include increased flexibilities related to customers' election and application of new non-federal resources to serve their loads as well as product modifications that will help utilities meet their peak loads.* Customers appreciate the certainty, reliability and ease of operations afforded by their long-term BPA contract and are generally satisfied with the current product mix and tiered rate structure. Customers expressed an interest for more flexibility around the application of new non-federal resources. BPA also heard interest around refining aspects of the Block and Slice/Block products.
4. *There is significant interest for clean, carbon-free product offerings, coupled with a strong desire to preserve BPA's current low-carbon fuel mix. The ability to comply with existing or anticipated low-carbon legislative requirements will be critical to many utilities. BPA's products will ideally help customers meet legislative requirements; at the very least, they cannot hinder customers' ability to do so.*

Beyond these key themes, BPA heard a range of thoughts and opinions on a variety of policy, contract and rate design elements associated with post-2028 service. Customers expressed sometimes mixed views on transfer service, Low Density Discount, Irrigation Rate Discount, energy efficiency, ideas around High Water Mark determinations and other adjustments to rate design and contract details. Tensions and tradeoffs exist when customers prioritize lowest cost rates, affordability and cost control in light of certain programs and service flexibilities.

Moving forward BPA will continue to listen and take feedback, creating ongoing opportunities for customers to communicate their post-2028 needs and wants to BPA. Upon release of this summary paper, BPA's goals are:

1. Reaffirm to preference customers that BPA hears their interests and concerns, and that it is BPA's goal to be their Provider of Choice post 2028; and,
2. Ask customers to confirm and/or refine BPA's key findings.

Through continued AE-led outreach, BPA plans to work with customers through the remainder of calendar year 2020 to further refine the key Provider of Choice themes and interests. In early 2021, BPA will start the iterative process of formulating the policy framework that will set the foundation for post-2028 Provider of Choice contracts and rates. This will involve continued collaboration and forward-thinking policy discussions with customers and representative groups. BPA is targeting late 2021 for the release of a Concept Paper and, beyond that, establishing a path toward contract offers in 2025.

2. The Customer Engagement Process

BPA kicked off the Provider of Choice discussions with preference customers in 2016. At the time, BPA was preparing its 2018-2023 Strategic Plan and contemplating its long-term cost competitiveness goals. Such goals would lend support to BPA's objective of remaining the wholesale power provider of choice when it offers new power sales contracts ahead of October 1, 2028. Through the 2016 Provider of Choice conversations, BPA gained an early understanding of customers' concerns and their long-term interests and service needs. A summary of the feedback gathered during those 2016 conversations can be found at bpa.gov.

In late 2019, BPA initiated a second round of Provider of Choice customer discussions. Led by AEs, BPA wanted to hear about customers' refined needs and interests regarding post-2028 service. While initially planned to conclude in the spring of 2020, this engagement period was extended through the summer to accommodate utilities' responses to the COVID-19 pandemic. BPA developed a number of tools to help facilitate this engagement including a customer questionnaire. Based on customer feedback, BPA decided against issuing the questionnaire as a formal survey, and AEs instead used the questions as a framework for more open, unstructured conversations about customers' post-2028 perspectives.

This summary paper reflects the feedback BPA collected during the customer engagement from November 2019 through August 2020. In addition to hearing feedback directly from customers, BPA also heard from the Public Power Council (PPC) and Northwest Requirements Utilities (NRU), two customer representative groups that advocate for the needs of many of BPA's preference customers.

While BPA reached out to all existing preference customers, some customers were unable to or elected not to participate in the post-2028 conversations during the engagement period. Therefore this summary does not reflect all customers' voices and perspectives, only those that participated. BPA will, of course, continue to listen and take feedback going forward. This

summary paper represents BPA's best attempt to capture customer perspectives. However, without a standardized, formal survey completed directly by customers, the bulk of the data used to inform this summary is secondary in nature, largely having been distilled from notes taken by the AEs of conversations with their customers. Despite best efforts the notes may not have always captured every aspect or nuance of a customer's expressed viewpoint.

3. Overview of Major Themes from 2020 Engagement

The following are the key themes that emerged from many months of conversations with customers. These themes are discussed in greater detail below.

1. This is a period of significant uncertainty in our industry and region.
2. Most of the underlying interests and principles that provided the foundation of the Regional Dialogue contracts remain valid, prescient and relevant.
3. Customers generally feel that the current contracts and rates structure are working well, but would like to see certain key adjustments. Notably these include increased flexibilities related to customers' election and application of new non-federal resources to serve their loads as well as product modifications that will help utilities meet their peak loads.
4. There is significant interest for clean, carbon-free product offerings, coupled with a strong desire to preserve BPA's current low-carbon fuel mix. The ability to comply with existing or anticipated low-carbon legislative requirements will be critical to many utilities.

4. Uncertainties and Concerns

Explicit in some cases and implied in others, BPA heard a theme of concern about a significant number of uncertainties that utilities are facing right now. These uncertainties are associated with processes that utilities do have some ability to influence, but also stem from outside influences that are largely beyond their control. Factors including evolving power markets (e.g. the Energy Imbalance Market (EIM), Day Ahead Market Enhancements, and the proposed Extended Day Ahead Market), potential resource adequacy requirements, electrification, progression of smart grid initiatives, the continued build out of distributed energy resources (e.g. solar and batteries), carbon requirements, and the pandemic (and associated economic and load uncertainties) are some of the significant uncertainties with which utilities, the region, and the energy industry are grappling. These uncertainties create an extremely dynamic market landscape. They challenge the ability of customers, and BPA, to predict how the electricity market will look and operate in the future, and make it difficult to identify priorities post 2028.

BPA overwhelmingly heard that customers appreciate BPA starting the post-2028 Provider of Choice process with a customer-centric focus on engagement. However, while post-2028 is very important to their utilities, staff and resources are limited in these unusual times. Utilities report that they are having to focus on other more pressing near-term issues right now, leaving less bandwidth for post-2028.

Many utilities spoke about the ongoing global pandemic, noting that the longer-term implications are still uncertain. Utilities generally report that loss of load and consumers' non-payment from the pandemic and resulting economic downturn has been less than initially expected, however load uncertainty was named by customers as a continued concern going forward.

Also, there are those issues that utilities feel they have less control over, what one customer dubbed as “the *big 5*”: (1) fish and wildlife, (2) Columbia River Treaty, (3) REP, (4) legislative uncertainty, and (5) increased demand on the Federal Columbia River Power System (FCRPS) paired with a declining Tier 1 system capability. Many customers share the concern regarding preference customers' long-term access to clean, affordable federal hydropower by limits placed on the FCRPS because of fish operations and other reasons, as well as cost concerns related to BPA's fish and wildlife program. Legislative uncertainty expressed by customers was most often related to states' carbon legislation and associated resource planning. These concerns were especially notable among utilities that are subject to Washington State's Clean Energy Transformation Act (CETA).

Not unrelated, customers are very concerned about resource adequacy. Customers inquired about BPA's ability or plans to add baseload generating resources, whether BPA would consider adding a capacity product to its offerings, and some expressed uncertainty as to how their utilities will cover their hourly peak for resource adequacy. With increased demand and the potential for FCRPS and Tier 1 system capability declines, customers are also concerned about the dilution of the existing clean/green benefits of the FCRPS, either from BPA's entrance into the EIM or BPA's need to supplement the system to meet energy or capacity shortfalls.

Additionally, uncertainty concerning the REP looms over the post 2028 period, with the expiration of the REP Settlement Agreement coinciding with expiration of BPA's Regional Dialogue contracts in 2028. One customer expressed strong opposition to continued benefits, and other customers cautiously lent support to the region pursuing another settlement. Overall, customers were interested in better understanding the history of the REP and how the region got to the current program and settlement. There was also some concern expressed that “the Residential Exchange will only get larger with carbon legislation and retirements of thermal resources.”

In the face of these many significant and varied uncertainties, one customer specifically requested that BPA provide customers with frequent, transparent communications. Keeping customers updated, they indicated, reassures them and helps to provide confidence in BPA and our shared future.

5. Interests/Foundational Principles

When BPA developed its post-2028 questionnaire in preparation for the 2019/2020 customer engagement, one of the key aspects BPA sought to better understand was customers' current priorities and whether they align, create tension with, or overlap with the “interests” or foundational principles of Regional Dialogue. As stated in the Long-Term Regional Dialogue Final Policy, those interests are: lowest Tier 1 costs and Tier 1 rates; durability/stability/contract

enforceability; customer/regional support and equity; certainty of obligations for all parties; promote infrastructure development consistent with the Northwest Power Act; consistency with BPA stewardship obligations; legality; simplicity; and advancement of national objectives. Given BPA's strategic emphasis on competitiveness and cost control, are these interests still relevant? Do customers want them carried forward into the Provider of Choice policy and contracts?

BPA heard customers' direct or indirect support for most of the Regional Dialogue interests, with primary emphasis on the following three interests:

- (1) Lowest Tier 1 costs and Tier 1 rates (aligns with interests around cost control/affordability);
- (2) Customer/regional support and equity (maximize the value of the existing federal system for preference customers, and ensure an equivalent value proposition between different products); and,
- (3) Promote infrastructure development (including investment in the transmission system, resource development for resource adequacy purposes, and support for customers' integration of renewable resources necessary to meet legislative requirements).

Borrowing the vernacular of BPA's Strategic Plan, BPA has worked diligently in recent years to 'bend the cost curve'. Customers acknowledged BPA's efforts in cost control to date and expressed their expectation that BPA will continue finding ways to control its costs and keep rates competitive. Customers want stable, predictable rates, minimal surcharges and cost control. Some customers also indicated a perspective that infrastructure development will be necessary, constituting a good investment worthy of an associated rate increase, and they are concerned that BPA may defer such maintenance/development costs into the future.

One customer requested that the next contract include a 'most favored nations' clause, generally understood to include terms that ensure all counterparties to an agreement get the same terms at contract execution, and this equivalency is preserved as the contract ages. BPA interprets this sentiment as support for the continuation of BPA's current practice of offering largely standardized contracts—whereby similarly situated customers receive identical contract terms, conditions, and access to services, with limited allowances for unique and special provisions and necessary tailoring of terms to accommodate customers' unique characteristics (e.g. use of third party transmission, or public entity versus cooperative). The interest in a 'most favored nations' clause also validates the continuation of transparency practices such as the Transparency of Net Requirements process. The standardization of contracts and a shared commitment to transparency align with the interests of simplicity, customer support and equity, and lends themselves to contract stability and ease of administration.

Once adopted, the Provider of Choice interests will be the guiding principles for BPA's post-2028 business decisions, informing the policy as well as the contracts. BPA looks forward to continuing the important conversation to formulate these principles with customers in the coming year.

6. Current Contracts and Rate Structure

BPA heard from a vast majority of customers that the existing deal—the service provided through terms and conditions in the existing Regional Dialogue power contracts, coupled with the rate design provided through the Tiered Rate Methodology (TRM)—is generally working well for them. Customers value the consistent terms and equivalent value proposition between different products and contracts. They appreciate the equity provided through the “high water mark” allocation of system costs and benefits. With some exceptions from customers that would prefer shorter contracts, customers appreciate the stability and planning certainty provided via the long term duration of the contracts. There have been no formal contract disputes under the Regional Dialogue contracts.

6(a) Product Considerations

Under Regional Dialogue, BPA offers three products: Load Following, Block, and Slice/Block. A very small number of customers communicated that the current contract is not working for them. There are some customers that would like to see BPA “get out of the box of its current products and services” and seek a new direction. However, the majority of customers that BPA heard from indicated that the current products are working well for their utilities.

Many Load Following customers place high value in the certainty, reliability and ease of operations afforded by their BPA contract. BPA heard from a number of customers that they appreciate not having to think very much about their BPA contracts or wholesale power supply. Block and Slice/Block customers also acknowledged that the basic deal is working well for them, albeit for distinct reasons. Block and Slice/Block customers appreciate the ease with which they can manage more diversified power portfolios of federal and non-federal resources. Likewise, BPA heard that Slice/Block customers value their freedom to pursue varied strategies for hedging and maximizing the value of surplus power in accordance with their own utility’s risk policies.

All this said, customers would like to see some improvements and have begun to offer ideas for desirable changes to the current products, services, and rates.

A common theme around the Load Following product was the interest for a more simplified rate design. Some of these customers noted the complexity of the TRM and its sometimes convoluted billing implications. Some customers expressed interest in a rate design that could be translated into a more traditional \$/MWh rate. Some customers also expressed concern about the reliance on inflexible load forecasts that lock utilities into purchase commitments for the portion of their load above their Rate Period High Water Mark (RHWM).

Current Slice/Block customers would like the ability to purchase an increased amount of Slice. There were various ideas shared around the specific mechanics, but essentially they would like to increase the allowable Slice percentage a customer can buy from today’s roughly 50% of their net requirement. Slice/Block customers are also interested in ways to reduce the Slice product’s operational complexity, which may reduce associated system and staffing costs. In response to changing market conditions, some Slice/Block customers mentioned the need to adjust certain

operational aspects of the product including scheduling timelines, and even contemplated shifting Slice to a day-ahead product. Universally, Slice/Block customers would also like to streamline or altogether eliminate the Requirements Slice Output Test.

Several Block and Slice/Block customers asked BPA to revisit aspects of the Block product to provide customers additional capacity to better meet their peak loads. This includes looking at the Block shaping factors to allow for a block shape that better fits a utility's monthly and diurnal net requirement, looking at adjustments to the Shaping Capacity product, and other ideas including the ability for Slice customers to "trade" Slice capacity amongst themselves to meet peak loads. Several Slice/Block customers also expressed an interest in having BPA pursue a "Peak Net Requirements" process for post-2028 contracts. For some customers, the lack of a Peak Net Requirement mechanism means their Slice/Block requirements purchase leaves them short on capacity at certain times of the year.

6(b) Flexibilities and Considerations for Non-federal Resources

A major area of feedback that spanned across all customer groups is the interest for additional flexibilities when applying non-federal resources to serve load. BPA interprets this request as being driven by the uncertainty utilities are experiencing right now, the prevailing use of market purchases for load service, as well as frustrations with certain aspects of the current Regional Dialogue contracts. Customers have asked for increased flexibilities specifically when it comes to the ability to add and remove resources more nimbly with less advance notice and shorter commitment windows than currently allowed under the Regional Dialogue contracts. Some customers expressed an interest in relaxing aspects of BPA's Tier 1 take-or-pay requirements. There was also interest for raising the size threshold (currently 200 kilowatts) for small resources needing to be metered and tracked in the contract which, customers argue, would make the addition of small renewable resources less onerous and time-intensive. Many customers expressed frustration with both the costs and complexities associated with BPA's offering and pricing of Resource Support Services.

Many customers are eager for further discussion on the treatment of longer-term non-federal storage resources such as batteries and pumped hydro resources. To date, BPA has largely not needed to address such resources in the contract. However, as the region moves forward, given potential resource adequacy requirements and low-carbon legislative mandates, these resources will likely become more common and treatment will need to be clarified for the next contract. Questions posed include: Will BPA treat batteries and pumped hydro as a resource or a load? How would they factor into a utility's net requirement for both energy and capacity?

6(c) Rate Structure, Rate Case Frequency, High Water Marks, Costs

When BPA and its preference customers transitioned from the Subscription contract to Regional Dialogue, it was a complete paradigm shift from melded rates to a tiered rate structure. Equitable access to BPA's lowest cost Tier 1 power, the equitable distribution of costs, and the establishment of cost pools are tenets of the TRM. Though some customers signaled a desire for a different or simpler rate structure, most customers expressed support for the general approach provided through BPA's current tiered rate structure.

Customer feedback on preferred rate case frequency varied, but generally aligned around the cadence of every two to three years, as that was “the sweet spot between too often and not often enough”. By statute, BPA has to conduct 7(i) rate cases no less frequent than every five years. For one utility that prefers rate cases to be held annually, it reasoned that it does not like large rate increases and would rather have smaller rate increases more frequently, making it is easier to evaluate and budget on an annual basis. Others state that every two years is too often, preferring every four to five years. One customer commented on the timing of the rate case, stating that, for utility budgeting purposes, finalizing the rate case in May or June would be helpful.

Relative to rates, the tiered rate structure, and the TRM, most customers deferred to high-level comments such as wanting increased simplicity or expressing general satisfaction. However, some utilities were more specific in describing their preferences.

On Contract High Water Marks (CHWM), some customers preferred a rollover of customers’ existing CHWMs into the Provider of Choice contract. Others indicated they will ask for a more wholesale resetting of CHWMs, one that will take into account a utility’s changes in loads and resources. One customer suggested the use of a composite, or average, of some given set of multiple years for setting CHWMs, rather than the use of a single baseline year as was done in Regional Dialogue. Regarding RHWMs, some customers suggested the idea of fixing the size of the Tier 1 system, and thereby fixing RHWMs, by augmenting the system to offset any reductions in system capability, instead of having RHWMs adjust every two years. Such a refinement would provide customers greater planning certainty around their Tier 1 purchase amount. Some customers also suggested a shift to using average water, instead of critical, when determining the size of the Tier 1 system. This approach would increase each customer’s Tier 1 purchase ability, but would reduce the amount of surplus power available for sale (and accordingly reduce the secondary energy credit available for Load Following and Block customers).

Other feedback BPA received regarding rates, charges, and costs include the following ideas:

- Reset contract demand quantities and explore adjusting the demand calculation.
- Retain secondary revenues as a credit based on forecasts or use an after-the-fact rebate based on actuals.
- Rebalance the allocation of costs for generation and flood control on the FCRPS as well as Columbia River Treaty.
- Offer a more attractive, competitively priced New Resource (NR) rate for service to New Large Single Loads that would also be available for Slice/Block customers.

6(d) Timing for Contract Offers and Term

The current timeline that BPA has shared with customers for the preparation of the Provider of Choice post-2028 policy, ROD and contract development has BPA offering and executing contracts at the end of calendar year 2025, just short of three years prior to the anticipated October 1, 2028 start of power deliveries under those contracts. A few customers asked, for different reasons, whether BPA would consider offering contracts prior to 2025, while one

customer expressed that 2025 is too soon. BPA intentionally built flexibilities into its work plan and proposed timeline to allow for process expansion or contraction, as necessary.

Some Washington customers expressed that there are certain key milestone dates of CETA that may necessitate their resource decisions prior to 2025.¹ BPA and customers may decide to further discuss and consider the signing dates and duration of the post-2028 contracts in light of these milestones.

Many customers expressed that they like the security of a long-term, 20-year power sales contract, though some noted a preference for shorter-term contracts if BPA was to deviate significantly from today's contracts and rate design. Customers recognized that BPA's very low-carbon FCRPS is becoming increasingly valuable and desirable, and they want to maximize and lock in their allocation of BPA's supply. BPA prefers a long-term 20-year contract, which is consistent with sound business principles and helps protect its long-term financial stability. Many customers acknowledged that long-term, 20-year contracts are in BPA's best interests, though some expressed trepidation with 20 years given the uncertainties noted earlier. Of the customers that provided post-2028 feedback, they almost universally expressed a desire for contracts between 10 and 20 years, and many customers expressed interest in a 20-year contract if it were to come with off-ramps.

7. Preservation of BPA's Fuel Mix and Compliance with Low-Carbon Legislative Requirements

Utilities throughout the region want BPA to continue to offer clean power and distribute customers' pro rata share of the federal system's environmental attributes; similarly, a significant number of customers punctuated how crucial it will be for BPA to preserve its current low-carbon fuel mix. With the onset of CETA in Washington, together with expectations for similar legislation in Oregon, a large number of customers emphasized that any future BPA service offering must facilitate utility compliance with these low-carbon legislative requirements. One customer described how BPA's future service offerings would ideally help customers comply with these requirements, but at a minimum, they should not be an impediment. In the event that BPA's offerings frustrate utilities' ability to comply, it could materially weigh on these customers' interest in BPA's Provider of Choice products and put BPA's competitiveness in peril.

Stepping back, customers do see BPA's low-carbon fuel mix as an extremely attractive product attribute, one that will likely increase in value as we move toward 2028 and beyond. Some customers also noted appreciation for BPA's willingness to assist smaller utilities with reporting requirements and expressed a desire for BPA to continue this role moving forward.

¹ Under CETA, by 2025 – All electric utilities must eliminate coal-fired generation from rates when serving Washington state customers. 2030 – All electric utilities must be greenhouse gas neutral—for example, remaining carbon emissions are offset by renewable energy, energy efficiency, carbon reduction project investments, or payments funding low-income assistance. 2045 – All electric utilities must generate 100% of their power from renewable or zero-carbon resources.

Source: <https://www.utc.wa.gov/regulatedIndustries/utilities/energy/Pages/CETAoverview.aspx>

Many customers stated that they want BPA to offer a 100% carbon-free product or even a product that could guarantee compliance with CETA. Some customers also expressed a concern for the small amount of carbon emissions in BPA's system mix due to unspecified market purchases and worried how this might impact their compliance with state mandates. Many customers noted concerns around their ability to add and remove new carbon-free non-federal resources when necessary to comply with state requirements. Additionally, BPA heard relatively robust support for nuclear generation, whether in the FCRPS resource mix given its carbon-free, baseload characteristics, or related to the region's utilities pursuing small modular reactors. Interest in some of these product offerings may be constrained by BPA's statutorily-based practice of providing power from a single system with a single fuel mix, but more work may reveal creative solutions. Interest in a low-carbon/carbon-free product may also be constrained by price, as some customers worried that the associated premium will make the product too expensive.

Given the volume and fervor of the feedback BPA received around preserving BPA's fuel mix and the necessity for BPA to offer carbon-free or near carbon-free products, compliance with low-carbon legislative requirements may emerge as a foundational interest for the Provider of Choice contracts.

8. Additional Takeaways

The following topics were also discussed during the customer engagement phase, though with less frequency or emphasis as the topics noted above. BPA anticipates that these topics will feature significantly in the discussions ahead on the Provider of Choice contracts.

8(a) Transfer Service

Transfer service customers expressed significant anxieties around the enormous uncertainties and potential cost exposures they face due to BPA's lack of transmission facilities that extend to their system. These customers advocated for BPA to continue acquiring reliable and consistent transfer service, and to treat these acquisitions as a cost shared amongst all BPA customers. A few transfer customers also specifically requested that BPA continue to provide a certain amount of financial assistance for their non-federal resources used to serve requirement loads above their RHW. Some customers stressed the critical importance for BPA's continued support of the Regional Dialogue principle that transfer service customers are treated the same as directly connected customers. Other customers expressed an interest in considering alternatives (i.e. exchanges) or a scaling back to the current transfer service program that would present lower costs for Tier 1 rates post 2028. Many customers supported the concept of exploring a shift of all transfer service costs to BPA Transmission.

8(b) Low Density Discount (LDD) and Irrigation Rate Discount (IRD)

Many customers expressed strong support for BPA to continue administering the LDD and IRD programs at current levels, while other customers indicated interest in exploring ways to lower

the costs associated with these programs. A number of customers communicated deep dissatisfaction with the current IRD program, noting inequitable treatment regarding which utilities have grandfathered access to IRD benefits. Such customers would like to see BPA evaluate the eligibility criteria for the program, considering the role of corporate farms, for instance. One customer also requested that BPA look for ways to “reduce the administrative burdens” of the LDD program.

8(c) Energy Efficiency

While the engagement with customers was focused on core power products, rate design and associated policies, BPA did receive feedback on its energy efficiency (EE) program. There was distinct appreciation expressed for the technical expertise that BPA’s EE staff provides, particularly the engineering assistance some customers receive. One customer opined that they would like to see EE staff utilize their expertise more as consultants instead of managing incentives and programs. Some customers expressed a desire for increased self-funding options (up to 100%), while others appreciated the current mix. There seemed to be general support for the basic equity model, which associates a utility’s conservation budget with that customer’s Tier 1 cost allocator (TOCA). Customers also valued the ability for utilities to shift energy efficiency incentive (EEI) dollars between one another. A few customers encouraged BPA to continue or expand its demand response program post-2028, with one utility asking BPA to explore allowing utilities to use their EEI toward renewable resources and/or demand response projects. There was a sentiment shared with BPA that west-side utilities benefit from regional based conservation programs more so than east-side utilities, and that the availability of low cost conservation is diminishing in largely rural and residential areas. Additionally, BPA heard support for increased ease of implementation, flexibility or options for the smaller utilities.

8(d) Staffing and Resources

Staff turnover at utilities and the resulting loss of customer institutional knowledge are concerns across the region. When asked their opinions on the Regional Dialogue policy and contracts, it became clear that many utility staffs, managers and board members would find value in educational materials to either establish a baseline knowledge for newer employees or to refresh memories about the products, services and rate structure that customers currently have. To that end, BPA has developed and launched a [Provider of Choice website](#) that contains various tools and resources, including educational fact sheets on a variety of topics.

Some customers expressed concern with BPA’s current staffing levels, questioning whether current staff levels can support the many initiatives BPA is advancing. Specifically, customers mentioned EIM, EDAM, and post-2028 contract development. BPA also heard feedback that customers need closer, more proactive collaboration between BPA Power and BPA Transmission staff to ensure transmission products and services work seamlessly with post-2028 power contracts.

9. Moving Forward: Next Steps and Addressing Tough Issues Together

This summary paper is a means of sharing the aggregate results of the customer feedback BPA collected during its customer engagement from November 2019 through August 2020. BPA acknowledges that this summary may not be a perfect reflection of customer sentiments and that there may be gaps representing the customers' viewpoints not yet shared with BPA. It is important that customers know that this is just the beginning. BPA will continue to create the time and space for customers to engage in these conversations and communicate their post-2028 needs and wants to BPA.

In releasing this summary paper BPA wants to:

1. Reaffirm to preference customers that we hear their interests and concerns, and that it is BPA's goal to be their Provider of Choice post 2028.
2. Offer customers the opportunity to confirm and refine key findings and contemplate the following questions:
 - Did BPA hear the customers' concerns and interests correctly?
 - Have the pandemic, economy, legislative environment and other recent factors changed the perspectives reflected in this document?

Through continued AE-led outreach, BPA plans to work with customers through the remainder of calendar year 2020 to further hone in on the key Provider of Choice themes and interests. In early 2021, the focus will turn toward the development of a Concept Paper. With the results of the customer engagement, BPA expects to have sufficient feedback to begin the iterative process of aligning around the high-level Provider of Choice contract principles, rate structure, products, and policy direction. This effort will consist of extensive outreach and partnering with customers and customer representative groups, in addition to BPA's internal analysis and policy development.

As BPA transitions into these iterative policy discussions that will inform the late-2021 Concept Paper, BPA anticipates customers and other stakeholders will also start regional consideration around some of the more challenging policy questions. BPA invites customers, trade groups, and other stakeholders to assist in the consideration and analysis of the following questions (among others):

- Is it correct that customers want to maintain today's basic product mix and tiered rate design? Should BPA consider changing the methodology of CHWM determinations? RHWM process?
- How should BPA manage implications for the carbon content of the federal system, either good or bad, if BPA needs to augment the system?
- If a resource adequacy standard is enacted, what role should BPA's products serve? How should BPA's product mix respond to the customers' need for additional capacity to meet peak loads?

- Should BPA consider product refinements to allow for more flexible addition or removal of non-federal resources? What might be the trade-offs?

BPA looks forward to the thoughtful conversations, collaboration and healthy Provider of Choice policy debates in the coming years as the region, together, advances toward the next phase of BPA's policy and contracts to extend the Pacific Northwest's rich history of low-cost, reliable and low-carbon public power for regional benefit into the future.